

Request for Proposals

Investment Advisor and General Pension Consultant

SOLICITATION NO. G50B1400005



Board of Trustees,
Maryland
Teachers & State Employees
Supplemental Retirement Plans

Issue Date: April 26, 2011

NOTICE

Prospective Offerors who have received this document from the Maryland Supplemental Retirement Plans' web site or eMarylandMarketplace.com, or who have received this document from a source other than the Procurement Officer, and who wish to assure receipt of any changes or additional materials related to this RFP, should immediately contact the Procurement Officer and provide their name and mailing address so that amendments to the RFP or other communications can be sent to them.

Minority Business Enterprises are Encouraged to Respond to this Solicitation

**STATE OF MARYLAND
NOTICE TO OFFERORS/CONTRACTORS**

In order to help us improve the quality of State proposals solicitations, and to make our procurement process more responsive and business friendly, we ask that you take a few minutes and provide comments and suggestions regarding the enclosed solicitation. Please return your comments with your proposals. If you have chosen not to bid on this Contract, please fax this completed form to: 410-659-0349 to the attention of the Procurement Officer, Richard Arthur.

Title: Investment Advisor and General Pension Consultant

Project No: G50B1400005

1. If you have responded with a "no bid", please indicate the reason(s) below:

- Other commitments preclude our participation at this time.
- The subject of the solicitation is not something we ordinarily provide.
- We are inexperienced in the work/commodities required.
- Specifications are unclear, too restrictive, etc. (Explain in REMARKS section.)
- The scope of work is beyond our present capacity.
- Doing business with Maryland Government is simply too complicated. (Explain in REMARKS section.)
- We cannot be competitive. (Explain in REMARKS section.)
- Time allotted for completion of the bid/proposals is insufficient.
- Start-up time is insufficient.
- Bonding/Insurance requirements are restrictive. (Explain in REMARKS section.)
- Bid/Proposals requirements (other than specifications) are unreasonable or too risky. (Explain in REMARKS section.)
- MBE requirements. (Explain in REMARKS section.)
- Prior State of Maryland Contract experience was unprofitable or otherwise unsatisfactory. (Explain in REMARKS section.)
- Payment schedule too slow.
- Other: _____

2. If you have submitted a bid or proposal, but wish to offer suggestions or express concerns, please use the Remarks section below. (Use reverse or attach additional pages as needed.)

REMARKS:

Offeror Name: _____ Date: _____

Contact Person: _____ Phone (____) _____ - _____

Address: _____

KEY INFORMATION SUMMARY SHEET

STATE OF MARYLAND
Board of Trustees,
Maryland Supplemental Retirement Plans

Request For Proposals

Investment Advisor and General Pension Consultant

PROJECT NUMBER G50B1400005

RFP Issue Date: April 26, 2011

RFP Issuing Office: Maryland Supplemental Retirement Plans

Procurement Officer: Richard Arthur
Office Phone: 410-767-8740
Fax: 410-659-0349
Email: RArthur@MSRP.state.md.us

Proposals are to be sent to: Maryland Supplemental Retirement Plans
6 Saint Paul Street, Suite 200
Baltimore, Maryland 21202
Attention: Richard Arthur

Pre-Proposal Conference: May 11, 2011 at 1:00 PM (Local Time)
Maryland Supplemental Retirement Plans
6 Saint Paul Street, Suite 200
Baltimore, Maryland 21202

Closing Date and Time: June 1, 2011 at 2:00 PM (Local Time)

NOTE

Prospective Offerors who have received this document from the Maryland Supplemental Retirement Plans' web site or eMarylandMarketplace.com, or who have received this document from a source other than the Procurement Officer, and who wish to assure receipt of any changes or additional materials related to this RFP, should immediately contact the Procurement Officer and provide their name and mailing address so that amendments to the RFP or other communications can be sent to them.

Table of Contents

SECTION 1 - GENERAL INFORMATION..... 1

1.1 SUMMARY STATEMENT 1

1.2 ABBREVIATIONS AND DEFINITIONS..... 1

1.3 CONTRACT TYPE..... 2

1.4 CONTRACT DURATION..... 2

1.5 PROCUREMENT OFFICER 2

1.6 CONTRACT MANAGER 3

1.7 PRE-PROPOSAL CONFERENCE 3

1.8 eMARYLANDMARKETPLACE 3

1.9 QUESTIONS 4

1.10 PROPOSALS DUE (CLOSING) DATE..... 4

1.11 DURATION OF OFFER 5

1.12 REVISIONS TO THE RFP 5

1.13 CANCELLATIONS; DISCUSSIONS..... 5

1.14 ORAL PRESENTATION 5

1.15 INCURRED EXPENSES 5

1.16 ECONOMY OF PREPARATION 6

1.17 PROTESTS/DISPUTES 6

1.18 MULTIPLE OR ALTERNATE PROPOSALS..... 6

1.19 ACCESS TO PUBLIC INFORMATION ACT NOTICE 6

1.20 SELECTED OFFEROR RESPONSIBILITIES 6

1.21 MANDATORY CONTRACTUAL TERMS 6

1.22 PROPOSAL AFFIDAVIT..... 7

1.23 CONTRACT AFFIDAVIT..... 7

1.24 MINORITY BUSINESS ENTERPRISES..... 7

1.25 ARREARAGES..... 7

1.26 PROCUREMENT METHOD 8

1.27 VERIFICATION OF REGISTRATION AND TAX PAYMENT 8

1.28 FALSE STATEMENTS 8

1.29 PAYMENTS BY ELECTRONIC FUNDS TRANSFER..... 8

1.30 LIVING WAGE REQUIREMENTS 9

1.31 CONFLICT OF INTEREST AFFIDAVIT AND DISCLOSURE/INDEPENDENCE 9

1.32 SUBCONTRACTOR PROMPT PAYMENT POLICY 9

1.33 FIDUCIARY..... 10

SECTION 2 – OFFEROR MINIMUM QUALIFICATIONS 11

2.1 EXPERIENCE REQUIRED 11

2.2 DOCUMENTATION OF EXPERIENCE..... 11

2.3 QUANTITATIVE MINIMUMS..... 11

SECTION 3 – SCOPE OF WORK 12

3.1 PURPOSE AND BACKGROUND..... 12

3.2	SCOPE OF WORK – REQUIREMENTS	13
3.3	REPORTS	14
3.4	MEETINGS.....	15
3.5	SUBSTITUTION OF PERSONNEL.....	15
3.6	INVOICING	18
SECTION 4 – PROPOSAL FORMAT		19
4.1	TWO PART SUBMISSION.....	19
4.2	PROPOSALS	19
4.3	SUBMISSION.....	19
4.4	VOLUME I – TECHNICAL PROPOSAL.....	20
4.5	VOLUME II - FINANCIAL PROPOSAL.....	23
SECTION 5– EVALUATION CRITERIA AND SELECTION PROCEDURE.....		24
5.1	EVALUATION & SELECTION.....	24
5.2	TECHNICAL CRITERIA	24
5.3	FINANCIAL CRITERIA.....	24
5.4	RECIPROCAL PREFERENCE.....	24
5.5	SELECTION PROCEDURES.....	25
ATTACHMENTS.....		26
	ATTACHMENT A – CONTRACT	27
	ATTACHMENT B – BID/PROPOSAL AFFIDAVIT	39
	ATTACHMENT C - CONTRACT AFFIDAVIT	47
	ATTACHMENT D – MINORITY BUSINESS ENTERPRISE	48
	ATTACHMENT E – PRE-PROPOSAL CONFERENCE RESPONSE FORM.....	59
	ATTACHMENT F – PRICE PROPOSAL FORM INSTRUCTIONS.....	60
	ATTACHMENT G – LIVING WAGE REQUIREMENTS FOR SERVICE CONTRACTS.....	62
	ATTACHMENT H - AFFIDAVIT, MARYLAND LIVING WAGE REQUIREMENT	65
	ATTACHMENT H – LIVING WAGE AFFIDAVIT OF AGREEMENT (CONTINUED).....	66
	ATTACHMENT I- CONFLICT OF INTEREST AFFIDAVIT AND DISCLOSURE	67
ATTACHMENT J – MSRP FINANCIAL STATEMENTS 2009/2008		
ATTACHMENT K – MSRP INVESTMENT POLICY DOCUMENT		
ATTACHMENT L – FOURTH QUARTER 2010 -		
MSRP INVESTMENT PERFORMANCE REPORT		
ATTACHMENT M – MSRP BIENNIAL REPORT		

SECTION 1 - GENERAL INFORMATION

1.1 Summary Statement

- 1.1.1 This Request for Proposals (RFP) is divided into five sections. Section one gives general information and requirements, section two describes the minimum qualifications necessary to respond, section three specifically describes the services requested and the miscellaneous conditions applicable thereto, section four contains the detailed request for specific information that Offerors are required to submit in response to this RFP, and section five details the evaluation and selection procedure used to award the contract.
- 1.1.2 The purpose of this RFP is to procure, through the competitive sealed proposals process, investment advisory and general pension consulting services to the Board of Trustees, especially as related to the supplemental retirement plans under their authority and supervision: the 457(b) plan; the 401(k) savings and investment plan; the 403(b) tax-sheltered annuity plan; and the 401(a) match plan. A quarterly investment performance report is to be completed within 45 days of each quarter end and presented at the subsequent Board meeting. The arrangement requires attendance at all Board meetings and Investment Committee meetings, preparation and coordination of annual Board planning meetings, research and advice for four investment searches per year, proposal evaluations for a stable value manager search in the fifth year, and advice and assistance with participant communications. Finally, this advisor will be required to deliver a biennial report of in-depth evaluation of investment options, plan features and general pension operations.
- 1.1.3 It is the Board's intention to obtain services, as specified in this Request for Proposals, from a Contract between the successful Offeror and the State.
- 1.1.4 MSRP intends to award one contract to the Offeror whose proposal is deemed to be the most advantageous to the State.
- 1.1.5 Offerors, either exclusively or in combination with their sub-contractors, must be able to provide the services and meet the requirements requested in this solicitation.

1.2 Abbreviations and Definitions

For purposes of this RFP, the following abbreviations or terms have the meanings indicated below:

- a. **Board** – the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans.
- b. **COMAR** – Code of Maryland Regulations available on-line at www.dsd.state.md.us .
- c. **Contract** – The Contract awarded to the successful Offeror pursuant to this RFP. The Contract will be in the form of Attachment A.

- d. **Contract Manager (CM)** – The Board representative for this project who is primarily responsible for Contract administration functions, including issuing written direction, compliance with terms and conditions, and achieving on budget/on time/on target (e.g., within scope) completion of the project.
- e. **Contractor** – The selected Offeror that is awarded a Contract by the Board.
- f. **Local Time** – Time in the Eastern Time Zone as observed by the State of Maryland.
- g. **MBE** – A Minority Business Enterprise certified by the Maryland Department of Transportation under COMAR 21.11.03.
- h. **MSRP** – the Maryland Teachers and State Employees Supplemental Retirement Plans, alternatively referred to with the shortened title of the Maryland Supplemental Retirement Plans.
- i. **Normal MSRP Business Hours** - Normal MSRP business hours are 8:00 a.m. to 4:30 p.m. Monday through Friday except State Holidays, which can be found at: www.dbm.maryland.gov - keyword State Holidays.
- j. **Offeror** – An entity that submits a proposal in response to this RFP.
- k. **Plan Year** – means the 12-month period beginning January 1 and ending December 31 of the calendar year.
- l. **Procurement Officer** – The State representative for the resulting Contract. The Procurement Officer is responsible for the Contract, issuing notices to proceed, determining scope issues, and is the only Board representative that can authorize changes to the Contract. MSRP may change the Procurement Officer at any time by written notice to the Contractor.
- m. **Request for Proposals (RFP)** – This Request for Proposals for Investment Advice and General Pension Consulting Services, Solicitation Number G50B1400005 dated April 26, 2011, including any amendments.
- n. **State** – “State” means the State of Maryland.

1.3 Contract Type

The Contract that results from this RFP shall be a firm fixed price in accordance with COMAR 21.06.03. There is no requirement that the price for each year of the contract be the same.

1.4 Contract Duration

The Contract resulting from this RFP shall be for a period of five (5) years beginning on or about August 1, 2011 and ending July 31, 2016.

1.5 Procurement Officer

The sole point of contact in the State for purposes of this RFP prior to the award of any Contract is the Procurement Officer at the address listed below:

Richard Arthur
Maryland Supplemental Retirement Plans

6 Saint Paul Street, Suite 200
Baltimore, Maryland 21202
Phone Number: 410-767-8740
Fax Number: 410-659-0349
E-mail: RArthur@MSRP.state.md.us

MSRP may change the Procurement Officer at any time by written notice.

1.6 Contract Manager

The individual responsible for day-to-day administration and management of the Contract issued pursuant to this RFP shall be the Contract Manager identified below:

Michael Halpin
Maryland Supplemental Retirement Plans
6 Saint Paul Street, Suite 200
Baltimore, Maryland 21202
Phone Number: 410-767-8740
Fax Number: 410-659-0349
Email: MHalpin@MSRP.state.md.us

MSRP may change the Contract Manager at any time by written notice.

1.7 Pre-Proposal Conference

A Pre-proposal Conference (Conference) will be held on May 11, 2011, beginning at 1:00 PM, at the offices of the MSRP Board of Trustees, 6 Saint Paul Street, Suite 200, Baltimore, Maryland 21202.

The Pre-Proposal Conference will be summarized. As promptly as is feasible subsequent to the Pre-Proposal Conference, a summary of the Pre-Proposal Conference and all questions and answers known at that time will be distributed to all prospective Offerors known to have received a copy of this RFP.

In order to assure adequate seating and other accommodations at the Pre-Proposal Conference, please e-mail, mail or fax (at 410-659-0349) the Pre-Proposal Conference Response Form to the attention of the Procurement Officer with such notice no later than 4:00 PM on May 6, 2011. The Pre-Proposal Conference Response Form is included as Attachment E to this RFP. In addition, if there is a need for sign language interpretation and/or other special accommodations due to a disability, please call or E-mail no later than May 3, 2011. MSRP will make a reasonable effort to provide such special accommodation.

1.8 eMarylandMarketplace

Each Offeror must indicate their eMaryland Marketplace vendor number in the Transmittal Letter (cover letter) submitted at the time of their Technical Proposal submission to this RFP.

eMM is an electronic commerce system administered by the Maryland Department of General Services. In addition to using the MSRP web site (<http://MSRP.state.md.us>) and other means for transmitting the RFP and associated materials, the solicitation and summary of the pre-proposal conference, Offeror questions and the Procurement Officer's responses, addenda, and other solicitation related information will be provided via e-Maryland Marketplace.

In order to receive a contract award, a vendor must be registered on eMarylandMarketplace (eMM). **Registration is free.** Go here to register: <https://emarylandmarketplace.com>. Click on "Registration" to begin the process and follow the prompts.

1.9 Questions

Written questions from prospective Offerors will be accepted by the Procurement Officer prior to the pre-proposal conference. If possible and appropriate, such questions will be answered at the pre-proposal conference. (No substantive question will be answered prior to the pre-proposal conference.) Questions may be submitted by mail, facsimile, or preferably, by Email to the Procurement Officer. Questions, both oral and written, will also be accepted from prospective Offerors attending the Pre-Proposal Conference. If possible and appropriate, these questions will be answered at the Pre-Proposal Conference.

Questions will also be accepted subsequent to the Pre-Proposal Conference and should be submitted in a timely manner prior to the proposal due date to the Procurement Officer. Time permitting, answers to all substantive questions that have not previously been answered and are not clearly specific only to the requestor, will be distributed to all vendors who are known to have received a copy of the RFP.

1.10 Proposals Due (Closing) Date

An original and ten (10) bound copies of each proposal (technical and financial) must be received by the Procurement Officer, at the address listed in Section 1.5, no later than 2:00 PM (local time) on June 1, 2011 in order to be considered. An electronic version on CD of the Technical Proposal in MS Word format must be enclosed with the original technical proposal. An electronic version on CD of the Financial Proposal in MS Word or Excel format must be enclosed with the original financial proposal. Ensure that the CDs are labeled with the RFP title, RFP number, and Offeror name and packaged with the original copy of the appropriate proposal (technical or financial).

Requests for extension of this date or time will not be granted. Offerors mailing proposals should allow sufficient mail delivery time to ensure timely receipt by the Procurement Officer. Except as provided in COMAR 21.05.03.02F, proposals received by the Procurement Officer after the due date of June 1, 2011 at 2:00 PM (local time) will not be considered.

Proposals may not be submitted by Email or facsimile.

1.11 Duration of Offer

Proposals submitted in response to this RFP are irrevocable for 120 days following the closing date of proposals or of Best and Final Offers (BAFOs), if requested. This period may be extended at the Procurement Officer's request only with the Offeror's written agreement.

1.12 Revisions to the RFP

If it becomes necessary to revise this RFP before the due date for proposals, amendments will be provided to all prospective Offerors who were sent this RFP or otherwise are known by the Procurement Officer to have obtained this RFP. In addition, amendments to the RFP will be posted on the MSRP website (www.MSRP.state.md.us) and through eMarylandMarketplace. Amendments made after the due date for proposals will be sent only to those Offerors who submitted a timely proposal.

Acknowledgment of the receipt of all amendments issued before the proposal due date to this RFP must accompany the Offeror's proposal in the Transmittal Letter accompanying the Technical Proposal submittal. Acknowledgement of the receipt of amendments to the RFP issued after the proposal due date shall be in the manner specified in the amendment notice. Failure to acknowledge receipt of amendments does not relieve the Offeror from complying with all terms of any such amendment.

1.13 Cancellations; Discussions

The State reserves the right to cancel this RFP, accept or reject any and all proposals, in whole or in part, received in response to this RFP, to waive or permit cure of minor irregularities, and to conduct discussions with all qualified or potentially qualified Offerors in any manner necessary to serve the best interests of the State. The State also reserves the right, in its sole discretion, to award a Contract based upon the written proposals received without prior discussions or negotiations.

1.14 Oral Presentation

Offerors May be required to make oral presentations to State representatives. Significant representations made by an Offeror during the oral presentation shall be submitted in writing. All such representations will become part of the Offeror's proposal and are binding if the Contract is awarded. The Procurement Officer will notify Offerors of the time and place of oral presentations, if any.

1.15 Incurred Expenses

The State will not be responsible for any costs incurred by an Offeror in preparing and submitting a proposal, in making an oral presentation, in providing a demonstration, or in performing any other activities relative to this solicitation.

1.16 Economy of Preparation

Proposals should be prepared simply and economically, providing a straightforward, concise description of the Offeror's proposals to meet the requirements of this RFP.

1.17 Protests/Disputes

Any protest or dispute related respectively to this solicitation or the resulting Contract shall be subject to the provisions of COMAR 21.10 (Administrative and Civil Remedies).

1.18 Multiple or Alternate Proposals

Neither multiple nor alternate proposals will be accepted.

1.19 Access to Public Information Act Notice

An Offeror should give specific attention to the clear identification of those portions of its proposal that it considers confidential, proprietary commercial information or trade secrets, and provide justification why such materials, upon request, should not be disclosed by the State under the Access to Public Records Act, Title 10, Subtitle 6, of the State Government Article of the Annotated Code of Maryland. (See Section 4.4.4)

Offerors are advised that upon request for this information from a third party, the Procurement Officer is required to make an independent determination whether the information can be disclosed. Information which is claimed to be confidential is to be placed after the Title Page and before the Table of Contents in the Technical proposal and if applicable in the Financial proposal.

1.20 Selected Offeror Responsibilities

The selected Offeror shall be responsible for all products and services required by this RFP. All known subcontractors must be identified and a complete description of their role relative to the proposals must be included in the Offeror's proposals. Additional information regarding MBE subcontractors is provided under paragraph 1.24 below. If an Offeror that seeks to perform or provide the services required by this RFP is a subsidiary of another entity, all information submitted by the Offeror, such as but not limited to, references and financial reports, shall pertain exclusively to the Offeror, unless the parent organization will guarantee the performance of the subsidiary. If applicable, the Offeror's proposal must contain an explicit statement that the parent organization will guarantee the performance of the subsidiary.

1.21 Mandatory Contractual Terms

By submitting an offer in response to this RFP, an Offeror, if selected for award, shall be deemed to have accepted the terms of this RFP and the Contract, attached as Attachment A. Any exceptions to this RFP or the Contract must be clearly identified in the Executive Summary of the technical proposal. A proposal that takes exception to these terms may be rejected.

1.22 Proposal Affidavit

A proposal submitted by an Offeror must be accompanied by a completed Bid/Proposal Affidavit. A copy of this Affidavit is included as Attachment B of this RFP.

1.23 Contract Affidavit

All Offerors are advised that if a Contract is awarded as a result of this solicitation, the successful Offeror will be required to complete a Contract Affidavit. A copy of this Affidavit is included for informational purposes as Attachment C of this RFP. This Affidavit must be provided within five business days of notification of proposed Contract award.

1.24 Minority Business Enterprises

An MBE subcontract participation goal of five percent (5 %) of the total contract dollar amount has been established for this procurement. The successful Offeror shall structure its awards of subcontracts under the contract in a good faith effort to achieve the goal in such subcontract awards by businesses certified by the State of Maryland as minority owned and controlled. MBE requirements are explained and specified in ATTACHMENT D of this RFP.

Minority Business Enterprises (MBE) are encouraged to respond to this solicitation notice. Minority Business Enterprises are encouraged to obtain certification from the Office of Minority Business Enterprise. All questions related to certification must be directed to:

Maryland Department of Transportation
Office of Minority Business Enterprise
P.O. Box 8755
B.W.I. Thurgood Marshall Airport, Maryland 21240-0755
Telephone: 410 865-1269

or via the Internet at: <http://www.mdot.state.md.us>. Select the MBE Program label. The most current and up-to-date information on MBEs is available via the web site.

Offerors attempting to classify themselves as minority contractors within the meaning of State procurement laws and regulations shall not be so viewed until and unless they are certified as such by the Office of Minority Enterprises and Equal Opportunity.

A current directory of MBE's is available through the Maryland State Department of Transportation, Office of Minority Business Enterprise at 410-865-1269. If the Offeror has not proposed minority participation of five percent (5%) or more, the Offeror must submit a statement of explanation of: (a) its good faith attempts to procure such participation, and; (b) why such participation is not feasible in light of the services to be performed. Such non-complying Offeror may then request a waiver of this requirement.

1.25 Arrearages

By submitting a response to this solicitation, each Offeror represents that it is not in arrears in the payment of any obligations due and owing the State, including the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of the Contract if selected for Contract award.

1.26 Procurement Method

This Contract will be awarded in accordance with the competitive sealed proposals process under COMAR 21.05.03.

1.27 Verification of Registration and Tax Payment

Before a corporation can do business in the State it must be registered with the Department of Assessments and Taxation, State Office Building, Room 803, 301 West Preston Street, Baltimore, Maryland 21201. It is strongly recommended that any potential Offeror complete registration prior to the due date for receipt of proposals. An Offeror's failure to complete registration with the Department of Assessments and Taxation (SDAT) may disqualify an otherwise successful Offeror from final consideration and recommendation for Contract award. To verify if a corporation is registered visit the SDAT website at:
http://sdatcert3.resiusa.org/UCC-Charter/CharterSearch_f.aspx

1.28 False Statements

Offerors are advised that §11-205.1 of the State Finance and Procurement Article of the Annotated Code of Maryland provides as follows:

- (a) In connection with a procurement contract a person may not willfully:
 - Falsify, conceal, or suppress a material fact by any scheme or device;
 - Make a false or fraudulent statement or representation of a material fact; or
 - Use a false writing or document that contains a false or fraudulent statement or entry of a material fact.
- (b) A person may not aid or conspire with another person to commit an act under subsection (a) of this section.
- (c) A person who violates any provision of this section is guilty of a felony and on conviction is subject to a fine not exceeding \$20,000 or imprisonment not exceeding five years or both.

1.29 Payments by Electronic Funds Transfer

By submitting a response to this solicitation, the Offeror agrees to accept payments by electronic funds transfer unless the State Comptroller's Office grants an exemption. The selected Offeror shall register using the COT/GAD X-10 Vendor Electronic Funds (EFT) Registration Request Form. Any request for exemption must be submitted to the State Comptroller's Office for approval at the address specified on the COT/GAD X-10 form and must include the business identification information as stated on the form and include the reason for the exemption. The COT/GAC X-10 form can be downloaded at:
<http://compnet.comp.state.md.us/gad/pdf/GADX-10.pdf>>

1.30 Living Wage Requirements

A solicitation for services under a State contract valued at \$100,000 or more may be subject to Title 18, State Finance and Procurement Article, Annotated Code of Maryland.

Additional information regarding the State's Living Wage requirement is contained in the following section entitled *Living Wage Requirements for Service Contracts* (Attachment G & H). If the Offeror fails to complete and submit the required Living Wage documentation, the State may determine an Offeror to be not responsible.

Contractors and Subcontractors subject to the Living Wage Law shall pay each covered employee at least the minimum amount set by law for the applicable Tier Area. The specific Living Wage rate is determined by whether a majority of services take place in a Tier 1 Area or Tier 2 Area of the State. The Tier 1 Area includes Montgomery, Prince George's Howard, Anne Arundel, and Baltimore Counties, and Baltimore City. The Tier 2 Area includes any county in the State not included in the Tier 1 Area. If the employees who perform the services are not located in the State, the head of the unit responsible for a State Contract pursuant to §18-102 (d) shall assign the tier based upon where the recipients of the services are located.

The contract resulting from this solicitation will be deemed to be a Tier 1.

Information pertaining to reporting obligations may be found by going to the DLLR Website <http://www.dllr.state.md.us/> and clicking on "MD Employment Laws" and selecting "Living Wage for State service contracts".

1.31 Conflict of Interest Affidavit and Disclosure/Independence

All Offerors are advised that if a Contract is awarded as a result of this solicitation, the successful Contractor's personnel and each of the participating subcontractor personnel shall be required to complete agreements such as Attachment I - Conflict of Interest Affidavit and Disclosure. For policies and procedures applying specifically to Conflict of Interests, the Contract is governed by COMAR 21.05.08.08.

The successful Offeror will be required to agree in its contract with the Board that it will not receive compensation, directly or indirectly, from the companies the Board selects as its investment options, distribution options, investment manager, plan administrator, auditor, or any other service provider for its plans. Offerors must document their corporate structure including any parent companies, affiliates, and subsidiaries. Potential conflicts must be disclosed in each Offeror's proposal.

1.32 Subcontractor Prompt Payment Policy

This procurement and the contracts to be awarded pursuant to this solicitation are subject to the Prompt Payment Policy Directive issued by the Governor's Office of Minority Affairs and dated August 1, 2008. Promulgated pursuant to Sections 11-201, 13-205(a), and Title 14, Subtitle 3 of the State Finance and Procurement Article (SFP), and Code of Maryland Regulations (COMAR) 21.01.01.03 and 21.11.03.01 et seq., the Directive seeks to ensure the prompt payment of all subcontractors on non-construction procurement contracts. The

successful Offeror(s) to this solicitation must comply with the subcontractor prompt payment requirements outlined in the Contract, § 31.-Subcontractor Prompt Payment. Additional information is available on the GOMA website at:

http://www.mdivoritybusiness.com/documents/PROMPTPAYMENTFAQs_000.pdf

1.33 Fiduciary

The Offeror will be required in its contract with the Board to agree to the following statement: The Contractor is a fiduciary with respect to the investment advice it provides to the Board. The Contractor accepts its appointment as such fiduciary, and specifically agrees to perform its duties with respect to the Board with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Contractor agrees to provide services with respect to the Board solely in the interest of the participants of the Plans administered by the Board, and otherwise in accordance with the terms of this Agreement. The Board acknowledges that it retains all decision-making authority with respect to the management and administration of the Plans under its jurisdiction, including the appointment and termination of investment managers and selection of investment options.

BALANCE OF PAGE INTENTIONALLY LEFT BLANK

SECTION 2 – OFFEROR MINIMUM QUALIFICATIONS

2.1 Experience Required

Offerors must have proven experience in performing consulting and advising services as described in section 3.2, in the public and private environment for large pension plans, preferably contributory plans. The Offeror's experience will be defined and evaluated with regards to the type of plan [457(b), 401(k), 401(a) and 403(b)], size of the plan [assets and number of participants in the plan] and public or private plan experience.

2.2 Documentation of Experience

Offerors are required to provide a listing of such engagements over the past **five years** which includes data on plan type, size, number of participants covered and other pertinent data such as number of investment options, number of participants on payout and frequency of asset transfers permitted. Offerors should also document their research capabilities to provide the level of services requested.

2.3 Quantitative Minimums

The minimum mandatory experience required shall consist of comparable assignments with at least **two** plans of the types indicated above and each engagement must have involved plans with assets of not less than **five hundred million** dollars.

BALANCE OF PAGE INTENTIONALLY LEFT BLANK

SECTION 3 – SCOPE OF WORK

3.1 Purpose and Background

- 3.1.1. **Purpose** - The Board is issuing this solicitation for the purposes outlined in Section 1.1 of this RFP: to procure, through the competitive sealed proposals process, investment advisory and general pension consulting services to the Board of Trustees for the Maryland Supplemental Retirement Plans.
- 3.1.2. **Background** - The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans (the "Board") is an independent Agency created under Title 35 of the State Personnel and Pensions Article of the Maryland Code. Access to Titles 32 & 35 of the State Personnel & Pensions Article of the Laws of Maryland is provided on the Maryland General Assembly website (<http://mlis.state.md.us>). The Board has general oversight authority and responsibility for certain tax-favored defined contribution plans for State employees: the 457(b) Plan; the 401(k) plan; the 403(b) plan; and the 401(a) match plan.

The Board has appointed an executive director and a staff of twelve employees. The Board does not directly administer the plans. Its executive director and staff conduct general supervisory activities of administrators, advisors or accountants that are hired, and conduct general educational efforts for State employees concerning the benefits of plan participation.

- 3.1.3. **Existing Advisors and Administrator** - The Board has a contract with Mercer Investment Consulting, Inc. for general pension consulting and investment advisory services. Mercer has performed such services for the Board since 2006. The Board has contracted for such services since mid 1985.

The Board also has an ongoing agreement with DB Advisors for stable value investment management services for its Investment Contract Pool (ICP). DB Advisors has managed the ICP since 2006, and another firm performed similarly for this structure beginning in 2001. The Investment Contract Pool is the single option with the greatest assets in MSRP and is therefore a priority investment for review and advice to the Board.

General record keeping, overall administration and preparation of both participant and plan financial statements are the primary responsibility of Nationwide Retirement Solutions, Inc. (NRS) the plan administrator. NRS is a division of Nationwide Financial, and is headquartered in Columbus, Ohio with regional offices around the country, including an office in Timonium, Maryland. NRS's contract expires December 31, 2012.

Lastly, the Board has a contract with SB & Company LLC to audit and issue opinions on the financial statements of the supplemental retirement plans, and to assist with the preparation of a Comprehensive Annual Financial Report. Excerpts of the audited financial statements for 2008 and 2009 are included as Attachment J and others are available on our website (<http://MSRP.state.md.us>) in "Agency Information" and contained in the Annual Reports.

3.2 Scope of Work – Requirements

- 3.2.1 **Summary** - The Contractor shall provide investment advisory and general pension consulting services to the Board of Trustees, especially as related to the supplemental retirement plans under their authority and supervision: currently the 457(b) plan; the 401(k) savings and investment plan; the 403(b) tax-sheltered annuity plan; and the 401(a) match plan including both pre-tax and Roth contributions in the 457(b) and the 401(k) plans, with expectations to add Individual Retirement Accounts in the future. The advisor consultant must document and update an annually approved investment policy. A quarterly investment performance report is to be completed within 45 days post quarterly end and presented at the subsequent Board meeting. Attendance is required at all Board meetings and Investment Committee meetings, and preparation and coordination of annual Board planning meetings, research and advice for four investment searches per year, proposal evaluations for a stable value manager search in the fifth year, and advice and assistance with participant communications. Finally, this advisor will be required to deliver a biennial report of in-depth evaluation of investment options, plan features and general pension operations.
- 3.2.2 **General Consulting** - General ongoing professional, consulting and technical services as may from time to time be needed during Plan operations, including: (a) provide industry related analysis of current events with potential impact on the plans; (b) perform research and provide recommendations and evaluation of new investment vehicles, options and strategies; (c) conduct ongoing general review of Plan administration so as to be able to advise the Board on a continual basis of the general stability of its arrangements and the performance thereof as compared to the standards of the trade; (d) comment and drafting assistance for participant communication materials; (e) comment and drafting assistance on such plan amendments or request for determination letters/rulings as may from time to time be necessary or appropriate; (f) recommendations on tax, securities and other regulatory requirements necessary for the Plans to continue their tax favored status; and (g) provide analysis and opinion of financial institutions over and above standard rating services [such as Moody's, Standard & Poors, etc.]. Consulting and technical services enumerated above are to be provided on an as needed basis. Attendance at all Board meetings and Investment Committee meetings is required. The current Board meeting schedule includes five meetings per year, and typically the Investment Committee has met the same day as each Board meeting. The Board Chairperson may call additional, special purpose meetings as needed. The following sections 3.2.3-3.2.6 describe the deliverables required of the Investment Advisor and General Pension Consultant.
- 3.2.3 **MSRP Investment Policy Document** - Update and maintain the MSRP Investment Policy Document to reflect the applied criteria for the categorization, selection and de-selection of mutual funds and/or other applicable investment options, services and products, watch list procedures and steps for making replacements (see Attachment K).
- 3.2.4 **Quarterly MSRP Investment Performance Reports** – Provide quarterly reports of the investment performance of the Plans' fixed, mutual fund and money market options, to include any additional options, are to be completed within 45 days post quarterly end. These reports must be at least equivalent in scope to the report excerpts attached as

Attachment L, or must be other periodic analytical reports of performance that would provide a substantially similar report.

- 3.2.5 **MSRP Biennial Report** – Provide a biennial report including an in-depth and comprehensive evaluation of approved investment options and products, as well as possible candidates for addition, removal, or substitution in the plans, and considering plan features and functions (see Attachment M).
- 3.2.6 **Consulting Commitment of Sufficient Resources** - General consulting hours are expected to range approximately 150 hours per year. This is guidance to the Offeror, not a threshold or limit to cap professional assistance. The offered multiyear agreement requires the Offeror to commit appropriate expertise for the necessary time to complete the assignment. Support to the Board’s annual planning conference in preparations, moderating as necessary and summarizing results must be included.

3.3 Reports

3.3.1 The Contractor shall provide the following reports as explained above:

- 1. Quarterly Investment Performance Reports on the Plans’ authorized and funded investment options due within 45 days of fiscal quarter end with 18 printed copies and an electronic file copy.
- 2. Search Reports as needed (up to 4 per year) evaluating new or replacement investment product candidates recommended for Board consideration, due two weeks before the scheduled Board meeting.
- 3. MSRP Investment Policy Document is to be updated at least annually and submitted for Board ratification, due two weeks before the first Board meeting of the year.
- 4. Biennial Review of the Plans to be presented to the last Board meeting of the year, on even-numbered years, due two weeks before the scheduled Board meeting with 18 printed copies and an electronic file copy.
- 5. Stable Value Manager Proposal evaluations pursuant to a five year schedule of solicitations.
- 6. Other timely reports as necessary to inform the Board of events, trends, regulation changes and issues of significant import.

3.3.2 The Contractor and each of its MBE subcontractors shall provide as designated the follow MBE Reports:

- 1. Contractor shall provide MBE Report Attachment D-3, the Contractor’s Monthly by the 10th of the following month to the MBE Liaison Officer.
- 2. Each MBE subcontractor shall provide MBE Report Attachment D-4, the MBE Subcontractor’s monthly by the 10th of the following month to the MBE Liaison Officer.

3.4 Meetings

3.4.1 The Contractor shall be expected to attend the following meetings as explained above.

1. Quarterly Board Meetings and
2. Additional Board Meetings typically once or twice per year.
3. Investment Committee Meetings typically held five times per year.

3.5 Substitution of Personnel

A. Continuous Performance of Key Personnel

Unless substitution is approved per sections B-D of this section, key personnel shall be the same personnel proposed in the Contractor's technical proposal, which will be incorporated into the Contract by reference. Such identified key personnel shall perform continuously for the duration of the Contract, or such lesser duration as specified in the technical proposal. Key personnel may not be removed by the Contractor from working under this Contract as described in the RFP or the Contractor's technical proposal without the prior written concurrence of the Contract Manager.

If the Contract is task order based, the following provisions apply to key personnel identified in each task order proposal and agreement.

B. Definitions

As used in this section:

“Contract Manager” means the Contract Manager previously identified in this solicitation, and/or a person designated in writing by the Contract Manager or the Board to act for the Contract Manager concerning Contractor personnel substitution issues.

“Day” or “Days” means calendar day or days.

“Extraordinary Personal Circumstance” means any circumstance in an individual's personal life that reasonably requires immediate and continuous attention for more than 15 days that precludes the individual from performing his/her job duties under this Contract. Examples of such circumstances might include but are not limited to: a sudden leave of absence to care for a family member that is injured, sick or incapacitated; the death of a family member, including the need to attend to the estate or other affairs of the deceased or his/her dependents; substantial damage to, or destruction of the individual's home that causes a major disruption in the individual's normal living circumstances; criminal or civil proceedings against the individual or a family member; jury duty; military service call-up; etc.

“Incapacitating” means any health circumstance that substantially impairs the ability of an individual to perform the job duties described for that individual's position in the RFP or the Contractor's technical proposal.

“Sudden” means when the Contractor has less than 30 days' prior notice of a circumstance beyond its control that will require the replacement of any key personnel working under the Contract.

C. Key Staff General Substitution Provisions

The following provisions apply to all of the circumstances of staff substitution described in section D of this section.

1. The Contractor shall demonstrate to the Contract Manager's satisfaction that the proposed substitute personnel have qualifications at least equal to those of the personnel for whom the replacement is requested.
2. The Contractor shall provide the Contract Manager with a substitution request that shall include:
 - A detailed explanation of the reason(s) for the substitution request
 - The resume of the proposed substitute personnel, signed by the substituting individual and his/her formal supervisor
 - The official resume of the current employee for comparison purposes
 - Any required credentials
3. The Contract Manager may request additional information concerning the proposed substitution. In addition, the Contract Manager, and/or other appropriate State personnel involved with the Contract may interview the proposed substitute personnel prior to deciding whether to approve the substitution request.
4. The Contract Manager will notify the Contractor in writing of: (i) the acceptance or denial, or (ii) contingent or temporary approval for a specified time limit, of the requested substitution. The Contract Manager will not unreasonably withhold approval of a requested key personnel replacement.

D. Replacement Circumstances

1. Voluntary Staff Replacement

To voluntarily replace any key staff, the Contractor shall submit a substitution request as described in section C of this section to the Contract Manager at least 15 days prior to the intended date of change. Except in a circumstance described in section D.2 of this clause, a substitution may not occur unless and until the Contract Manager approves the substitution in writing.

2. Staff Replacement Due to Vacancy

The Contractor shall replace key staff whenever a vacancy occurs due to the Sudden termination, resignation or leave of absence due to an Extraordinary Personal Circumstance of such staff, Incapacitating injury, illness or physical condition, or death. (A termination or resignation with 30 days or more advance notice shall be treated as a Voluntary Staff Replacement as per section D.1 of this clause.)

Under any of the above D.2 circumstances, the Contractor shall identify a suitable replacement and provide the same information or items required under Section C of this section within 15 days of the sooner of the actual vacancy occurrence or from when it was first learned by the Contractor that the vacancy would be occurring.

3. Staff Replacement Due to an Indeterminate Absence

If any key staff has been absent from his/her job for a period of 10 days due to injury, illness, or other physical condition, leave of absence under a family medical leave or Extraordinary Personal Circumstance and it is not known or reasonably anticipated that the individual will be returning to work within the next 20 days to fully resume his/her job duties, before the 25th day of continuous absence the Contractor shall identify a suitable replacement and provide the same information or items required under section C of this section.

However, if this person is available to return to work and fully perform all job duties before a replacement has been authorized by the Contract Manager, at the option of the Contract Manager the original staff may continue to work under the Contract, or the replacement staff will be authorized to replace the original staff, notwithstanding the original staff's ability to return.

4. Directed Staff Replacement

a. The Contract Manager may direct the Contractor to replace any staff that is perceived as being unqualified, non-productive, unable to fully perform his/her job duties due to full or partial Incapacity or Extraordinary Personal Circumstance, disruptive, or that has committed a major infraction(s) of law or agency or Contract requirements. Normally a directed replacement would only occur after prior notification of problems with requested remediation, as described in 4.b, below. If after such remediation the Contract Manager determines that the staff performance has not improved to the level necessary to continue under the Contract, if at all possible at least 15 days' replacement notification will be provided. However, if the Contract Manager deems it necessary to remove the offending individual with less than 15 days' notice, the Contract Manager can direct the removal in a timeframe of less than 15 days, to include immediate removal.

In circumstances of directed removal, the Contractor shall, in accordance with section C of this section, provide a suitable replacement for approval within 15 days of the notification of the need for removal, or the actual removal, if that occurs first.

b. If deemed appropriate in the discretion of the Contract Manager, the Contract Manager shall give written notice of any personnel performance issues to the Contractor, describing the problem and delineating the remediation requirement(s). The Contractor shall provide a written Remediation Plan within 10 days of the date of notice and implement the Remediation Plan immediately upon written acceptance by the Contract Manager, or revise and resubmit the plan to the Contract Manager within 5 days, as directed in writing by the Contract Manager.

Should performance issues persist despite the previously agreed to Remediation Plan, the Contract Manager will give written notice of the continuing performance issues and either request a new Remediation Plan within a specified time limit, or direct the substitution of personnel whose performance is at issue with a qualified substitute, including requiring the immediate removal of the key staff at issue.

Replacement or substitution of personnel under this section shall be in addition to and not in lieu of the State's remedies under the Contract.

3.6 Invoicing

All invoices for services shall be submitted to the Contract Manager no later than 30 calendar days following the quarter the service was provided and include the following information: Maryland Supplemental Retirement Plans, 6 Saint Paul Street, Suite 200, Baltimore, Maryland 21202, Contractor name, remittance address, federal taxpayer identification, invoice period, invoice date, invoice number, amount due and the purchase order number being billed. Invoices submitted without the required information will not be processed for payment until the Contractor provides the required information.

BALANCE OF PAGE INTENTIONALLY LEFT BLANK

SECTION 4 – PROPOSAL FORMAT

4.1 Two Part Submission

Offerors must submit proposals in two separate parts:

- “Volume I – (TECHNICAL PROPOSAL)”
- “Volume II – (FINANCIAL PROPOSAL)”

The Financial Proposals must be sealed separately from the Technical Proposals. The Financial Proposal will remain sealed and withheld from review until the Technical Proposals have been evaluated.

4.2 Proposals

The Technical Proposal must not reveal any pertinent information from the sealed Volume II-Financial Proposal but must be submitted simultaneously to the Procurement Officer (address listed on Key Information Summary and in Section 1.5). This is the only address to which proposals may be submitted. An original, so identified, and ten (10) copies of each Volume I-Technical Proposal are to be submitted. Hard copies must be a complete proposal containing all information that is also contained on the CD’s unless otherwise directed in Section 4.

Offerors must include with the original Technical Proposal two (2) separate CD’s containing an electronic version of Volume I- Technical Proposal (in MSWord format).

Volume II-Financial Proposal must be sealed separate from Volume I-Technical Proposal but submitted simultaneously to the Procurement Officer as noted above. An original, so identified, and ten (10) copies of each Volume II-Financial Proposal are to be submitted.

Offerors must also include with the original Financial Proposal two (2) separate CD’s containing an electronic version of the Volume II- Financial Proposal (in MS Excel format).

Please note that the Offeror must provide separate CD’s for the Technical Proposal and the Financial Proposal, resulting in four (4) CDs attached to the proposal. The CD’s containing the electronic responses should be placed in separate envelopes labeled “Offeror Response CD’s – Volume “X” (“X” is Volume I or Volume II, as appropriate).

4.3 Submission

Each Offeror is required to submit a separate sealed package for “Volume II-Financial Proposal” which may be nested within a larger package containing the rest of the proposal. Each package must bear the RFP title and number, name and address of the Offeror, the volume number (I or II), and the closing date and time for receipt of the proposals on the outside of the package. Please label the electronic media with Volume I-Technical Proposal and Volume II-Financial

Proposal, as appropriate. All pages of both proposal volumes must be consecutively numbered from beginning (Page 1) to end (Page “x”).

4.4 Volume I – Technical Proposal

4.4.1 Transmittal Letter

A transmittal letter must accompany the Technical Proposal. The purpose of this letter is to transmit the proposal and acknowledge the receipt of any addenda/amendments. The transmittal letter should be brief and signed by an individual who is authorized to commit the Offeror to the services and requirements as stated in this RFP.

4.4.2 Additional Required Technical Submissions

Immediately following the Transmittal include with original of Technical Proposal only:

- A) Completed Bid/Proposal Affidavit (Attachment B);
- B) Completed Minority Business Participation Forms (Attachments D-1 and D-2);
- C) Completed Living Wage Affidavit (Attachment H); and
- D) Completed Conflict of Interest Affidavit (Attachment I).

4.4.3 Format of Technical Proposal

As described in Section 4.2, above, an original, to be so labeled, ten (10) copies and the electronic version shall be provided. Sections 2 and 3 of this RFP provide requirements and Section 4 provides reply instructions. The paragraphs in these RFP sections are numbered for ease of reference. In addition to the instructions below, the Offeror’s Technical Proposals should be organized and numbered in the same order as this RFP. This proposal organization will allow State officials and the Evaluation Committee to “map” Offeror responses directly to RFP requirements by paragraph number.

The Technical Proposal shall include the following sections in this order:

4.4.4 Title and Table of Contents

The Technical Proposal should begin with a title page bearing the name and address of the Offeror and the name and number of this RFP. A table of contents shall follow the title page for the Technical Proposal.

Note: Information which is claimed to be confidential is to be placed after the Title page and before the Table of Contents in the Offeror’s Technical Proposal, and if applicable, also in the Offeror’s Financial Proposal. An explanation for each claim of confidentiality shall be included.

4.4.5 Executive Summary

The Offeror shall condense and highlight the contents of the technical proposal in a separate section titled “Executive Summary”.

Include in the “Executive Summary” the Offeror’s Tax Identification Number and eMaryland Market Place Number.

The summary shall also identify any exceptions the Offeror has taken to the requirements of this RFP, the Contract (Attachment A), or any other attachments. Exceptions to terms and conditions may result in having the proposal deemed unacceptable or classified as not reasonably susceptible of being selected for award. If no exceptions to terms and conditions are made, the Offeror shall so state this in the “Executive Summary”.

4.4.6 Offeror Experience and Capabilities

Offerors shall include information on past experience with similar projects/services. General requirements of the Offeror and personnel are outlined in Section 3. Offerors shall describe how their organization can meet the qualifications of this RFP, and specifically the minimum qualifications listed in Section 2, and shall include the following:

4.4.6.1 An overview of the Offeror’s experience and capabilities advising government-sponsored defined contribution plans. This description shall include:

- Plan type, size, number of participants covered, number of investment options, number of participants contributing and in payout and frequency of asset transfers permitted;
- Research capabilities and resources pertinent to the requested services;
- The number of years the Offeror has provided these services; and
- The number of clients and geographic locations that the Offeror currently serves.

4.4.6.2 The names and titles of the key management personnel directly involved with supervising the services rendered under this Contract.

4.4.6.3 At least three references from its customers who are capable of documenting the Offeror's ability to provide the specified services. Each client reference shall be from a client for whom the Offeror provided service and shall include the following information:

- Name of client organization;
- Name, title, and telephone number of point of contact for client organization; and
- Value, type, duration, and services provided of contract(s) supporting client organization.

MSRP reserves the right to request and/or to contact additional references.

4.4.6.4 As part of its proposal, each Offeror is to provide a list of all contracts with any entity of the State of Maryland that it is currently performing or which have been completed within the last 5 years. For each identified contract, the Offeror is to provide:

- The State contracting entity;
- A brief description of the services/goods provided;
- The dollar value of the contract;
- The term of the contract; and
- The State employee contact person (name, title, telephone number and if possible e-mail address);and

- Whether the contract was terminated before the end of the term specified in the original contract, including whether any available renewal option was not exercised.

The Procurement Officer or a designee will contact the identified State agencies, or the most appropriate ones if many contracts are involved, to ascertain the Offeror's level of performance of State contracts.

Information obtained regarding the Offeror's level of performance on State contracts will be considered as part of the experience and past performance evaluation criteria of the RFP.

4.4.7 Offeror Technical Response to RFP Requirements

The Offeror shall address each major section in the Technical Proposal and describe how its proposed services will meet the requirements as described in the RFP. If the Board is seeking Offeror agreement to a requirement, the Offeror shall state agreement or disagreement.

As stated above, any exception to a term or condition may result in having the proposal deemed unacceptable or classified as not reasonably susceptible of being selected for award. Any paragraph that responds to a work requirement shall include an explanation of how the work will be done.

Note: No pricing information is to be included in the Technical Proposal (Volume 1). Pricing will only be included in the Financial Proposal (Volume II).

4.4.8 Financial Capability and Statements

The Offeror shall include copies of Financial Statements for the last two years (independently audited preferred). The financial statements must be for the entity proposing to provide services under this contract and not for any prospective owners or parent companies not directly involved in the provision of services.

4.4.9 Subcontractors

Offerors shall identify all subcontractors, including MBE's, and the role these subcontractors will have in the performance of the Contract.

4.4.10 Economic Benefit Factors

Offerors shall submit with their proposals a narrative describing benefits that will accrue to the Maryland economy as a direct or indirect result of their performance of this contract. Proposals will be evaluated to assess the benefit to Maryland's economy specifically offered.

Proposals that identify specific benefits as being contractually enforceable commitments will be rated more favorably than proposals that do not identify specific benefits as contractual commitments, all other factors being equal.

Offerors shall identify any performance guarantees that will be enforceable by the State if the full level of promised benefit is not achieved during the contract term.

As applicable, for the full duration of the contract, including any renewal period, or until the commitment is satisfied, the contractor shall provide to the procurement officer or other designated agency personnel reports of the actual attainment of each benefit listed in response to this section. These benefit attainment reports shall be provided quarterly, unless elsewhere in these specifications a different reporting frequency is stated.

Please note that in responding to this section, the following do not generally constitute economic benefits to be derived from this contract:

1. generic statements that the State will benefit from the Offeror's superior performance under the contract;
2. descriptions of the number of Offeror employees located in Maryland other than those that will be performing work under this contract; or
3. tax revenues from Maryland based employees or locations, other than those that will be performing, or used to perform, work under this contract.

Discussion of Maryland based employees or locations may be appropriate if the Offeror makes some projection or guarantee of increased or retained presence based upon being awarded this contract.

Examples of economic benefits to be derived from a contract may include any of the following. For each factor identified below, identify the specific benefit and contractual commitments and provide a breakdown of expenditures in that category:

- The contract dollars to be recycled into Maryland's economy in support of the contract, through the use of Maryland subcontractors, suppliers and joint venture partners.
- The number and types of jobs for Maryland residents resulting from the contract. Indicate job classifications, number of employees in each classification and the aggregate payroll to which the contractor has committed, including contractual commitments at both prime and, if applicable, subcontract levels.
- Tax revenues to be generated for Maryland and its political subdivisions as a result of the contract. Indicate tax category (sales taxes, payroll taxes, inventory taxes and estimated personal income taxes for new employees). Provide a forecast of the total tax revenues resulting from the contract.
- Subcontract dollars committed to Maryland small businesses and MBEs.
- Other benefits to the Maryland economy which the Offeror promises will result from awarding the contract to the Offeror, including contractual commitments. Describe the benefit, its value to the Maryland economy, and how it will result from, or because of the contract award. Offerors may commit to benefits that are not directly attributable to the contract, but for which the contract award may serve as a catalyst or impetus.

4.5 Volume II - Financial Proposal

Under separate sealed cover from the Technical Proposal and clearly identified in the format requirements identified in Section 4.3, the Contractor shall submit an original unbound copy, ten copies, and an electronic version in MS Word or Excel of the Financial Proposal. The Financial Proposal shall contain all price information in the format specified in Attachment F. Complete the price sheet only as provided in the Price Proposal Instructions.

SECTION 5– EVALUATION CRITERIA AND SELECTION PROCEDURE

5.1 Evaluation & Selection

Proposals will initially be divided into those that meet minimum qualifications and all other mandatory requirements (including procedural requirements, such as timeliness of submission), and those that do not. Those proposals meeting all minimum qualifications and mandatory requirements are termed responsible Offerors; the procurement officer will notify those persons submitting proposals that are not so classified.

Evaluation of the responsive proposals will be performed by a committee made up of Board members, and such other staff, consultants, accountants and others, as the Board may deem appropriate. The Procurement Committee will make a recommendation to the full Board, which will then award the contract, subject to the authorization of the Board of Public Works.

Evaluations will be based on the criteria set forth below. **In making this determination, technical factors will receive equal weight to price factors.**

5.2 Technical Criteria

The criteria to be applied to each Technical Proposal are listed in descending order of importance:

- Offeror’s Technical Response to RFP Requirements. An Offeror’s response to the RFP shall illustrate a comprehensive understanding of the requirements and include an explanation of how the service will be provided. (Ref. Section 4.4.7);
- Offeror Experience and Capabilities (Ref. Sections 4.4.6 and 4.4.9); and
- Economic Benefits (Ref. Section 4.4.10).

5.3 Financial Criteria

All qualified Offerors will be ranked from the lowest to the highest price based on their total price proposed within the stated guidelines (as submitted on Attachment F—Price Proposal Form).

5.4 Reciprocal Preference

Although Maryland law does not authorize procuring agencies to favor resident Offerors in awarding procurement contracts, many other states do grant their resident businesses preferences over Maryland contractors. Therefore, as described in COMAR 21.05.01.04, a resident business preference will be given if: a responsible Offeror whose headquarters, principal base of operations, or principal site that will primarily provide the services required under this RFP is in another state submits the most advantageous offer; the other state gives a preference to its residents through law, policy, or practice; and, the preference does not conflict with a Federal law or grant affecting the procurement Contract. The preference given shall be identical to the preference that the other state, through law, policy or practice gives to its residents.

5.5 Selection Procedures

5.5.1 General Selection Process

The Contract will be awarded in accordance with the competitive sealed proposals process under COMAR 21.05.03. The competitive sealed proposals method is based on discussions and revision of proposals during these discussions.

Accordingly, the State may hold discussions with all Offerors judged reasonably susceptible of being selected for award, or potentially so. However, the State also reserves the right to make an award without holding discussions. In either case of holding discussions or not doing so, the State may determine an Offeror to be not responsible and/or an Offeror's proposal to be not reasonably susceptible of being selected for award, at any time after the initial closing date for receipt of proposals and the review of those proposals. If the State finds an Offeror to be not responsible and/or an Offeror's Technical Proposal to be not reasonably susceptible of being selected for award, an Offeror's financial proposal will be returned unopened.

5.5.2 Selection Process Sequence

- 5.5.2.1 The first step in the process will be an evaluation for technical merit. During this review oral presentations and discussions may be held. The purpose of such discussions will be to assure a full understanding of the State's requirements and the Offeror's ability to perform, and to facilitate arrival at a Contract that will be most advantageous to the State. For scheduling purposes, Offerors should be prepared to make an oral presentation and participate in discussions within two to four weeks of the delivery of proposals to MSRP. The Procurement Officer will contact Offerors when the schedule is set by the Board.
- 5.5.2.2 Offerors must confirm in writing any substantive oral clarification of, or change in, their proposals made in the course of discussions. Any such written clarification or change then becomes part of the Offeror's proposal.
- 5.5.2.3 The financial proposal of each qualified Offeror will be evaluated separately from the technical evaluation. After a review of the financial proposals of qualified Offerors, the Procurement Officer may again conduct discussions to further evaluate the Offeror's entire proposal.
- 5.5.2.4 When in the best interest of the State, the Procurement Officer may permit Offerors who have submitted acceptable proposals to revise their initial proposals and submit, in writing, best and final offers (BAFOs). However, the State reserves the right to make an award without issuing a BAFO if/when it's determined to be in the State's best interest.

5.5.3 Award Determination

Upon completion of all discussions and negotiations, reference checks, and site visits, if any, the Procurement Officer will recommend award of the Contracts to the responsible Offeror whose proposal is determined to be the most advantageous to the State considering technical evaluation factors and price factors as set forth in this RFP.

ATTACHMENTS

ATTACHMENT A is the State's Contract. It is provided with the RFP for informational purposes and is not required at proposal submission time. However, it must be completed, signed and returned by the successful Offeror to the Procurement Officer expeditiously upon notification of proposed Contract award.

ATTACHMENT B – Bid/Proposal Affidavit. This form must be completed and submitted with the Offeror's technical proposal.

ATTACHMENT C – Contract Affidavit. It is not required at proposals submission time. It must be submitted by the selected Offeror to the Procurement Officer within 5 working days of notification of proposed award.

ATTACHMENT D – MINORITY BUSINESS ENTERPRISE PARTICIPATION INSTRUCTIONS AND FORMS. Forms D-1 and D-2 must be completed and submitted with the Offeror's technical proposal.

ATTACHMENT E – Pre-Proposal Conference Response Form. It is requested that this form be completed and submitted as described in RFP section 1.7 by those potential Offerors who plan on attending the conference.

ATTACHMENT F – Price Proposal Instructions and Forms. Price Proposal forms must be completed and submitted as the Financial Proposal.

ATTACHMENT G – Living Wage Information. This form must be completed and submitted with the Offeror's technical proposal.

ATTACHMENT H – Living Wage Affidavit. This form must be completed and submitted with the Offeror's technical proposal.

ATTACHMENT I – Conflict of Interest. This form must be completed and submitted with the Offeror's technical proposal.

ATTACHMENT J — Financial statements for the plans for the years 2009/2008.

ATTACHMENT K — MSRP Investment Policy document.

ATTACHMENT L — 4th Quarter 2010 MSRP Investment Performance Report.

ATTACHMENT M — MSRP Biennial Report 2010.

ATTACHMENT A – CONTRACT

INVESTMENT ADVISOR AND GENERAL PENSION CONSULTANT SERVICES AGREEMENT

THIS CONTRACT (the “Contract”) is made this ____ day of _____, 2011 by and between _____ and the BOARD OF TRUSTEES FOR THE MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS (the “Board”), an agency of the State of Maryland (the “State”).

In consideration of the promises and the covenants herein contained, the parties agree as follows:

1. Definitions

In this Contract, the following words have the meanings indicated:

- 1.1 “Contract Manager” means Michael Halpin, Executive Director of the Maryland Supplemental Retirement Plans.
- 1.2 “Contractor” means _____ whose principal business address is _____ and whose principal office in Maryland is _____.
- 1.3 “Board” means the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans.
- 1.4 “MSRP” or “the Plans” means the Maryland Teachers and State Employees Supplemental Retirement Plans.
- 1.5 “Financial Proposal” means the Contractor’s Financial Proposal dated _____.
- 1.6 “Procurement Officer” means Richard Arthur, Director of Technology & Operations of the Maryland Supplemental Retirement Plans.
- 1.7 ”RFP” means the Request for Proposals for Investment Advisor And General Pension Consultant Services, Project G50B1400005, and any amendments thereto issued in writing by the Board.
- 1.8 “State” means the State of Maryland.
- 1.9 “Technical Proposal” means the Contractor’s Technical Proposal, dated _____.

2. Scope of Work

2.1 The Contractor shall provide all deliverables as defined in the RFP Section 3. These services shall be provided in accordance with the terms and conditions of this Contract and the following Exhibits, which are attached hereto and incorporated herein by reference. If there is any conflict between this Contract and the Exhibits, the terms of the Contract shall govern. If there is any conflict among the Exhibits, the following order of precedence shall determine the prevailing provision:

- Exhibit A – The RFP
- Exhibit B – The Technical Proposal

Exhibit C – The Financial Proposal

Exhibit D - State Contract Affidavit, executed by the Contractor and dated _____

2.2 The Procurement Officer may, at any time, by written order, make unilateral changes in the work within the general scope of the Contract or the RFP. No other order, statement or conduct of the Procurement Officer or any other person shall be treated as a change or entitle the Contractor to an equitable adjustment under this section. Except as otherwise provided in this Contract, if any change under this section causes an increase or decrease in the Contractor's cost of, or the time required for, the performance of any part of the work, whether or not changed by the order, an equitable adjustment in the Contract price shall be made and the Contract modified in writing accordingly. The Contractor must assert in writing its right to an adjustment under this section within thirty (30) days of receipt of written change order and shall include a written statement setting forth the nature and cost of such claim. No claim by the Contractor shall be allowed if asserted after final payment under this Contract. Failure to agree to an adjustment under this section shall be a dispute under the Disputes clause. Nothing in this section shall excuse the Contractor from proceeding with the Contract as changed.

2.3 Modifications to this Contract may be made provided (a) the modifications are made in writing; (b) all parties sign the modifications; and (c) approval by the required agencies, as described in COMAR, Title 21, is obtained.

3. Time for Performance.

The Contract resulting from this RFP shall be for a period of about five (5) years beginning on or about August 1, 2011 and ending July 31, 2011. The Contractor shall provide services upon receipt of a Notice to Proceed from the Procurement Officer.

4. Consideration and Payment

4.1 In consideration of the satisfactory performance of the work set forth in this Contract, MSRP shall pay the Contractor in accordance with the terms of this Contract and at the rates specified on Exhibit C, Contractor's Financial Proposal. Except with the express written consent of the Procurement Officer, payment to the Contractor pursuant to this Contract shall not exceed \$_____. Contractor shall notify the Contract Manager, in writing, at least 60 days before payments reach the specified amount. After notification by the Contractor, if the State fails to increase the Contract amount, the Contractor shall have no obligation to perform under this Contract after payments reach the stated amount; provided, however, that, prior to the stated amount being reached, the Contractor shall: (i) promptly consult with the State and work in good faith to establish a plan of action to assure that every reasonable effort has been undertaken by the Contractor to complete State-defined critical work in progress prior to the date the stated amount will be reached; and (ii) secure data bases, systems, platforms and/or applications which the Contractor is working on so that no damage or vulnerabilities to any of the same will exist due to the existence of any such unfinished work.

4.2 Payments to the Contractor shall be made no later than thirty (30) days after MSRP's receipt of a proper invoice for services provided by the Contractor, acceptance by MSRP of services provided by the Contractor, and pursuant to the conditions outlined in Section 4 of this Contract. Each invoice for services rendered must include the Contractor's Federal Tax Identification Number which is _____. Charges for late payment of invoices other than as prescribed by Title 15, Subtitle 1, of the State Finance and Procurement Article, Annotated Code of Maryland, are prohibited. Invoices shall be submitted to the Contract Manager. Electronic funds transfer shall be used by the State to pay Contractor pursuant to this Contract and any other State payments due Contractor unless the State Comptroller's Office grants Contractor an exemption.

4.3 In addition to any other available remedies, if, in the opinion of the Procurement Officer, the Contractor fails to perform in a satisfactory and timely manner, the Procurement Officer may refuse or limit approval of any invoice for payment, and may cause payments to the Contractor to be reduced or withheld until such time as the Contractor meets performance standards as established by the Procurement Officer pursuant to this Contract.

4.4 Contractor's eMarylandMarketplace vendor ID number is _____.

5. Rights to Records

5.1 The Contractor agrees that all documents and materials including but not limited to, software, reports, drawings, studies, specifications, estimates, tests, maps, photographs, designs, graphics, mechanical, artwork, computations and data prepared by the Contractor, for purposes of this Contract shall be the sole property of the State and shall be available to the State at any time. The State shall have the right to use the same without restriction and without compensation to the Contractor other than that specifically provided by this Contract.

5.2 The Contractor agrees that at all times during the term of this Contract and thereafter, works created as a deliverable under this Contract, and services performed under this Contract shall be "works made for hire" as that term is interpreted under U.S. copyright law. To the extent that any products created as a deliverable under this Contract are not works for hire for the State, the Contractor hereby relinquishes, transfers, and assigns to the State all of its rights, title, and interest (including all intellectual property rights) to all such products created under this Contract, and will cooperate reasonably with the State in effectuating and registering any necessary assignments.

5.3 The Contractor shall report to the Contract Manager, promptly and in written detail, each notice or claim of copyright infringement received by the Contractor with respect to all data delivered under this Contract.

5.4 The Contractor shall not affix any restrictive markings upon any data, documentation, or other materials provided to the State hereunder and if such markings are affixed, the State shall have the right at any time to modify, remove, obliterate, or ignore such warnings.

6. Exclusive Use

The State shall have the exclusive right to use, duplicate, and disclose any data, information, documents, records, or results, in whole or in part, in any manner for any purpose whatsoever, that may be created or generated by the Contractor in connection with this Contract. If any material, including software, is capable of being copyrighted, the State shall be the copyright owner and Contractor may copyright material connected with this project only with the express written approval of the State.

7. Patents, Copyrights, Intellectual Property

7.1 If the Contractor furnishes any design, device, material, process, or other item, which is covered by a patent, trademark or service mark, or copyright or which is proprietary to or a trade secret of another, the Contractor shall obtain the necessary permission or license to permit the State to use such item or items.

7.2 The Contractor will defend or settle, at its own expense, any claim or suit against the State alleging that any such item furnished by the Contractor infringes any patent, trademark, service mark,

copyright, or trade secret. If a third party claims that a product infringes that party's patent, trademark, service mark, trade secret, or copyright, the Contractor will defend the State against that claim at Contractor's expense and will pay all damages, costs and attorney fees that a court finally awards, provided the State (i) promptly notifies the Contractor in writing of the claim; and (ii) allows Contractor to control and cooperates with Contractor in, the defense and any related settlement negotiations. The obligations of this paragraph are in addition to those stated in Section 7.3 below.

7.3 If any products furnished by the Contractor become, or in the Contractor's opinion are likely to become, the subject of a claim of infringement, the Contractor will, at its option and expense: a) procure for the State the right to continue using the applicable item, b) replace the product with a non-infringing product substantially complying with the item's specifications, or c) modify the item so that it becomes non-infringing and performs in a substantially similar manner to the original item.

8. Confidentiality

Subject to the Maryland Public Information Act and any other applicable laws, all confidential or proprietary information and documentation relating to either party (including without limitation, any information or data stored within the Contractor's computer systems) shall be held in absolute confidence by the other party. Each party shall, however, be permitted to disclose relevant confidential information to its officers, agents and employees to the extent that such disclosure is necessary for the performance of their duties under this Contract, provided that the data may be collected, used, disclosed, stored and disseminated only as provided by and consistent with the law. The provisions of this section shall not apply to information that (a) is lawfully in the public domain; (b) has been independently developed by the other party without violation of this Contract; (c) was already in the possession of such party, (d) was supplied to such party by a third party lawfully in possession thereof and legally permitted to further disclose the information or (e) which such party is required to disclose by law.

9. Loss of Data

In the event of loss of any State data or records where such loss is due to the intentional act or omission or negligence of the Contractor or any of its subcontractors or agents, the Contractor shall be responsible for recreating such lost data in the manner and on the schedule set by the Contract Manager. The Contractor shall ensure that all data is backed up and recoverable by the Contractor. Contractor shall use its best efforts to assure that at no time shall any actions undertaken by the Contractor under this Contract (or any failures to act when Contractor has a duty to act) damage or create any vulnerabilities in data bases, systems, platforms and/or applications with which the Contractor is working hereunder.

10. Indemnification

10.1 The Contractor shall hold harmless and indemnify the State from and against any and all losses, damages, claims, suits, actions, liabilities and/or expenses, including, without limitation, attorneys' fees and disbursements of any character that arise from, are in connection with or are attributable to the performance or nonperformance of the Contractor or its subcontractors under this Contract.

10.2 The State has no obligation to provide legal counsel or defense to the Contractor or its subcontractors in the event that a suit, claim or action of any character is brought by any person not party to this Contract against the Contractor or its subcontractors as a result of or relating to the Contractor's obligations under this Contract.

10.3 The State has no obligation for the payment of any judgments or the settlement of any claims against the Contractor or its subcontractors as a result of or relating to the Contractor's obligations under this Contract.

10.4 The Contractor shall immediately notify the Procurement Officer of any claim or suit made or filed against the Contractor or its subcontractors regarding any matter resulting from, or relating to, the Contractor's obligations under the Contract, and will cooperate, assist and consult with the State in the defense or investigation of any claim, suit, or action made or filed against the State as a result of, or relating to, the Contractor's performance under this Contract.

11. Non-Hiring of Employees

No official or employee of the State, as defined under State Government Article, § 15-102, Annotated Code of Maryland, whose duties as such official or employee include matters relating to or affecting the subject matter of this Contract, shall, during the pendency and term of this Contract and while serving as an official or employee of the State, become or be an employee of the Contractor or any entity that is a subcontractor on this Contract.

12. Disputes

This Contract shall be subject to the provisions of Title 15, Subtitle 2, of the State Finance and Procurement Article of the Annotated Code of Maryland, and COMAR 21.10 (Administrative and Civil Remedies). Pending resolution of a claim, the Contractor shall proceed diligently with the performance of the Contract in accordance with the Procurement Officer's decision. Unless a lesser period is provided by applicable statute, regulation, or the Contract, the Contractor must file a written notice of claim with the Procurement Officer within 30 days after the basis for the claim is known or should have been known, whichever is earlier. Contemporaneously with or within 30 days of the filing of a notice of claim, but no later than the date of final payment under the Contract, the Contractor must submit to the Procurement Officer its written claim containing the information specified in COMAR 21.10.04.02.

13. Maryland Law

This Contract shall be construed, interpreted, and enforced according to the laws of the State of Maryland. The Maryland Uniform Computer Information Transactions Act, Maryland Code Annotated, Commercial Law Article, Title 22, does not apply to this Contract, or to any purchase order, or Notice to Proceed, issued under this Contract. Any and all references to the Annotated Code of Maryland contained in this Contract shall be construed to refer to such Code sections as from time to time amended.

14. Nondiscrimination in Employment

The Contractor agrees: (a) not to discriminate in any manner against an employee or applicant for employment because of race, color, religion, creed, age, sex, marital status, national origin, ancestry, or disability of a qualified individual with a disability; (b) to include a provision similar to that contained in subsection (a), above, in any underlying subcontract except a subcontract for standard commercial supplies or raw materials; and (c) to post and to cause subcontractors to post in conspicuous places available to employees and applicants for employment, notices setting forth the substance of this clause.

15. Contingent Fee Prohibition

The Contractor warrants that it has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee, bona fide agent, bona fide salesperson, or commercial selling

agency working for the business, to solicit or secure the Contract, and that the business has not paid or agreed to pay any person, partnership, corporation, or other entity, other than a bona fide employee, bona fide agent, bona fide salesperson, or commercial selling agency, any fee or any other consideration contingent on the making of this Contract.

16. Non-availability of Funding

If the General Assembly fails to appropriate funds or if funds are not otherwise made available for continued performance for any fiscal period of this Contract succeeding the first fiscal period, this Contract shall be canceled automatically as of the beginning of the fiscal year for which funds were not appropriated or otherwise made available; provided, however, that this will not affect either the State's rights or the Contractor's rights under any termination clause in this Contract. The effect of termination of the Contract hereunder will be to discharge both the Contractor and the State from future performance of the Contract, but not from their rights and obligations existing at the time of termination. The Contractor shall be reimbursed for the reasonable value of any nonrecurring costs incurred but not amortized in the price of the Contract. The State shall notify the Contractor as soon as it has knowledge that funds may not be available for the continuation of this Contract for each succeeding fiscal period beyond the first.

17. Termination for Cause

If the Contractor fails to fulfill its obligations under this Contract properly and on time, or otherwise violates any provision of the Contract, the State may terminate the Contract by written notice to the Contractor. The notice shall specify the acts or omissions relied upon as cause for termination. All finished or unfinished work provided by the Contractor shall, at the State's option, become the State's property. The State shall pay the Contractor fair and equitable compensation for satisfactory performance prior to receipt of notice of termination, less the amount of damages caused by the Contractor's breach. If the damages are more than the compensation payable to the Contractor, the Contractor will remain liable after termination and the State can affirmatively collect damages. Termination hereunder, including the termination of the rights and obligations of the parties, shall be governed by the provisions of COMAR 21.07.01.11B.

18. Termination for Convenience

The performance of work under this Contract may be terminated by the State in accordance with this clause in whole, or from time to time in part, whenever the State shall determine that such termination is in the best interest of the State. The State will pay all reasonable costs associated with this Contract that the Contractor has incurred up to the date of termination, and all reasonable costs associated with termination of the Contract; provided, however, the Contractor shall not be reimbursed for any anticipatory profits that have not been earned up to the date of termination. Termination hereunder, including the determination of the rights and obligations of the parties, shall be governed by the provisions of COMAR 21.07.01.12 (A)(2).

19. Delays and Extensions of Time

The Contractor agrees to prosecute the work continuously and diligently and no charges or claims for damages shall be made by it for any delays or hindrances from any cause whatsoever during the progress of any portion of the work specified in this Contract.

Time extensions will be granted only for excusable delays that arise from unforeseeable causes beyond the control and without the fault or negligence of the Contractor, including but not restricted to, acts of

God, acts of the public enemy, acts of the State in either its sovereign or contractual capacity, acts of another Contractor in the performance of a contract with the State, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, or delays of subcontractors or suppliers arising from unforeseeable causes beyond the control and without the fault or negligence of either the Contractor or the subcontractors or suppliers.

20. Suspension of Work

The State unilaterally may order the Contractor in writing to suspend, delay, or interrupt all or any part of its performance for such period of time as the Procurement Officer may determine to be appropriate for the convenience of the State.

21. Pre-Existing Regulations

In accordance with the provisions of Section 11-206 of the State Finance and Procurement Article, Annotated Code of Maryland, the regulations set forth in Title 21 of the Code of Maryland Regulations (COMAR 21) in effect on the date of execution of this Contract are applicable to this Contract.

22. Financial Disclosure

The Contractor shall comply with the provisions of Section 13-221 of the State Finance and Procurement Article of the Annotated Code of Maryland, which requires that every person that enters into contracts, leases, or other agreements with the State or its agencies during a calendar year under which the business is to receive in the aggregate, \$100,000 or more, shall within 30 days of the time when the aggregate value of these contracts, leases or other agreements reaches \$100,000, file with the Secretary of the State certain specified information to include disclosure of beneficial ownership of the business.

23. Political Contribution Disclosure

The Contractor shall comply with Election Law Article, §§14-101 - 14-108, Annotated Code of Maryland, which requires that every person that enters into contracts, leases, or other agreements with the State, a county, or an incorporated municipality, or their agencies, during a calendar year in which the person receives in the aggregate \$100,000 or more, shall, file with the State Board of Elections a statement disclosing contributions in excess of \$500 made during the reporting period to a candidate for elective office in any primary or general election. The statement shall be filed with the State Board of Elections: (1) before a purchase or execution of a lease or contract by the State, a county, an incorporated municipality, or their agencies, and shall cover the preceding two calendar years; and (2) if the contribution is made after the execution of a lease or contract, then twice a year, throughout the contract term, on: (a) February 5, to cover the 6-month period ending January 31; and (b) August 5, to cover the 6-month period ending July 31.

24. Retention of Records

The Contractor shall retain and maintain all records and documents in any way relating to this Contract for three years after Contract closeout and final payment by the State under this Contract or any applicable statute of limitations, whichever is longer, and shall make them available for inspection and audit by authorized representatives of the State, including the Procurement Officer or the Procurement Officer's designee, at all reasonable times. All records related in any way to the Contract are to be retained for the entire time provided under this section. In the event of any audit, Contractor shall provide assistance to the State, without additional compensation, to identify, investigate and reconcile any audit discrepancies and/or variances.

25. Compliance with Laws

The Contractor hereby represents and warrants that:

- A. It is qualified to do business in the State and that it will take such action as, from time to time hereafter, may be necessary to remain so qualified;
- B. It is not in arrears with respect to the payment of any monies due and owing the State, or any department or unit thereof, including but not limited to the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of this Contract;
- C. It shall comply with all federal, State and local laws, regulations, and ordinances applicable to its activities and obligations under this Contract; and,
- D. It shall obtain, at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Contract.

26. Cost and Price Certification

By submitting cost or price information, the Contractor certifies to the best of its knowledge that the information submitted is accurate, complete, and current as of the date of its bid or offer.

The price under this Contract and any change order or modification hereunder, including profit or fee, shall be adjusted to exclude any significant price increases occurring because the Contractor furnished cost or price information which, as of the date of its bid or offer, was inaccurate, incomplete, or not current.

27. Subcontracting; Assignment

The Contractor may not subcontract any portion of the services provided under this Contract without obtaining the prior written approval of the State, nor may the Contractor assign this Contract or any of its rights or obligations hereunder, without the prior written approval of the State. Any such subcontract or assignment shall include the terms of Sections 11 and 13 through 26 of this Contract and any other terms and conditions that the State deems necessary to protect its interests. The State shall not be responsible for the fulfillment of the Contractor's obligations to the subcontractors.

28. Liability

28.1 For breach of this Contract, negligence, misrepresentation or any other contract or tort claim, Contractor shall be liable as follows:

- A. For infringement of patents, copyrights, trademarks, service marks and/or trade secrets, as provided in Section 7 of this Contract;
- B. Without limitation for damages for bodily injury (including death) and damage to real property and tangible personal property;
- C. For all other claims, damages, losses, costs, expenses, suits or actions in any way related to this Contract, regardless of the form, Contractor's liability shall be limited to three (3) times the total dollar amount of the Contract value up to the date of settlement or final award of any such claim. Third party

claims arising under Section 10, "Indemnification", of this Contract are included in this limitation of liability only if the State is immune from liability. Contractor's liability for third party claims arising under Section 10 of this Contract shall be unlimited if the State is not immune from liability for claims arising under Section 10.

29. Parent Company Guarantee (If Applicable)

[Corporate name of Parent Company] hereby guarantees absolutely the full, prompt and complete performance by "[Contractor]" of all the terms, conditions and obligations contained in this Contract, as it may be amended from time to time, including any and all exhibits that are now or may become incorporated hereunto, and other obligations of every nature and kind that now or may in the future arise out of or in connection with this Contract, including any and all financial commitments, obligations and liabilities. "[Corporate name of Parent Company]" may not transfer this absolute guaranty to any other person or entity without the prior express written approval of the State, which approval the State may grant, withhold, or qualify in its sole and absolute subjective discretion. "[Corporate name of Parent Company]" further agrees that if the State brings any claim, action, suit or proceeding against "[Contractor]", "[Corporate name of Parent Company]" may be named as a party, in its capacity as Absolute Guarantor.

30. Commercial Non-Discrimination

- 30.1 As a condition of entering into this Contract, Contractor represents and warrants that it will comply with the State's Commercial Nondiscrimination Policy, as described under Title 19 of the State Finance and Procurement Article of the Annotated Code of Maryland. As part of such compliance, Contractor may not discriminate on the basis of race, color, religion, ancestry or national origin, sex, age, marital status, sexual orientation, or on the basis of disability or other unlawful forms of discrimination in the solicitation, selection, hiring, or commercial treatment of subcontractors, vendors, suppliers, or commercial customers, nor shall Contractor retaliate against any person for reporting instances of such discrimination. Contractor shall provide equal opportunity for subcontractors, vendors, and suppliers to participate in all of its public sector and private sector subcontracting and supply opportunities, provided that this clause does not prohibit or limit lawful efforts to remedy the effects of marketplace discrimination that have occurred or are occurring in the marketplace. Contractor understands that a material violation of this clause shall be considered a material breach of this Contract and may result in termination of this Contract, disqualification of Contractor from participating in State contracts, or other sanctions. This clause is not enforceable by or for the benefit of, and creates no obligation to, any third party.
- 30.2 The Contractor shall include the above Commercial Nondiscrimination clause, or similar clause approved by DBM, in all subcontracts.
- 30.3 As a condition of entering into this Contract, upon the Maryland Human Relations Commission's request, and only after the filing of a complaint against Contractor under Title 19 of the State Finance and Procurement Article, as amended from time to time, Contractor agrees to provide within 60 days after the request a complete list of the names of all subcontractors, vendors, and suppliers that Contractor has used in the past 4 years on any of its contracts that were undertaken within the state of Maryland, including the total dollar amount paid by Contractor on each subcontract or supply contract. Contractor further agrees to cooperate in any investigation conducted by the State pursuant to the State's Commercial Nondiscrimination Policy as set forth under Title 19 of the State Finance and Procurement Article of the Annotated Code of Maryland, and to provide any documents relevant to any investigation that are requested by the State.

Contractor understands that violation of this clause is a material breach of this Contract and may result in contract termination, disqualification by the State from participating in State contracts, and other sanctions.

31. Prompt Pay Requirements

31.1. If a contractor withholds payment of an undisputed amount to its subcontractor, the Agency, at its option and in its sole discretion, may take one or more of the following actions:

- 31.1.1 Not process further payments to the contractor until payment to the subcontractor is verified;
- 31.1.2 Suspend all or some of the contract work without affecting the completion date(s) for the contract work;
- 31.1.3 Pay or cause payment of the undisputed amount to the subcontractor from monies otherwise due or that may become due;
- 31.1.4 Place a payment for an undisputed amount in an interest-bearing escrow account; or
- 31.1.5 Take other or further actions as appropriate to resolve the withheld payment.

31.2. An “undisputed amount” means an amount owed by a contractor to a subcontractor for which there is no good faith dispute, including any retainage withheld, and includes an amount withheld because of issues arising out of an agreement or occurrence unrelated to the agreement under which the amount is withheld.

31.3. An act, failure to act, or decision of a procurement officer or a representative of the Agency, concerning a withheld payment between a contractor and subcontractor under this policy directive, may not:

- 31.3.1 Affect the rights of the contracting parties under any other provision of law;
- 31.3.2 Be used as evidence on the merits of a dispute between the Agency and the contractor in any other proceeding; or
- 31.3.3 Result in liability against or prejudice the rights of the Agency.

31.4. The remedies enumerated above are in addition to those provided under COMAR 21.11.03.13 with respect to subcontractors that have contracted pursuant to the Minority Business Enterprise program.

31.5. To ensure compliance with certified MBE subcontract participation goals, the Agency may, consistent with COMAR 21.11.03.13, take the following measures:

31.5.1 Verify that the certified MBEs listed in the MBE participation schedule actually are performing work and receiving compensation as set forth in the MBE participation schedule.

31.5.2 This verification may include, as appropriate:

- 31.5.2.1 Inspecting any relevant records of the contractor;
- 31.5.2.2 Inspecting the jobsite; and
- 31.5.2.3 Interviewing subcontractors and workers.
- 31.5.2.4 Verification shall include a review of:
 - 31.5.2.4.1 The contractor’s monthly report listing unpaid invoices over 30 days old from certified MBE subcontractors and the reason for nonpayment; and
 - 31.5.2.4.2 The monthly report of each certified MBE subcontractor, which lists payments received from the contractor in the preceding 30 days and invoices for which the subcontractor has not been paid.

31.5.3 If the Agency determines that a contractor is in noncompliance with certified MBE participation goals, then the Agency will notify the contractor in writing of its findings, and will require the contractor to take appropriate corrective action.

31.5.3.1 Corrective action may include, but is not limited to, requiring the contractor to compensate the MBE for work performed as set forth in the MBE participation schedule.

31.5.4 If the Agency determines that a contractor is in material noncompliance with MBE contract provisions and refuses or fails to take the corrective action that the Agency requires, then the Agency may:

31.5.4.1 Terminate the contract;

31.5.4.2 Refer the matter to the Office of the Attorney General for appropriate action; or

31.5.4.3 Initiate any other specific remedy identified by the contract, including the contractual remedies required by this Directive regarding the payment of undisputed amounts.

31.5.5 Upon completion of the contract, but before final payment or release of retainage or both, the contractor shall submit a final report, in affidavit form under the penalty of perjury, of all payments made to, or withheld from MBE subcontractors.

32. Independence/Conflict of Interest

The Contractor agrees that it will not receive compensation, directly or indirectly, from the companies the Board selects as its investment options, distribution options, investment manager, plan administrator, auditor, or any other service provider for its plans.

33. Fiduciary Status with Respect to the Board

The Contractor acknowledges that it is a fiduciary with respect to the investment advice it provides to the Board. The Contractor accepts its appointment as such fiduciary, and specifically agrees to perform its duties with respect to the Board with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Contractor agrees to discharge its duties with respect to the Board solely in the interest of the participants of the Plans administered by the Board, and otherwise in accordance with the terms of this Agreement. The Board acknowledges that it retains all decision making authority with respect to the management and administration of the Plans under its jurisdiction, including the appointment and termination of investment managers and selection of investment options.

34. Administrative

34.1 Procurement Officer. The work to be accomplished under this Contract shall be performed under the direction of the Procurement Officer. All matters relating to the interpretation of this Contract shall be referred to the Procurement Officer for determination.

34.2 Notices. All notices hereunder shall be in writing and either delivered personally or sent by certified or registered mail, postage prepaid as follows:

If to the State: Richard Arthur
Maryland Supplemental Retirement Plans
6 Saint Paul Street, Suite 200
Baltimore, Maryland 21202

Attention: _____

If to the Contractor: _____

IN WITNESS THEREOF, the parties have executed this Contract as of the date hereinabove set forth.

CONTRACTOR

STATE OF MARYLAND
BY: BOARD OF TRUSTEES FOR THE
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS

By:

By: Michael T. Halpin,
Secretary and Executive Director

Date

Date

Witness

Witness

Approved for form and legal

sufficiency this ____ day _____, 2011.

Assistant Attorney General

APPROVED BY BPW: _____
(Date)

(BPW Item #)

ATTACHMENT B – BID/PROPOSAL AFFIDAVIT

BID/PROPOSAL AFFIDAVIT

A. AUTHORIZED REPRESENTATIVE

I HEREBY AFFIRM THAT:

I am the (title) _____ and the duly authorized representative of (business) _____ and that I possess the legal authority to make this Affidavit on behalf of myself and the business for which I am acting.

B. CERTIFICATION REGARDING COMMERCIAL NONDISCRIMINATION

The undersigned bidder hereby certifies and agrees that the following information is correct: In preparing its bid on this project, the bidder has considered all proposals submitted from qualified, potential subcontractors and suppliers, and has not engaged in "discrimination" as defined in §19-103 of the State Finance and Procurement Article of the Annotated Code of Maryland. "Discrimination" means any disadvantage, difference, distinction, or preference in the solicitation, selection, hiring, or commercial treatment of a vendor, subcontractor, or commercial customer on the basis of race, color, religion, ancestry, or national origin, sex, age, marital status, sexual orientation, or on the basis of disability or any otherwise unlawful use of characteristics regarding the vendor's, supplier's, or commercial customer's employees or owners. "Discrimination" also includes retaliating against any person or other entity for reporting any incident of "discrimination". Without limiting any other provision of the solicitation on this project, it is understood that, if the certification is false, such false certification constitutes grounds for the State to reject the bid submitted by the bidder on this project, and terminate any contract awarded based on the bid. As part of its bid or proposal, the bidder herewith submits a list of all instances within the past 4 years where there has been a final adjudicated determination in a legal or administrative proceeding in the State of Maryland that the bidder discriminated against subcontractors, vendors, suppliers, or commercial customers, and a description of the status or resolution of that determination, including any remedial action taken. Bidder agrees to comply in all respects with the State's Commercial Nondiscrimination Policy as described under Title 19 of the State Finance and Procurement Article of the Annotated Code of Maryland.

B-1. Certification Regarding Minority Business Enterprises.

The undersigned bidder hereby certifies and agrees that it has fully complied with the State Minority Business Enterprise Law, State Finance and Procurement Article, §14-308(a)(2), Annotated Code of Maryland, which provides that, except as otherwise provided by law, a contractor may not identify a certified minority business enterprise in a bid or proposal and:

- (1) Fail to request, receive, or otherwise obtain authorization from the certified minority business enterprise to identify the certified minority proposal;
- (2) Fail to notify the certified minority business enterprise before execution of the contract of its inclusion in the bid or proposal;
- (3) Fail to use the certified minority business enterprise in the performance of the contract; or

(4) Pay the certified minority business enterprise solely for the use of its name in the bid or proposal.

Without limiting any other provision of the solicitation on this project, it is understood that if the certification is false, such false certification constitutes grounds for the State to reject the bid submitted by the bidder on this project, and terminate any contract awarded based on the bid.

C. AFFIRMATION REGARDING BRIBERY CONVICTIONS

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business (as is defined in Section 16-101(b) of the State Finance and Procurement Article of the Annotated Code of Maryland), or any of its officers, directors, partners, controlling stockholders, or any of its employees directly involved in the business's contracting activities including obtaining or performing contracts with public bodies has been convicted of, or has had probation before judgment imposed pursuant to Criminal Procedure Article, §6-220, Annotated Code of Maryland, or has pleaded nolo contendere to a charge of, bribery, attempted bribery, or conspiracy to bribe in violation of Maryland law, or of the law of any other state or federal law, except as follows (indicate the reasons why the affirmation cannot be given and list any conviction, plea, or imposition of probation before judgment with the date, court, official or administrative body, the sentence or disposition, the name(s) of person(s) involved, and their current positions and responsibilities with the business):

D. AFFIRMATION REGARDING OTHER CONVICTIONS

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business, or any of its officers, directors, partners, controlling stockholders, or any of its employees directly involved in the business's contracting activities including obtaining or performing contracts with public bodies, has:

(1) Been convicted under state or federal statute of:

(a) A criminal offense incident to obtaining, attempting to obtain, or performing a public or private contract; or

(b) Fraud, embezzlement, theft, forgery, falsification or destruction of records or receiving stolen property;

(2) Been convicted of any criminal violation of a state or federal antitrust statute;

(3) Been convicted under the provisions of Title 18 of the United States Code for violation of the Racketeer Influenced and Corrupt Organization Act, 18 U.S.C. §1961 et seq., or the Mail Fraud Act, 18

U.S.C. §1341 et seq., for acts in connection with the submission of bids or proposals for a public or private contract;

(4) Been convicted of a violation of the State Minority Business Enterprise Law, §14-308 of the State Finance and Procurement Article of the Annotated Code of Maryland;

(5) Been convicted of a violation of §11-205.1 of the State Finance and Procurement Article of the Annotated Code of Maryland;

(6) Been convicted of conspiracy to commit any act or omission that would constitute grounds for conviction or liability under any law or statute described in subsections (1)—(5) above;

(7) Been found civilly liable under a state or federal antitrust statute for acts or omissions in connection with the submission of bids or proposals for a public or private contract;

(8) Been found in a final adjudicated decision to have violated the Commercial Nondiscrimination Policy under Title 19 of the State Finance and Procurement Article of the Annotated Code of Maryland with regard to a public or private contract; or

(9) Admitted in writing or under oath, during the course of an official investigation or other proceedings, acts or omissions that would constitute grounds for conviction or liability under any law or statute described in §§B and C and subsections D(1)—(8) above, except as follows (indicate reasons why the affirmations cannot be given, and list any conviction, plea, or imposition of probation before judgment with the date, court, official or administrative body, the sentence or disposition, the name(s) of the person(s) involved and their current positions and responsibilities with the business, and the status of any debarment):

E. AFFIRMATION REGARDING DEBARMENT

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business, or any of its officers, directors, partners, controlling stockholders, or any of its employees directly involved in the business's contracting activities, including obtaining or performing contracts with public bodies, has ever been suspended or debarred (including being issued a limited denial of participation) by any public entity, except as follows (list each debarment or suspension providing the dates of the suspension or debarment, the name of the public entity and the status of the proceedings, the name(s) of the person(s) involved and their current positions and responsibilities with the business, the grounds of the debarment or suspension, and the details of each person's involvement in any activity that formed the grounds of the debarment or suspension).

F. AFFIRMATION REGARDING DEBARMENT OF RELATED ENTITIES

I FURTHER AFFIRM THAT:

(1) The business was not established and it does not operate in a manner designed to evade the application of or defeat the purpose of debarment pursuant to Sections 16-101, et seq., of the State Finance and Procurement Article of the Annotated Code of Maryland; and

(2) The business is not a successor, assignee, subsidiary, or affiliate of a suspended or debarred business, except as follows (you must indicate the reasons why the affirmations cannot be given without qualification):

G. SUB-CONTRACT AFFIRMATION

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business, has knowingly entered into a contract with a public body under which a person debarred or suspended under Title 16 of the State Finance and Procurement Article of the Annotated Code of Maryland will provide, directly or indirectly, supplies, services, architectural services, construction related services, leases of real property, or construction.

H. AFFIRMATION REGARDING COLLUSION

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business has:

(1) Agreed, conspired, connived, or colluded to produce a deceptive show of competition in the compilation of the accompanying bid or offer that is being submitted;

(2) In any manner, directly or indirectly, entered into any agreement of any kind to fix the bid price or price proposal of the bidder or offeror or of any competitor, or otherwise taken any action in restraint of free competitive bidding in connection with the contract for which the accompanying bid or offer is submitted.

I. FINANCIAL DISCLOSURE AFFIRMATION

I FURTHER AFFIRM THAT:

I am aware of, and the above business will comply with, the provisions of Section 13-221 of the State Finance and Procurement Article of the Annotated Code of Maryland, which require that every business that enters into contracts, leases, or other agreements with the State of Maryland or its agencies during a calendar year under which the business is to receive in the aggregate \$100,000 or more shall, within 30 days of the time when the aggregate value of the contracts, leases, or other agreements reaches \$100,000, file with the Secretary of State of Maryland certain specified information to include disclosure of beneficial ownership of the business.

J. POLITICAL CONTRIBUTION DISCLOSURE AFFIRMATION

I FURTHER AFFIRM THAT:

I am aware of, and the above business will comply with, Election Law Article, §§14-101—14-108, Annotated Code of Maryland, which requires that every person that enters into contracts, leases, or other agreements with the State of Maryland, including its agencies or a political subdivision of the State, during a calendar year in which the person receives in the aggregate \$100,000 or more shall file with the State Board of Elections a statement disclosing contributions in excess of \$500 made during the reporting period to a candidate for elective office in any primary or general election.

K. DRUG AND ALCOHOL FREE WORKPLACE

(Applicable to all contracts unless the contract is for a law enforcement agency and the agency head or the agency head's designee has determined that application of COMAR 21.11.08 and this certification would be inappropriate in connection with the law enforcement agency's undercover operations.)

I CERTIFY THAT:

- (1) Terms defined in COMAR 21.11.08 shall have the same meanings when used in this certification.
- (2) By submission of its bid or offer, the business, if other than an individual, certifies and agrees that, with respect to its employees to be employed under a contract resulting from this solicitation, the business shall:
 - (a) Maintain a workplace free of drug and alcohol abuse during the term of the contract;
 - (b) Publish a statement notifying its employees that the unlawful manufacture, distribution, dispensing, possession, or use of drugs, and the abuse of drugs or alcohol is prohibited in the business' workplace and specifying the actions that will be taken against employees for violation of these prohibitions;
 - (c) Prohibit its employees from working under the influence of drugs or alcohol;
 - (d) Not hire or assign to work on the contract anyone whom the business knows, or in the exercise of due diligence should know, currently abuses drugs or alcohol and is not actively engaged in a bona fide drug or alcohol abuse assistance or rehabilitation program;

(e) Promptly inform the appropriate law enforcement agency of every drug-related crime that occurs in its workplace if the business has observed the violation or otherwise has reliable information that a violation has occurred;

(f) Establish drug and alcohol abuse awareness programs to inform its employees about:

(i) The dangers of drug and alcohol abuse in the workplace;

(ii) The business' policy of maintaining a drug and alcohol free workplace;

(iii) Any available drug and alcohol counseling, rehabilitation, and employee assistance programs; and

(iv) The penalties that may be imposed upon employees who abuse drugs and alcohol in the workplace;

(g) Provide all employees engaged in the performance of the contract with a copy of the statement required by §K(2)(b), above;

(h) Notify its employees in the statement required by §K(2)(b), above, that as a condition of continued employment on the contract, the employee shall:

(i) Abide by the terms of the statement; and

(ii) Notify the employer of any criminal drug or alcohol abuse conviction for an offense occurring in the workplace not later than 5 days after a conviction;

(i) Notify the procurement officer within 10 days after receiving notice under §K(2)(h)(ii), above, or otherwise receiving actual notice of a conviction;

(j) Within 30 days after receiving notice under §K(2)(h)(ii), above, or otherwise receiving actual notice of a conviction, impose either of the following sanctions or remedial measures on any employee who is convicted of a drug or alcohol abuse offense occurring in the workplace:

(i) Take appropriate personnel action against an employee, up to and including termination; or

(ii) Require an employee to satisfactorily participate in a bona fide drug or alcohol abuse assistance or rehabilitation program; and

(k) Make a good faith effort to maintain a drug and alcohol free workplace through implementation of §K(2)(a)—(j), above.

(3) If the business is an individual, the individual shall certify and agree as set forth in §K(4), below, that the individual shall not engage in the unlawful manufacture, distribution, dispensing, possession, or use of drugs or the abuse of drugs or alcohol in the performance of the contract.

(4) I acknowledge and agree that:

(a) The award of the contract is conditional upon compliance with COMAR 21.11.08 and this certification;

(b) The violation of the provisions of COMAR 21.11.08 or this certification shall be cause to suspend payments under, or terminate the contract for default under COMAR 21.07.01.11 or 21.07.03.15, as applicable; and

(c) The violation of the provisions of COMAR 21.11.08 or this certification in connection with the contract may, in the exercise of the discretion of the Board of Public Works, result in suspension and debarment of the business under COMAR 21.08.03.

L. CERTIFICATION OF CORPORATION REGISTRATION AND TAX PAYMENT

I FURTHER AFFIRM THAT:

(1) The business named above is a (domestic ___) (foreign ___) corporation registered in accordance with the Corporations and Associations Article, Annotated Code of Maryland, and that it is in good standing and has filed all of its annual reports, together with filing fees, with the Maryland State Department of Assessments and Taxation, and that the name and address of its resident agent filed with the State Department of Assessments and Taxation is: Name: _____ Address: _____

(If not applicable, so state).

(2) Except as validly contested, the business has paid, or has arranged for payment of, all taxes due the State of Maryland and has filed all required returns and reports with the Comptroller of the Treasury, the State Department of Assessments and Taxation, and the Department of Labor, Licensing, and Regulation, as applicable, and will have paid all withholding taxes due the State of Maryland prior to final settlement.

M. CONTINGENT FEES

I FURTHER AFFIRM THAT:

The business has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee, bona fide agent, bona fide salesperson, or commercial selling agency working for the business, to solicit or secure the Contract, and that the business has not paid or agreed to pay any person, partnership, corporation, or other entity, other than a bona fide employee, bona fide agent, bona fide salesperson, or commercial selling agency, any fee or any other consideration contingent on the making of the Contract.

N. Repealed.

O. ACKNOWLEDGEMENT

I ACKNOWLEDGE THAT this Affidavit is to be furnished to the Procurement Officer and may be distributed to units of: (1) the State of Maryland; (2) counties or other subdivisions of the State of Maryland; (3) other states; and (4) the federal government. I further acknowledge that this Affidavit is subject to applicable laws of the United States and the State of Maryland, both criminal and civil, and that nothing in this Affidavit or any contract resulting from the submission of this bid or proposal shall be construed to supersede, amend, modify or waive, on behalf of the State of Maryland, or any unit of the State of Maryland having jurisdiction, the exercise of any statutory right or remedy conferred by the Constitution and the laws of Maryland with respect to any misrepresentation made or any violation of the

obligations, terms and covenants undertaken by the above business with respect to (1) this Affidavit, (2) the contract, and (3) other Affidavits comprising part of the contract.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF.

Date: _____

By: _____

(Authorized Representative and Affiant)

ATTACHMENT C - CONTRACT AFFIDAVIT

A. AUTHORIZED REPRESENTATIVE

I HEREBY AFFIRM THAT:

I am the _____ (title)_____ and the duly authorized representative of _____(business)_____ and that I possess the legal authority to make this Affidavit on behalf of myself and the business for which I am acting.

B. CERTIFICATION OF CORPORATION REGISTRATION AND TAX PAYMENT

I FURTHER AFFIRM THAT:

(1) The business named above is a (domestic____) (foreign____) corporation registered in accordance with the Corporations and Associations Article, Annotated Code of Maryland, and that it is in good standing and has filed all of its annual reports, together with filing fees, with the Maryland State Department of Assessments and Taxation, and that the name and address of its resident agent filed with the State Department of Assessments and Taxation is: Name: _____
Address: _____.

(2) Except as validly contested, the business has paid, or has arranged for payment of, all taxes due the State of Maryland and has filed all required returns and reports with the Comptroller of the Treasury, the State Department of Assessments and Taxation, and the Department of Labor, Licensing, and Regulation, as applicable, and will have paid all withholding taxes due the State of Maryland prior to final settlement.

C. CERTAIN AFFIRMATIONS VALID

I FURTHER AFFIRM THAT:

To the best of my knowledge, information, and belief, each of the affirmations, certifications, or acknowledgements contained in that certain Bid/Proposal Affidavit dated _____, 20____, and executed by me for the purpose of obtaining the contract to which this Exhibit is attached remains true and correct in all respects as if made as of the date of this Contract Affidavit and as if fully set forth herein.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF.

Date: _____ By: _____

(Authorized Representative and Affiant)

ATTACHMENT D – MINORITY BUSINESS ENTERPRISE

**STATE OF MARYLAND
MARYLAND SUPPLEMENTAL RETIREMENT PLANS
MINORITY BUSINESS ENTERPRISE PARTICIPATION**

PURPOSE

Contractor shall structure its procedures for the performance of the work required in this contract to attempt to achieve the minority business enterprise (MBE) goal stated in the Invitation for Bids or Request for Proposals. MBE performance must be in accordance with this Exhibit, as authorized by Code of Maryland Regulations (COMAR) 21.11.03. Contractor agrees to exercise all good faith efforts to carry out the requirements set forth in this Exhibit.

MBE GOALS AND SUB GOALS

An MBE subcontract participation goal of **five percent** of the total contract dollar amount has been established for this procurement. By submitting a response to this solicitation, the bidder or offeror agrees that this percentage of the total dollar amount of the contract will be performed by certified minority business enterprises.

By submitting a response to this solicitation, the bidder or offeror agrees that this percentage of the total dollar amounts of the contract will be performed by certified minority business enterprises as specified.

- ◆ A prime contractor — including an MBE prime contractor — must accomplish an amount of work not less than the MBE subcontract goal with certified MBE subcontractors.
- ◆ A prime contractor comprising a joint venture that includes MBE partner(s) must accomplish the MBE subcontract goal with certified MBE subcontractors.

SOLICITATION AND CONTRACT FORMATION

A bidder or offeror must include with its bid or offer a completed *Certified MBE Utilization and Fair Solicitation Affidavit (Attachment D-1)* whereby:

- (1) the bidder or offeror acknowledges the certified MBE participation goal or requests a waiver, commits to make a good faith effort to achieve the goal, and affirms that MBE subcontractors were treated fairly in the solicitation process.
- (2) the bidder or offeror responds to the expected degree of Minority Business Enterprise participation as stated in the solicitation, by identifying the specific commitment of certified MBEs at the time of submission. The bidder or offeror shall specify the percentage of contract value associated with each MBE subcontractor identified on the MBE Participation Schedule.

If a bidder or offeror fails to submit Attachment D-1 with the bid or offer as required, the Procurement Officer shall deem the bid non-responsive or shall determine that the offer is not reasonably susceptible of being selected for award.

Within 10 working days from notification that it is the apparent awardee or from the date of the actual award, whichever is earlier, the apparent awardee must provide the following documentation to the Procurement Officer.

- (1) **Outreach Efforts Compliance Statement** (Attachment D-2)
- (2) **Subcontractor Project Participation Statement** (Attachment D-3)
- (3) If the apparent awardee believes a waiver (in whole or in part) of the overall MBE goal is necessary, it must submit a fully documented waiver request that complies with COMAR 21.11.03.11.
- (4) Any other documentation required by the Procurement Officer to ascertain bidder or offeror responsibility in connection with the certified MBE participation goal.

If the apparent awardee fails to return each completed document within the required time, the Procurement Officer may determine that the apparent awardee is not responsible and therefore not eligible for contract award. If the contract has already been awarded, the award is voidable.

CONTRACT ADMINISTRATION REQUIREMENTS

Contractor shall:

1. Submit monthly to MSRP a report listing any unpaid invoices, over 30 days old, received from any certified MBE subcontractor, the amount of each invoice and the reason payment has not been made.
2. Include in its agreements with its certified MBE subcontractors a requirement that those subcontractors submit monthly to MSRP a report that identifies the prime contract and lists all payments received from Contractor in the preceding 30 days, as well as any outstanding invoices, and the amount of those invoices.
3. Maintain such records as are necessary to confirm compliance with its MBE participation obligations. These records must indicate the identity of certified minority and non-minority subcontractors employed on the contract, the type of work performed by each, and the actual dollar value of work performed. Subcontract agreements documenting the work performed by all MBE participants must be retained by the Contractor and furnished to the Procurement Officer on request.
4. Consent to provide such documentation as reasonably requested and to provide right-of-entry at reasonable times for purposes of the State's representatives verifying compliance with the MBE participation obligations. Contractor must retain all records concerning MBE participation and make them available for

State inspection for three years after final completion of the contract.

5. At the option of the procurement agency, upon completion of the contract and before final payment and/or release of retainage, submit a final report in affidavit form and under penalty of perjury, of all payments made to, or withheld from MBE subcontractors.

ATTACHMENTS

Attachment D-1 - Certified MBE Utilization and Fair Solicitation Affidavit (must be submitted with bid or offer)

Attachment D-2 - Outreach Efforts Compliance Statement (must be submitted within 10 working days of notification of apparent award or actual award, whichever is earlier)

Attachment D-3 - Subcontractor Project Participation Statement (must be submitted within 10 working days of notification of apparent award or actual award, whichever is earlier)

The below attachments must be submitted on a monthly basis (by the 10th day after month end) after award of contract or as otherwise directed:

Attachment D-4 – Prime Contractor Unpaid MBE Invoice Report

Attachment D-5 – Subcontractor Paid/Unpaid MBE Invoice Report

Attachment D-1
MDOT Certified MBE Utilization and Fair Solicitation Affidavit
State of Maryland
Maryland Supplemental Retirement Plans
Stable Value Fund Investment Management Services RFP
(submit with bid or offer)

This document **MUST BE** included with the bid or offer. If the Bidder or Offeror fails to complete and submit this form with the bid or offer as required, the procurement officer shall deem the bid non-responsive or shall determine that the offer is not reasonably susceptible of being selected for award.

In conjunction with the bid or offer submitted in response to Solicitation No. G50B1400005, I affirm the following:

1. I acknowledge and intend to meet the overall certified Minority Business Enterprise (MBE) participation goal of five percent. Therefore, I will not be seeking a waiver pursuant to COMAR 21.11.03.11.

OR

- I conclude that I am unable to achieve the MBE participation goal. I hereby request a waiver, in whole or in part, of the overall goal. Within 10 business days of receiving notice that our firm is the apparent awardee, I will submit all required waiver documentation in accordance with COMAR 21.11.03.11.
2. ***I understand that if I am notified that I am the apparent awardee, I must submit the following additional documentation within 10 working days of receiving notice of the potential award or from the date of conditional award (per COMAR 21.11.03.10), whichever is earlier.***
 - (a) Outreach Efforts Compliance Statement (Attachment B)
 - (b) Subcontractor Project Participation Statement (Attachment C)
 - (c) Any other documentation, including waiver documentation, if applicable, required by the Procurement Officer to ascertain bidder or offeror responsibility in connection with the certified MBE participation goal.

I understand that if I fail to return each completed document within the required time, the Procurement Officer may determine that I am not responsible and therefore not eligible for contract award. If the contract has already been awarded, the award is voidable.

3. In the solicitation of subcontract quotations or offers, MBE subcontractors were provided not less than the same information and amount of time to respond as were non-MBE subcontractors.

4. Set forth below are the (i) certified MBEs I intend to use and (ii) the percentage of the total contract amount allocated to each MBE for this project. I hereby affirm that the MBE firms are only providing those products and services for which they are MDOT certified.

Prime Contractor: (Firm Name, Address, Phone)	Project Description:
Project Number:	

List Information For Each Certified MBE Subcontractor On This Project

Minority Firm Name	MBE Certification Number
Certification Category For Dually Certified MBE Subcontractors (<i>Check Only One Certification Category</i>)	
<input type="checkbox"/> African American Owned	<input type="checkbox"/> Woman-Owned
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Certification Category For Dually Certified MBE Subcontractors (<i>Check Only One Certification Category</i>)	
<input type="checkbox"/> African American Owned	<input type="checkbox"/> Woman-Owned
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Certification Category for Dually Certified MBE Subcontractors (<i>Check Only One Certification Category</i>)	
<input type="checkbox"/> African American Owned	<input type="checkbox"/> Woman-Owned
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Certification Category for Dually Certified MBE Subcontractors (<i>Check Only One Certification Category</i>)	
<input type="checkbox"/> African American Owned	<input type="checkbox"/> Woman-Owned
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Certification Category for Dually Certified MBE Subcontractors (<i>Check Only One Certification Category</i>)	
<input type="checkbox"/> African American Owned	<input type="checkbox"/> Woman-Owned
Percentage of Total Contract	

Continue on a separate page, if needed.

SUMMARY

Total <i>African-American MBE</i> Participation:	_____ %
Total <i>Woman-Owned</i> MBE Participation:	_____ %
Total <i>Other</i> Participation	_____ %
Total All MBE Participation:	_____ %

I solemnly affirm under the penalties of perjury that the contents of this Affidavit are true to the best of my knowledge, information, and belief.

Bidder/Offeror Name

(PLEASE PRINT OR TYPE)

Signature of Affiant

Name: _____

Title: _____

Date: _____

SUBMIT THIS AFFIDAVIT WITH BID/PROPOSAL

**Attachment D-2
Outreach Efforts Compliance Statement**

Complete and submit this form within 10 working days of notification of apparent award or actual award, whichever is earlier.

In conjunction with the bid or offer submitted in response to Solicitation No. G50B1400005, Bidder/Offeror states the following:

1. Bidder/Offeror identified opportunities to subcontract in these specific work categories.
2. Attached to this form are copies of written solicitations (with bidding instructions) used to solicit MDOT certified MBEs for these subcontract opportunities.
3. Bidder/Offeror made the following attempts to contact personally the solicited MDOT certified MBEs.
4. Select ONE of the following:
 - a. This project does not involve bonding requirements.

OR

 - b. Bidder/Offeror assisted MDOT certified MBEs to fulfill or seek waiver of bonding requirements (*describe efforts*).
5. Select ONE of the following:
 - a. Bidder/Offeror did/did not attend the pre-bid/proposal conference.

OR

 - b. No pre-bid/proposal conference was held.

Bidder/Offeror Printed Name

By: _____
Signature

Address: _____

**Attachment D-3
Subcontractor Project Participation Certification**

Please complete and submit one form for each MDOT certified MBE listed on Attachment D-1 within 10 working days of notification of apparent award.

_____ (prime contractor) has entered into a contract with
_____ (subcontractor) to provide services in connection with the
Solicitation described below.

Prime Contractor Address and Phone	Project Description
Project Number	Total Contract Amount \$
Minority Firm Name	MBE Certification Number
Percentage of Total Contract	

The undersigned Prime Contractor and Subcontractor hereby certify and agree that they have fully complied with the State Minority Business Enterprise law, State Finance and Procurement Article §14-308(a)(2), Annotated Code of Maryland which provides that, except as otherwise provided by law, a contractor may not identify a certified minority business enterprise in a bid or proposal and:

- (1) fail to request, receive, or otherwise obtain authorization from the certified minority business enterprise to identify the certified minority business enterprise in its bid or proposal;
- (2) fail to notify the certified minority business enterprise before execution of the contract of its inclusion of the bid or proposal;
- (3) fail to use the certified minority business enterprise in the performance of the contract; or

- (4) pay the certified minority business enterprise solely for the use of its name in the bid or proposal.

PRIME CONTRACTOR SIGNATURE

SUBCONTRACTOR SIGNATURE

By: _____
Name, Title
Date

By: _____
Name, Title
Date

This form is to be completed monthly by the prime contractor.

**Attachment D-4
Maryland Supplemental Retirement Plans
Minority Business Enterprise Participation
Prime Contractor Paid/Unpaid MBE Invoice Report**

Report #: _____ Reporting Period (Month/Year): _____ Report is due to the MBE Officer by the 10th of the month following the month the services were provided. Note: Please number reports in sequence	Contract #: _____ Contracting Unit: _____ Contract Amount: _____ MBE Subcontract Amt: _____ Project Begin Date: _____ Project End Date: _____ Services Provided: _____
--	--

Prime Contractor:		Contact Person:	
Address:			
City:		State:	ZIP:
Phone:	FAX:	Email:	
Subcontractor Name:		Contact Person:	
Phone:	FAX:		

Subcontractor Services Provided:																																					
List all payments made to MBE subcontractor named above during this reporting period: <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:5%;"></th> <th style="width:40%; text-align: center;"><u>Invoice#</u></th> <th style="width:55%; text-align: center;"><u>Amount</u></th> </tr> </thead> <tbody> <tr><td>1.</td><td></td><td></td></tr> <tr><td>2.</td><td></td><td></td></tr> <tr><td>3.</td><td></td><td></td></tr> <tr><td>4.</td><td></td><td></td></tr> <tr> <td colspan="3">Total Dollars Paid: \$ _____</td> </tr> </tbody> </table>		<u>Invoice#</u>	<u>Amount</u>	1.			2.			3.			4.			Total Dollars Paid: \$ _____			List dates and amounts of any outstanding invoices: <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:5%;"></th> <th style="width:40%; text-align: center;"><u>Invoice #</u></th> <th style="width:55%; text-align: center;"><u>Amount</u></th> </tr> </thead> <tbody> <tr><td>1.</td><td></td><td></td></tr> <tr><td>2.</td><td></td><td></td></tr> <tr><td>3.</td><td></td><td></td></tr> <tr><td>4.</td><td></td><td></td></tr> <tr> <td colspan="3">Total Dollars Unpaid: \$ _____</td> </tr> </tbody> </table>		<u>Invoice #</u>	<u>Amount</u>	1.			2.			3.			4.			Total Dollars Unpaid: \$ _____		
	<u>Invoice#</u>	<u>Amount</u>																																			
1.																																					
2.																																					
3.																																					
4.																																					
Total Dollars Paid: \$ _____																																					
	<u>Invoice #</u>	<u>Amount</u>																																			
1.																																					
2.																																					
3.																																					
4.																																					
Total Dollars Unpaid: \$ _____																																					

If more than one MBE subcontractor is used for this contract, you must use separate D-5 forms.
Return one copy (hard or electronic) of this form to the following address (electronic copy with signature and date is preferred):

MBE Liaison Officer
 Maryland Supplemental Retirement Plans
 6 Saint Paul Street, Suite 200
 Baltimore, MD 21202
Info@MSRP.state.md.us

Signature: _____ (Required) Date: _____

This form must be completed by
 MBE subcontractor

ATTACHMENT D-5
Maryland Supplemental Retirement Plans
Minority Business Enterprise Participation
Subcontractor Paid/Unpaid MBE Invoice Report

Report#: _____ Reporting Period (Month/Year): _____ Report is due by the 10th of the month following the month the services were performed.	Contract # _____ Contracting Unit: _____ MBE Subcontract Amount: _____ Project Begin Date: _____ Project End Date: _____ Services Provided: _____
---	--

MBE Subcontractor Name: _____																															
MDOT Certification #: _____																															
Contact Person: _____		Email: _____																													
Address: _____																															
City: Baltimore		State: _____ ZIP: _____																													
Phone: _____	FAX: _____																														
Subcontractor Services Provided:																															
List all payments received from Prime Contractor during reporting period indicated above. <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:5%;"></th> <th style="width:40%; text-align: center;"><u>Invoice Amt</u></th> <th style="width:15%; text-align: center;"><u>Date</u></th> </tr> </thead> <tbody> <tr><td>1.</td><td></td><td></td></tr> <tr><td>2.</td><td></td><td></td></tr> <tr><td>3.</td><td></td><td></td></tr> <tr> <td colspan="3">Total Dollars Paid: \$ _____</td> </tr> </tbody> </table>		<u>Invoice Amt</u>	<u>Date</u>	1.			2.			3.			Total Dollars Paid: \$ _____			List dates and amounts of any unpaid invoices over 30 days old. <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:5%;"></th> <th style="width:40%; text-align: center;"><u>Invoice Amt</u></th> <th style="width:15%; text-align: center;"><u>Date</u></th> </tr> </thead> <tbody> <tr><td>1.</td><td></td><td></td></tr> <tr><td>2.</td><td></td><td></td></tr> <tr><td>3.</td><td></td><td></td></tr> <tr> <td colspan="3">Total Dollars Unpaid: \$ _____</td> </tr> </tbody> </table>		<u>Invoice Amt</u>	<u>Date</u>	1.			2.			3.			Total Dollars Unpaid: \$ _____		
	<u>Invoice Amt</u>	<u>Date</u>																													
1.																															
2.																															
3.																															
Total Dollars Paid: \$ _____																															
	<u>Invoice Amt</u>	<u>Date</u>																													
1.																															
2.																															
3.																															
Total Dollars Unpaid: \$ _____																															
Prime Contractor: _____		Contact Person: _____																													

Return one copy (hard or electronic) of this form to the following address (electronic copy with signature and date is preferred):

MBE Liaison Officer Maryland Supplemental Retirement Plans 6 Saint Paul Street, Suite 200 Baltimore, MD 21202 Info@MSRP.state.md.us
--

Signature: _____ Date: _____
 (Required)

ATTACHMENT E – PRE-PROPOSAL CONFERENCE RESPONSE FORM

**Solicitation No. G50B1400005
Maryland Supplemental Retirement Plans
Stable Value Fund Investment Management Services RFP**

A Pre-Proposal Conference will be held at 1:00 PM, on May 11, 2011, at 6 Saint Paul Street, Suite 200, Baltimore, MD 21202. Please return this form to the Procurement Officer by fax or e-mail by May 6, 2011.

Return via Email or fax this form to the Procurement Officer:

Richard A. Arthur
Maryland Supplemental Retirement Plans
Saint Paul Street, Suite 200,
Baltimore, MD 21202
Email: RArthur@MSRP.state.md.us
Fax # 410-659-0349

The following representatives will be in attendance:

Signature

Title

Company Name

Telephone

PRICING INSTRUCTION FORM

A. Instructions

In order to assist Offerors in the preparation of their price proposal and to comply with the requirements of this solicitation, Price Instructions and a Price Proposal Form have been prepared. Offerors shall submit their price proposal on the form in accordance with the instructions on the form and as specified herein. Do not alter the forms. The Price Proposal Form is to be signed and dated, where requested, by an individual who is authorized to bind the Offeror to all proposed prices.

The price proposal form is used to calculate the Offeror's TOTAL PRICE PROPOSED.

- A) All costs must be the actual amount the State shall pay for the proposed services per this RFP and may not be contingent on any other factor or condition in any manner.
- B) All services required or requested by the State and proposed by the offeror shall be completed and delivered at **No Additional Cost to the Board**; annual prices must be clearly entered in the price proposal form.
- C) Every blank in the price proposal form shall be filled in.
- D) Except as instructed on the form, nothing shall be entered on the price proposal form that alters or proposes conditions or contingencies on the prices.
- E) It is imperative that the prices included on the Price Proposal Form have been entered correctly and calculated accurately by the Offeror and that the respective total prices agree with the entries on the Price Proposal Form.

Attachment F - Price Proposal Form

Board of Trustees,
Maryland Supplemental Retirement Plans

Request for Proposals

Investment Advisor and General Pension Consultant

PROJECT NUMBER G50B1400005

<u>Contract years ending in</u>	<u>A.Quarterly Price</u>	<u>B.Contract year Price Quarterly Price X 4</u>
2012	\$	\$
2013	\$	\$
2014	\$	\$
2015	\$	\$
2016	\$	\$
Five-Year Total Contract Year Pricing (Total Column B)		\$

Submitted By:		
Authorized Signature		Date
Printed Name and Title		
Company Name		
Company Address		
FEIN		
eMarylandMarketplace i.d.		
Telephone #		
Fax #		

Attachment G – Living Wage Requirements for Service Contracts

Living Wage Requirements for Service Contracts

- A. This contract is subject to the Living Wage requirements under Title 18, State Finance and Procurement Article, Annotated Code of Maryland and the regulations proposed by the Commissioner of Labor and Industry. The Living Wage generally applies to a Contractor or Subcontractor who performs work on a State contract for services that is valued at \$100,000 or more. An employee is subject to the Living Wage if he/she is at least 18 years old or will turn 18 during the duration of the contract; works at least 13 consecutive weeks on the State Contract and spends at least one-half of the employee's time during any work week on the State Contract.
- B. The Living Wage Law does not apply to:
- (1) A Contractor who:
 - (A) has a State contract for services valued at less than \$100,000, or
 - (B) employs 10 or fewer employees and has a State contract for services valued at less than \$500,000.
 - (2) A Subcontractor who:
 - (A) performs work on a State contract for services valued at less than \$100,000,
 - (B) employs 10 or fewer employees and performs work on a State contract for services valued at less than \$500,000, or
 - (C) performs work for a Contractor not covered by the Living Wage Law as defined in B(1)(B) above, or B (3) or C below.
 - (3) Service contracts for the following:
 - (A) services with a Public Service Company;
 - (B) services with a nonprofit organization;
 - (C) services with an officer or other entity that is in the Executive Branch of the State government and is authorized by law to enter into a procurement ("Unit"); or
 - (D) services between a Unit and a County or Baltimore City.

- C. If the Unit responsible for the State contract for services determines that application of the Living Wage would conflict with any applicable Federal program, the Living Wage does not apply to the contract or program.
- D. A Contractor must not split or subdivide a State contract for services, pay an employee through a third party, or treat an employee as an independent Contractor or assign work to employees to avoid the imposition of any of the requirements of Title 18, State Finance and Procurement, Annotated Code of Maryland.
- E. Each Contractor/Subcontractor, subject to the Living Wage Law, shall post in a prominent and easily accessible place at the work site(s) of covered employees a notice of the Living Wage Rates, employee rights under the law, and the name, address, and telephone number of the Commissioner.
- F. The Commissioner of Labor and Industry shall adjust the wage rates by the annual average increase or decrease, if any, in the Consumer Price Index for all urban consumers for the Washington/Baltimore metropolitan area, or any successor index, for the previous calendar year, not later than 90 days after the start of each fiscal year. The Commissioner shall publish any adjustments to the wage rates on the Division of Labor and Industry's Website. An employer subject to the Living Wage Law must comply with the rate requirements during the initial term of the contract and all subsequent renewal periods, including any increases in the wage rate, required by the Commissioner, automatically upon the effective date of the revised wage rate.
- G. A Contractor/Subcontractor who reduces the wages paid to an employee based on the employer's share of the health insurance premium, as provided in §18-103(c), State Finance and Procurement Article, Annotated Code of Maryland, shall not lower an employee's wage rate below the minimum wage as set in §3-413, Labor and Employment Article, Annotated Code of Maryland. A Contractor/Subcontractor who reduces the wages paid to an employee based on the employer's share of health insurance premium shall comply with any record reporting requirements established by the Commissioner of Labor and Industry.
- H. A Contractor/Subcontractor may reduce the wage rates paid under §18-103(a), State Finance and Procurement, Annotated Code of Maryland, by no more than 50 cents of the hourly cost of the employer's contribution to an employee's deferred compensation plan. A Contractor/Subcontractor who reduces the wages paid to an employee based on the employer's contribution to an employee's deferred compensation plan shall not lower the employee's wage rate below the minimum wage as set in §3-413, Labor and Employment Article, Annotated Code of Maryland.
- I. Under Title 18, State and Finance Procurement Article, Annotated Code of Maryland, if the Commissioner determines that the Contractor/Subcontractor violated a provision of this title or regulations of the Commissioner, the Contractor/Subcontractor shall pay restitution to each affected employee, and the State may assess liquidated damages of \$20 per day for each employee paid less than the Living Wage.

- J. Information pertaining to reporting obligations may be found by going to the DLLR Website <http://www.dllr.state.md.us/> and clicking on Living Wage.

Attachment H - Affidavit, Maryland Living Wage Requirement

Maryland Living Wage Requirements-Service Contracts

Contract No. _____

Name of Contractor _____

Address _____

City _____ State _____ Zip Code _____

If the Contract is Exempt from the Living Wage Law

The Undersigned, being an authorized representative of the above named Contractor, hereby affirms that the Contract is exempt from Maryland's Living Wage Law for the following reasons (check all that apply):

- Bidder/Offeror is a nonprofit organization
- Bidder/Offeror is a public service company
- Bidder/Offeror employs 10 or fewer employees and the proposed contract value is less than \$500,000
- Bidder/Offeror employs more than 10 employees and the proposed contract value is less than \$100,000

If the Contract is a Living Wage Contract

A. The Undersigned, being an authorized representative of the above named Contractor, hereby affirms our commitment to comply with Title 18, State Finance and Procurement Article, Annotated Code of Maryland and, if required, to submit all payroll reports to the Commissioner of Labor and Industry with regard to the above stated contract. The Bidder/Offeror agrees to pay covered employees who are subject to living wage at least the living wage rate in effect at the time service is provided for hours spent on State contract activities, and to ensure that its Subcontractors who are not exempt also pay the required living wage rate to their covered employees who are subject to the living wage for hours spent on a State contract for services. The Contractor agrees to comply with, and ensure its Subcontractors comply with, the rate requirements during the initial term of the contract and all subsequent renewal periods, including any increases in the wage rate established by the Commissioner of Labor and Industry, automatically upon the effective date of the revised wage rate.

B. _____ (initial here if applicable) The Bidder/Offeror affirms it has no covered employees for the following reasons: (check all that apply):

- The employee(s) proposed to work on the contract will spend less than one-half of the employee's time during any work week on the contract

Attachment H – Living Wage Affidavit of Agreement (Continued)

Maryland Living Wage Requirements-Service Contracts

- The employee(s) proposed to work on the contract is 17 years of age or younger during the duration of the contract; or
- The employee(s) proposed to work on the contract will work less than 13 consecutive weeks on the State contract.

The Commissioner of Labor and Industry reserves the right to request payroll records and other data that the Commissioner deems sufficient to confirm these affirmations at any time.

Name of Authorized Representative: _____

Signature of Authorized Representative Date

Title

Witness Name (Typed or Printed)

Witness Signature Date

Submit This Affidavit with Bid/Proposal

Attachment I- Conflict of Interest Affidavit and Disclosure

Reference COMAR 21.05.08.08

A. "Conflict of interest" means that because of other activities or relationships with other persons, a person is unable or potentially unable to render impartial assistance or advice to the State, or the person's objectivity in performing the contract work is or might be otherwise impaired, or a person has an unfair competitive advantage.

B. "Person" has the meaning stated in COMAR 21.01.02.01B(64) and includes an Offeror, Contractor, consultant, or subcontractor or sub-consultant at any tier, and also includes an employee or agent of any of them if the employee or agent has or will have the authority to control or supervise all or a portion of the work for which a bid or offer is made.

C. The Offeror warrants that, except as disclosed in §D, below, there are no relevant facts or circumstances now giving rise or which could, in the future, give rise to a conflict of interest.

D. The following facts or circumstances give rise or could in the future give rise to a conflict of interest (explain in detail—attach additional sheets if necessary):

E. The Offeror agrees that if an actual or potential conflict of interest arises after the date of this affidavit, the Offeror shall immediately make a full disclosure in writing to the procurement officer of all relevant facts and circumstances. This disclosure shall include a description of actions which the Offeror has taken and proposes to take to avoid, mitigate, or neutralize the actual or potential conflict of interest. If the contract has been awarded and performance of the contract has begun, the Contractor shall continue performance until notified by the procurement officer of any contrary action to be taken.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF.

Date: _____

By: _____

(Authorized Representative and Affiant)

SUBMIT THIS AFFIDAVIT WITH THE TECHNICAL RESPONSE



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Report of Independent Public Accountants

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

We have audited the accompanying basic financial statements of the State of Maryland Teachers and State Employees Supplemental Retirement Plan (MSRP), which is a pension trust fund of the State of Maryland, as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These basic financial statements are the responsibility of MSRP's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of MSRP as of December 31, 2009 and 2008, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, combining statements, investment section, statistical section, and other supplementary information section, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, investment section, statistical section, and other supplementary information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hunt Valley, Maryland
May 28, 2010

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

MANAGEMENT DISCUSSION AND ANALYSIS

To help facilitate a better understanding of the State of Maryland Teachers and State Employees Supplement Retirement Plans (MSRP) financial condition as of December 31, 2009 and 2008, and the changes in net assets available for plan benefits for the years then ended and policies that govern its operations, management has prepared this narrative analysis. This narrative is intended to supplement the Plans audited financial statements and should be read in conjunction with these statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

In accordance with generally accepted accounting principles, the Maryland Teachers and State Employees Supplemental Retirement Plans (collectively, “the Plans”) basic financial statements consist of the comparative Statements of Net Assets Available for Plan Benefits and Statements of Changes in Net Assets Available for Plan Benefits, along with related note disclosures. The statements include a combined statement for all the separate plans, (pp. 27) as well as separate statements for each plan.

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

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

FINANCIAL HIGHLIGHTS

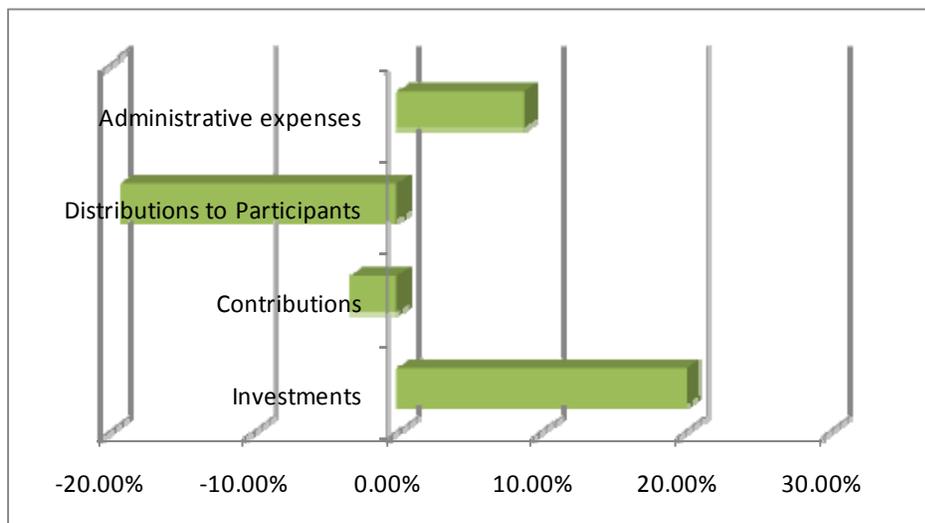
- Net assets available for plan benefits increased by \$389.5 million during the year ended December 31, 2009 from \$1.89 billion as of December 31, 2008 to \$2.3 billion as of December 31, 2009. Net assets available for plan benefits decreased from \$2.5 billion as of December 31, 2007 to \$1.90 billion as of December 31, 2008. The diversification of investment options available to participants of the Plans across different asset classes allow participants to reduce market risk by effectively offsetting short-term fluctuations in individual assets classes with other asset classes depending on their individual investment decision.
- The Plans had a net investment gain of \$382.9 million for the year ended December 31, 2009 and a \$598.3 million investment loss as of December 31, 2008. The Plans had net investment gains of \$140.8 million for the year ended December 31, 2007. The investment markets changes have contributed to the slight investment gain for the year ended December 31, 2009.
- Employee contributions increased slightly from \$164.2 million for the year ended December 31, 2007 to \$167.05 million for the year ended December 31, 2008. For the year ended December 31,

2009, contributions decreased to \$161.6 million. State mandated furloughs have contributed to the slight decrease in contributions in 2009.

- Employer contributions decreased by \$17.7 million for the year ended December 31, 2009 from \$20.8 million to \$3.1 million and increased slightly by \$117,238 for the year ended December 31, 2008 from December 31, 2007. The decrease in employer contributions are a direct result of the suspension of the State mandated employer match contribution suspension beginning in July 2009.
- Distributions to participants increased from \$164.9 million for the year ended December 31, 2007 to \$169.6 million for the year ended December 31, 2008, and decreased significantly for the year ended December 31, 2009 to \$137.0 million. The decrease in the year ended December 31, 2009 indicates participant reaction to the adverse market conditions and allowed funds to remain within the Plans.
- Administrative expenses decreased to \$3.6 million for the year ended December 31, 2008 and decreased to \$3.3 million for the year ended December 31, 2009. The administrative expenses are calculated based on a percentage of participant investment balances and therefore increase when the asset values increase and decrease when the asset values decrease. Early in 2009, decreased Board revenue resulted in the imminent depletion of MSRP reserve funds. The Board chose to impose a \$3 per account charge to cover expenses through the June 30, 2009 fiscal year end. Additionally, the following year the Board approved changes in the administrative fee structure for the plans. Beginning May 2010, board fees will reflect a 5 basis point asset based fee and a monthly \$0.50 per account fee to all participants. The Board believes this fee structure change will ensure more stability in revenue during difficult economic times.

The following chart shows the percentage change from 2008 to 2009 for net assets, employee contributions, distributions to participants and administrative expenses:

NET % CHANGE IN INVESTMENTS, CONTRIBUTIONS, DISTRIBUTIONS AND ADMINISTRATIVE FEES



The table below gives the Plan Net Assets held in trust for deferred compensation benefits as of December 31, 2009, 2008, and 2007:

ASSETS	2009	2008	2007
Investments	\$ 2,281,612,759	\$1,898,664,551	\$ 2,501,745,247
Cash surrender Value life Insurance	3,952,184	4,087,776	3,590,858
Cash	7,014,096	2,288,377	1,136,148
Receivables			
Employee Contributions	4,415,556	4,942,669	101,733
Other Receivable	327,763	74,601	104,400
Loan Receivables	19,444,130	17,192,130	18,909,743
Total Assets	\$ 2,316,766,488	\$1,927,250,104	\$ 2,525,588,129
Net Plan Assets held in trust for deferred compensation benefits	\$ 2,316,766,488	\$1,927,250,104	\$ 2,525,588,129

The table below presents the changes in Net Plan assets held in trust for deferred compensation benefits for the years ended December 31, 2009, 2008 and 2007:

Statement of Changes in Net Plan Assets			
ASSETS	2009	2008	2007
Investments	\$ 2,281,612,759	\$1,898,664,551	\$ 2,501,745,247
Cash surrender Value life Insurance	3,952,184	4,087,776	3,590,858
Cash	7,014,096	2,288,377	1,136,148
Receivables			
Employee Contributions	4,415,556	4,942,669	101,733
Other Receivable	19,444,130	74,601	104,400
Loan Receivables	327,763	17,192,130	18,909,743
Total Assets	\$ 2,316,766,488	\$1,927,250,104	\$ 2,525,588,129
Net Assets Available for Plan Benefits	\$ 2,316,766,488	\$1,927,250,104	\$ 2,525,588,129
ADDITIONS	2009	2008	2007
Employee contributions	\$ 161,570,124	\$ 167,049,415	\$ 164,233,839
Employer contributions	3,102,359	20,839,626	20,722,388
Mutual Fund reimbursements	1,651,712	2,385,355	3,178,679
Change in cash surrender value	-	521,683	(96,753)
Settlement Proceeds	3,748,831	-	-
Investment Income:			
Realized and unrealized (losses) gains	335,160,108	(653,279,727)	87,853,034
Interest income	24,699,152	37,477,989	36,884,956
Total additions	\$ 529,932,286	\$ (425,005,659)	\$ 312,776,143
DEDUCTIONS			
Distributions to participants	\$ 137,035,085	\$ 169,620,199	\$ 164,895,085
Administrative expenses	3,332,537	3,655,978	7,000,105
Life Insurance premiums	48,280	56,098	65,851
Total deductions	140,415,902	173,332,275	171,961,041

Requests for Information

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

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

**Statements of Plan Net Assets –All Plans
As of December 31, 2009 and 2008**

ASSETS	<u>2009</u>	<u>2008</u>
Investments	\$ 2,281,612,759	\$ 1,898,664,551
Cash surrender value of life insurance contracts	3,952,184	4,087,776
Cash	7,014,096	2,288,377
Receivables		
Employee contributions	4,415,556	4,942,669
Loans receivable	19,444,130	17,192,130
Other receivable	327,763	74,601
Total Assets	<u>2,316,766,488</u>	<u>1,927,250,104</u>
Net Assets Held in Trust for Deferred Compensation benefits	<u>\$ 2,316,766,488</u>	<u>\$ 1,927,250,104</u>

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

**Statements of Changes in Plan Net Assets
For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Employee contributions	\$ 161,570,124	\$ 167,049,415
Employer contributions	3,102,359	20,839,626
Variable earnings reimbursements	1,651,712	2,385,355
Change in cash surrender value	-	521,683
Settlement proceeds	3,748,831	-
Investment income:		
Variable earnings investment income	335,160,108	(653,279,727)
Interest income	24,699,152	37,477,898
Total additions	<u>529,932,286</u>	<u>(425,005,750)</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Distributions to participants	137,035,085	169,620,199
Administrative expenses	3,332,537	3,655,978
Life insurance premiums	48,280	56,098
Total deductions	<u>140,415,902</u>	<u>173,332,275</u>
Net Increase (Decrease)	389,516,384	(598,338,025)
Net assets held in trust for deferred compensation benefits, beginning of year	<u>1,927,250,104</u>	<u>2,525,588,129</u>
Net assets held in trust for deferred compensation benefits, end of year	<u><u>\$ 2,316,766,488</u></u>	<u><u>\$ 1,927,250,104</u></u>

**MARYLAND TEACHERS AND STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS****Notes to the Financial Statements
December 31, 2009 and 2008****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Organization**

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

The MSRP consists of four separate defined contribution plans: Deferred Compensation Plan under Internal Revenue Code (the Code or IRC) Section 457; Savings and Investment Plan IRC Section 401(k); Match Plan, Section IRC 401(a); and Tax Sheltered Annuity Plan, IRC Section 403(b) (collectively, the Plans). MSRP has approximately 60,722 participants as of December 31, 2009. MSRP is a fiduciary fund of the State.

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

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

The State Match Plan and Trust (the Match Plan) was established by the State pursuant to Title 32 of the State Personnel & Pensions Article of the Maryland Code on July 1, 1999 (commencement date) and is designed to be a tax-qualified 401(a) defined contribution matching plan under Code Section 401(a).

The State Tax Sheltered Annuity Plan (the 403(b) Plan) was established by the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plan (the Board) 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, 2009 and 2008****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Use of Estimates**

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

Risks and Uncertainties

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

Contributions

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

Under the 401(a) Plan provisions, the State contributes to each participant's 401(a) account an amount equal to the participant's contributions to the State's Supplemental Retirement Plan during the same plan year. The statutory ceiling for these amounts is \$600 for each State fiscal year. Contributions are credited to the investment option selected by the employee/plan participant. During the year ended December 31, 2009, the State suspended the match contribution.

**MARYLAND TEACHERS AND STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS****Notes to the Financial Statements
December 31, 2009 and 2008****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Participant Accounts**

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

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

- The investment contract pool (The "ICP"). The ICP is a book value/constant principal investment 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, guarantee investment contracts written by insurance companies, and synthetic guaranteed investment contracts written by insurance companies and other financial institutions.
- Mutual Funds

Payment of Benefits

Employees investing in MSRP may withdraw the value of their accounts in accordance with IRC rules and the terms of the respective plan. Distributions are generally 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, 2009 and 2008****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Participant Loans**

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

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

Investment Valuation and Income Recognition

The ICP is shown in the accompanying statements under the category of investments, and is valued at contract value. The ICP is managed by Deutsche Asset Management under a management agreement with the Board of Trustees. Interest rates are reset monthly.

During 1997, a Master Trust was established to hold the investment contract pool/assets underlying this investment option. Under the Master Trust arrangement, contributions of participants who elect this investment option for the Maryland State Employees Deferred Compensation Plan, the State of Maryland Savings and Investment Plan, and/or the State of Maryland Match Plan and Trust are combined and held in the Master Trust. Each plan has an undivided interest in the investment contract pools held by the trust and each plan's ownership is represented by its proportionate dollar interest.

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

Mutual Fund investments are presented at fair value based on net asset 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.

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, 2009 and 2008****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Cash Surrender Value**

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

Mutual Fund Reimbursements

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

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

**Notes to the Financial Statements
December 31, 2009 and 2008**

2. INVESTMENTS AND INVESTMENT INCOME

Investments held including a discontinued group annuity contract and annuity reserves held by Nationwide Life and Metropolitan Life, as of December 31, 2009 and 2008, are as follows:

ASSETS	2009	2008
Fixed investments – Investment Contract Pool	\$ 739,973,146	\$ 728,895,676
Mutual fund investments:		
Fidelity® Puritan Fund	184,498,353	155,827,435
Goldman Sachs Large Cap Value Fund – Institutional Shares	122,704,976	107,442,333
Vanguard Institutional Index Fund – Institutional Plus	262,328,118	124,657,449
EuroPacific Growth Fund ® - Class A	62,738,910	91,812,938
EuroPacific Growth Fund ® - Class R6	67,074,619	-
Legg Mason Value Trust – Institutional Class	-	86,602,179
Dreyfus Midcap Index Fund, Inc.	94,137,672	71,119,080
Neuberger Berman Equity Fund ® - Partners Fund	96,347,563	64,589,090
The Growth Fund of America ®, Inc. – Class A	43,330,438	68,712,343
The Growth Fund of America ®, Inc. – Class R6	51,478,442	-
PIMCO Total Return Fund – Institutional Shares	111,988,569	67,553,596
T. Rowe Price Small-Cap Stock Fund, Inc.	73,253,802	52,887,199
Lord Abbott Mid-Cap Value Fund – Class A	-	25,180,638
Vanguard Small Cap Growth Index – Institutional Shares	26,686,648	17,927,943
T. Rowe Price Mid-Cap Value fund	34,902,993	
T. Rowe Price Retirement 2020 fund	34,030,693	17,401,249
T. Rowe Price Retirement 2015 Fund	25,888,753	15,929,290
T. Rowe Price Retirement 2010 Fund	16,072,735	11,486,674
Van Kampen Mid Cap Growth Fund – Class A	18,203,921	9,090,799
T. Rowe Price Retirement 2025 Fund	21,946,140	11,373,148
Vanguard Prime Money Market Fund - Institutional Shares	7,155,831	8,125,558
T. Rowe Price Retirement 2030 Fund	17,565,569	9,202,659
Vanguard Total International Stock Index Fund – Investor Shares	10,544,250	6,660,331
Great West Life Assurance Company	4,595,468	4,650,406
Vanguard Small Cap Value Index – Investor Shares	5,796,138	3,867,619
T. Rowe Price Retirement 2035 Fund	9,897,025	4,783,742
Vanguard Value Index Fund – Investor Shares	4,706,356	3,351,214
T. Rowe Price Retirement 2040 Fund	7,532,800	3,544,004
T. Rowe Price Retirement 2005 Fund	5,062,838	2,994,407
T. Rowe Price Retirement Income Fund	3,009,855	1,698,252
T. Rowe Price Retirement 2045 Fund	3,408,575	1,443,220
T. Rowe Price Retirement 2050 Fund	1,448,216	591,752
T. Rowe Price Retirement 2055 Fund	591,367	352,293
Washington Mutual Investors Fund	387	-
	<u>2,168,901,166</u>	<u>1,779,754,516</u>
Discontinued investment options – Nationwide Fixed Annuities	88,018,578	92,123,170
Nationwide Life annuity payout reserves	18,752,554	20,467,404
Metropolitan Life annuity payout reserves	5,940,461	6,319,461
Total Investments	<u>\$ 2,281,612,759</u>	<u>\$ 1,898,664,551</u>

**MARYLAND TEACHERS AND STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS****Notes to the Financial Statements
December 31, 2009 and 2008****2. INVESTMENTS AND INVESTMENT INCOME (continued)**

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

Investment contract pool interest income is recorded based upon a blended rate of the contractual interest of all investment contracts in force during the period. These amounts are credited to the participants' accounts prior to charges for administrative expenses charged by the Administrator and the Board of the Plan. The blended gross interest rate was 2.35% as of December 31, 2009 and ranged from 2.02% to 3.5% during the year ended December 31, 2009. The blended gross interest rate was 4.52% as of December 31, 2008, and ranged from 4.39% to 4.81% during the year ended December 31, 2008. The contract value as of December 31, 2009 and 2008, was \$739,973,146 and \$728,895,676, respectively. The fair market value as of December 31, 2009 and 2008, was \$731,663,333 and \$683,084,752, respectively and the wrapper value was \$2,301,909 and \$1,953,244, respectively.

Interest income on investments in Nationwide Life fixed annuities and annuity payout reserves are recorded as earned on an accrual basis. Beginning in 1982, based upon the date of contribution, Nationwide Life initiated a plan for paying different rates to specific pools of money. The gross interest rate paid on fixed annuity contributions was 4.26% as of December 31, 2009 and ranged from 4.25% to 4.3% during the year ended December 31, 2009 and was 4.51% as of December 31, 2008 and ranged from 4.5% to 4.55% for the year the ended December 31, 2008.

The fixed earnings investment with the Great-West Fixed Investment Fund is valued at contract value, which represents costs plus interest credited at guaranteed rates (subject to quarterly market adjustments, as reported by Great-West as of December 31). These amounts are credited to the participant's accounts prior to charges for administration expenses charged by the Administrator and the Board of the Plan. The gross interest rate paid on contributions to this investment was 4.1% and 4.33% during the year ended December 31, 2009 and 2008, respectively.

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, 2009 and 2008**

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.

The investments and weighted average maturities as of December 31, 2009 and 2008 are as follows:

	December 31, 2009	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 739,973,146	3.19 years
Variable earnings:		
PIMCO Total Return Fund – Institutional Shares	111,988,569	6.46 years
Great-West Fixed Investment Fund		
Variable earnings:		
Vanguard® Prime Money Market Fund – Investors Shares	4,595,468	5 years
	7,155,831	0.2 years

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

**Notes to the Financial Statements
December 31, 2009 and 2008**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

	December 31, 2008	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 728,895,676	2.74 years
Variable earnings:		
PIMCO Total Return Fund – Institutional Shares	\$ 67,553,596	5.32 years
Great-West Fixed Investment Fund	\$ 4,650,406	5.34 years
Variable earnings:		
Vanguard® Prime Money Market Fund – Institutional Shares	\$ 8,125,558	0.21 years

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

The investment contract pool had a reported average credit rating of AA (as calculated by the manager, Deutsch Bank Advisors) for the year ended December 31, 2009 and AA+ throughout the year ended December 31, 2008. Mutual Funds are unrated.

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

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

**MARYLAND TEACHERS AND STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS****Notes to the Financial Statements
December 31, 2009 and 2008****3. LIFE INSURANCE**

The amount of life insurance in force with Unum Life was approximately \$9,559,544 and \$10,159,874 as of December 31, 2009 and 2008, respectively. Participants in the plan contributed \$48,280 and \$56,098 towards premiums for life insurance contracts offered by Unum Life during the years ended December 31, 2009 and 2008, respectively. At the time of retirement or termination of employment from the State, employees have the option of continuing to make the life insurance premium payments or to receive the cash surrender value of the policy.

4. ADMINISTRATIVE EXPENSES

The Board has appointed Nationwide® Retirement Solutions, Inc. (NRS), as the administrator under an administrative services contract. NRS is a subsidiary of Nationwide Financial Services, Inc., the owner of Nationwide Life and provider of certain fixed annuities.

The current contract with NRS to provide administrative services to MSRP under Board authority became effective January 1, 2008. Under the agreement, NRS provides administrative services, such as account statements, monitoring financial transactions, participant relations, and general management. Fees were charged by NRS at an annual rate of 0.14% during the year ended December 31, 2009 and 2008, respectively against the mutual fund, investment contract pool and fixed annuity assets.

During 2009 and 2008, a charge of 0.05% was imposed by MSRP for its expenses (staff, auditor, consultants, education and other administrative expenses). The fees are collected directly from participant's accounts. The annual cap on participant charges was \$2,000 for 2009 and 2008. In May 2009, the Board made a \$3 charge against participant accounts to replace decreased revenue from the 0.05% asset fee and fund expenses through the end of the fiscal year.

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

The cash balance in the accompanying Statement of Plan Net Assets as of December 2009 and 2008 represents charges assessed by the Board from all deferred compensation plans and held as pooled cash by the Maryland State Treasurer in excess of expenses paid on behalf of the Board. By State law, this amount does not revert to the general fund of the State but constitutes a dedicated fund or reserve for use by the Plans for administrative expenses in the nature of a reserve fund. The cash reserve balance was \$241,569 and \$321,054 as of December 31, 2009 and 2008 respectively.

**MARYLAND TEACHERS AND STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS****Notes to the Financial Statements
December 31, 2009 and 2008****5. TAX STATUS**

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

6. RELATED PARTIES

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

7. COMMITMENTS-Cash Commitment

In December 2009 the Plans received \$3,748,831 from the SEC Invesco Fair Fund. Fair Funds are special settlement vehicles that are created by the SEC to receive and distribute amounts from penalties and damages attributable to violations of the securities law. The Invesco Fair Fund distributed amounts to the shareholders of mutual funds managed by the Invesco Funds group during the period January 1, 2000 to June 30, 2003. One such fund, Invesco Dynamics, was a plan investment option during this period. The settlement was generated by allegations that Invesco permitted certain favored shareholders to exercise special trading practices not described in the offering prospectuses.

The amounts received (\$1,165,287-401(k) plan; \$2,325,229-457 plan; and \$258,315-403(b) plan) were, as of December 31, 2009, held as cash in plan bank accounts pending adoption by the Board of a specific allocation and redistribution plan. An additional amount of \$132,257 was received and deposited for the 401(a) plan in January 2010. Management expects that the Board of Trustees will adopt a redistribution plan that distributes the cash to participants during 2010.

8. SCHEDULES

The schedules on pages 37-41 of these statements are the separate financial statements for each plan, and a combined total for all plans.

COMBINING SCHEDULE

Maryland Supplemental Retirement Plans
Schedule of Combining Net Assets Available for Plan Benefits
As of December 31, 2009

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Investments	\$ 1,135,113,914	\$ 948,477,343	\$ 137,087,230	\$ 60,934,272	\$ 2,281,612,759
Cash surrender value of life insurance contracts	3,952,184	-	-	-	3,952,184
Cash	5,590,494	1,165,287	-	258,315	7,014,096
Receivables:			-	-	-
Employee receivable	1,804,786	2,561,486		49,284	4,415,556
Loans receivable	9,384,994	10,059,136	-	-	19,444,130
Other receivable	95,976	-	-	231,787	327,763
Total Assets	\$ 1,155,942,348	\$ 962,263,252	\$ 137,087,230	\$ 61,473,658	\$ 2,316,766,488

Maryland Supplemental Retirement Plans
Schedule of Combining Changes in Net Assets Available for Plan Benefits
For the year ended December 31, 2009

	<u>Deferred Compensation Plan Section 457</u>	<u>Savings and Investment Plan Section 401(k) Plan</u>	<u>Match Plan and Trust 401(a) Plan</u>	<u>Tax Sheltered Annuity Plan 403(b) Plan</u>	<u>Total</u>
Additions:					
Employee contributions	\$ 66,191,009	\$ 91,902,236	\$ -	\$ 3,476,879	\$ 161,570,124
Employer contributions	-	-	3,102,359	-	3,102,359
Settlement proceeds	2,325,229	1,165,287	-	258,315	3,748,831
Investment income:					
Variable earnings investment income	142,384,004	156,437,545	24,401,390	11,937,169	335,160,108
Interest income	16,444,188	7,154,968	901,952	198,044	24,699,152
Other income	727,509	725,797	122,620	75,786	1,651,712
Total additions/(reductions)	<u>228,071,939</u>	<u>257,385,833</u>	<u>28,528,321</u>	<u>15,946,193</u>	<u>529,932,286</u>
Distribution to participants	74,127,807	54,331,835	4,565,333	4,010,110	137,035,085
Administrative expenses	1,206,768	1,786,479	229,579	109,711	3,332,537
Life insurance premiums	48,280	-	-	-	48,280
Total deductions	<u>75,382,855</u>	<u>56,118,314</u>	<u>4,794,912</u>	<u>4,119,821</u>	<u>140,415,902</u>
Net increase/(decrease)	152,689,084	201,267,519	23,733,409	11,826,372	389,516,384
Beginning of period	<u>1,003,253,264</u>	<u>760,995,733</u>	<u>113,353,821</u>	<u>49,647,286</u>	<u>1,927,250,104</u>
End of period	<u>\$ 1,155,942,348</u>	<u>\$ 962,263,252</u>	<u>\$ 137,087,230</u>	<u>\$ 61,473,658</u>	<u>\$ 2,316,766,488</u>

Maryland Supplemental Retirement Plans
Schedule of Combining Net Assets Available for Plan Benefits
As of December 31, 2008

	<u>Deferred Compensation Plan Section 457</u>	<u>Savings and Investment Plan Section 401(k) Plan</u>	<u>Match Plan and Trust 401(a) Plan</u>	<u>Tax Sheltered Annuity Plan 403(b) Plan</u>	<u>Total</u>
Investments	\$ 986,899,375	\$ 749,297,929	\$ 112,996,854	\$ 49,470,393	\$ 1,898,664,551
Cash surrender value of life insurance contracts	4,087,776	-	-	-	4,087,776
Cash	2,288,377	-	-	-	2,288,377
Receivables:					
Employee receivable	1,887,252	2,649,394	356,967	49,056	4,942,669
Asset fees	74,601	-	-	-	74,601
Loans receivable	8,015,883	9,048,410	-	127,837	17,192,130
Total Assets	<u>\$ 1,003,253,264</u>	<u>\$ 760,995,733</u>	<u>\$ 113,353,821</u>	<u>\$ 49,647,286</u>	<u>\$ 1,927,250,104</u>

Maryland Supplemental Retirement Plans
Schedule of Combining Changes in Net Assets Available for Plan Benefits
For the year ended December 31, 2008

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Employee contributions	\$ 68,108,751	\$ 95,898,797	\$ -	\$ 3,041,867	\$ 167,049,415
Employer contributions	-	-	20,839,626	-	20,839,626
Variable earnings reimbursements	1,071,061	1,032,238	159,786	122,270	2,385,355
Change in cash surrender value	521,683	-	-	-	521,683
Investment income:					
Variable earnings investment income	(285,359,600)	(297,240,209)	(46,975,308)	(23,704,610)	(653,279,727)
Interest income	24,272,486	11,591,054	1,412,795	201,563	37,477,898
Total additions/(reductions)	(191,385,619)	(188,718,120)	(24,563,101)	(20,338,910)	(425,005,750)
Distribution to participants	97,490,302	62,995,066	4,860,035	4,274,796	169,620,199
Administrative expenses	1,272,972	1,978,213	268,020	136,773	3,655,978
Life insurance premiums	56,098	-	-	-	56,098
Total deductions	98,819,372	64,973,279	5,128,055	4,411,569	173,332,275
Net increase/(decrease)	(290,204,991)	(253,691,399)	(29,691,156)	(24,750,479)	(598,338,025)
Beginning of period	1,293,458,255	1,014,687,132	143,044,977	74,397,765	2,525,588,129
End of period	\$ 1,003,253,264	\$ 760,995,733	\$ 113,353,821	\$ 49,647,286	\$ 1,927,250,104

Maryland Teachers and State
Employees Supplemental
Retirement Plans

Statement of Investment Policy

January 2011

TABLE OF CONTENTS

	SECTION
INTRODUCTION	I
INVESTMENT CATEGORIES	II
INVESTMENT OBJECTIVES AND POLICY AND PERFORMANCE STANDARDS	III
REPORTING AND MONITORING PROCEDURES.....	IV
INVESTMENT OPTION EVALUATION	V
INVESTMENT OPTION SELECTION CRITERIA.....	VI
TERMINATION OF FUND.....	VII
APPENDIX: PERFORMANCE BENCHMARKS AND PEER GROUPS	

MARYLAND TEACHERS' AND STATE EMPLOYEES' SUPPLEMENTAL RETIREMENT PLANS

Statement Of Investment Policy

Introduction

The Board of Trustees of the Maryland Teachers' and State Employees' Supplemental Retirement Plans hereby adopts this Statement of Investment Policy (Statement) for the Supplemental Retirement Plans.

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

This Statement of Investment Policy serves the following purposes:

- To ensure that a broad range of investment options are offered to participants in the Plans;
- To establish an investment program that will allow 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 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 selection criteria for the Plans' investment options;
- 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.

This document is intended to be dynamic and should be reviewed periodically and revised when appropriate.

MARYLAND TEACHERS' AND STATE EMPLOYEES' SUPPLEMENTAL RETIREMENT PLANS

Statement Of Investment Policy

I. Investment Categories

The Plans have chosen to offer the following investment categories:

CATEGORY
Money Market Funds
Fixed Investment Options
Bond Funds
Balanced Funds
Lifecycle Funds
Domestic Large Cap Funds
Domestic Mid Cap Funds
Domestic Small Cap Funds
International Equity Funds

Within each category of investment, the Board expects to offer between one and five individual investment options. The Board recognizes that within a category, the investment style (e.g. value, growth and core) may differ between investment options.

Each investment option offered under the Plans shall:

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

If the Board determines an investment option no longer meets the performance criteria, it may replace that option with a suitable alternative pursuant to the investment fund evaluation procedure outlined herein. From time-to-time, the Board, in their discretion, may add investment options/categories to the current core options. At such time, the Statement of Investment Policy will be modified.

MARYLAND TEACHERS' AND STATE EMPLOYEES' SUPPLEMENTAL RETIREMENT PLANS

Statement Of Investment Policy

II. Investment Objectives and Policy and Performance Standards

The Plan shall offer at least one investment option within each of the investment categories listed in Section II. Performance standards, benchmarks and peer groups for each fund in the Plan are outlined in the Appendix. Funds in each category may be actively or passively managed. For each category, the investment style and investment objective are as follows:

Money Market

Investment Style: Money Market Fund

Objective: The objective of this investment category is to obtain the highest level of income consistent with maintaining a stable share price of \$1.00. A fund in this category invests primarily in high-quality fixed income instruments with maturities of less than one year. These may include instruments issued by financial institutions, non-financial corporations, the U.S. Government, and federal agencies.

Fixed Investment Option

Investment Style: Stable Value Fund

Objective: The objective of this investment category is to preserve principal and provide a stable, competitive rate of return. A fund in this category invests primarily in guaranteed investment contracts (GICs) and other fixed income instruments that may be covered by a principal guarantee wrap agreement.

Bond Fund

Investment Style: Bond Fund

Objective: The objective of this investment category is to invest primarily in fixed income obligations of the U.S. Government, its agencies and instrumentalities, investment grade corporate securities, mortgage and asset backed securities. Limited exposure to higher yielding and non-U.S. securities is also acceptable (no more than 30% of the portfolio). Investment returns are expected to be derived primarily from current income.

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

Statement Of Investment Policy

Balanced Funds

Investment Style: Balanced Fund

Objective: The objective of this investment category is to invest in a combination of fixed income and equity securities. Investment returns are expected to be derived from both current income and capital appreciation.

Lifecycle Funds

Investment Style: Target Retirement Balanced Funds

Objective: The objective of this investment category is to invest in a customized portfolio of fixed income and equity securities that changes its asset allocation strategy throughout ones investment horizon, becoming more conservative as a participant nears retirement. Investment returns are expected to be derived from both current income and capital appreciation.

Domestic Large Cap Equity Funds

Investment Style: Large Cap Value Equity

Objective: The objective of this investment category is to invest primarily in the common stock of large capitalization domestic companies considered by the fund manager to be undervalued relative to the market. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser degree, dividend income.

Investment Style: Large Cap Core Equity

Objective: The objective of this investment category is to invest primarily in a broadly diversified portfolio of U.S. equity securities issued by companies defined as large cap (generally \$10 billion and greater in market capitalization). Investment returns are expected to be derived primarily from capital appreciation and, to a lesser degree, dividend income.

Investment Style: Large Cap Growth Equity

Objective: The objective of this investment category is to invest primarily in the common stock of large capitalization domestic companies considered by the fund manager to have above average growth prospects. Investment returns are expected to be derived primarily from capital appreciation.

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

Statement Of Investment Policy

Mid and Small Cap Domestic Equity Funds

Investment Style: Mid Cap Value Equity

Objective: The objective of this investment category is to invest primarily in the common stock of medium capitalization domestic companies (generally \$2 billion to \$10 billion in market capitalization) considered by the fund manager to be undervalued relative to the market. Investment returns are expected to be derived primarily from capital appreciation.

Investment Style: Mid Cap Core Equity

Objective: The objective of this investment category is to invest primarily in a broadly diversified portfolio of the common stock of medium capitalization domestic companies (generally \$2 billion to \$10 billion in market capitalization) considered by the manager either to be undervalued or to have above average potential for capital appreciation. Investment returns are expected to be derived primarily from capital appreciation.

Investment Style: Mid Cap Growth Equity

Objective: The objective of this investment category is to invest primarily in a broadly diversified portfolio of equity securities of medium capitalization domestic companies (generally \$2 billion to \$10 billion in market capitalization) considered by the fund manager to have above average potential for capital appreciation. Investment returns are expected to be derived primarily from capital appreciation.

Investment Style: Small Cap Value Equity

Objective: The objective of this investment category is to invest primarily in the common stock of small capitalization domestic companies (generally \$2 billion and less in market capitalization) considered by the fund manager to be undervalued relative to the market. Investment returns are expected to be derived primarily from capital appreciation.

Investment Style: Small Cap Core Equity

Objective: The objective of this investment category is to invest primarily in the common stock of small capitalization domestic companies (generally \$2 billion and less in market capitalization) considered by the fund manager to be undervalued relative to the market or have above average potential for capital appreciation. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser extent, dividend income.

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

Statement Of Investment Policy

Investment Style: Small Cap Growth Equity

Objective: The objective of this investment category is to invest primarily in the common stock of small capitalization domestic companies (generally \$2 billion and less in market capitalization) considered by the fund manager to have above average potential for capital appreciation. Investment returns are expected to be derived primarily from capital appreciation.

International Equity Funds

Investment Style: International Equity

Objective: The objective of this investment category is to invest primarily in the common stock of companies located outside the United States. Investment returns are expected to be derived primarily from capital appreciation.

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

Statement Of Investment Policy

III. Reporting and Monitoring Procedures

The Board will review the Plans quarterly, including review of the following:

- Current trends and developments in the capital markets (market review);
- The current level of diversification provided by the investment categories and options offered by the Plans;
- Changes in the investment management staff related to each investment option (organizational review);
- The continued consistency between the stated investment guidelines of each investment option and the Plans' policies;
- The compliance of each investment option with stated investment guidelines (review of the holdings and characteristics of each investment option), including style drift analysis;
- The compliance of each investment option's risk and return characteristics with the expectations stated herein (performance review).

MARYLAND TEACHERS' AND STATE EMPLOYEES' SUPPLEMENTAL RETIREMENT PLANS

Statement Of Investment Policy

IV. Investment Option Evaluation

The Board, in its discretion, may conduct informal review and evaluation of an investment fund at any time.

The Board retains the authority to periodically, but not less than annually, evaluate and if appropriate remove investment options. The performance standards outlined in this document apply to all investment options in the Plans. Each standard shall apply independently to the portfolio of each fund, and is expected to be achieved net of investment management fees and expenses.

If an investment option fails to meet the minimum standards of investment performance outlined in this document, the Board will determine which of the steps detailed below should be taken. The Board may, in its discretion, if circumstances warrant, postpone this process in whole or in part, follow these procedures as written or in another chosen sequence, or proceed directly to Step 2.

Step 1. The fund will immediately be placed on watch. Retention at the end of a one-year period will be contingent on the following:

- Actively managed funds must perform above the passive benchmark index (passive funds must be equivalent to the benchmark index) over the past three- and five-year periods or
- The fund must perform above the median of its fund universe over the past three-year periods or
- The fund must provide superior risk adjusted returns over the three-year period; or
- The fund must perform in the top quartile of its fund universe over the past one-year period; and
- Standard deviation (risk/volatility) of returns must not exceed 120% of the relative index over the three-year period; and
- Performance over these periods will be reviewed to justify retention.

Funds which do not satisfy the retention criteria at the end of that one-year period can be replaced (Step 2).

During the formal review, the Board may suspend contributions to the fund from existing participants

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

Statement Of Investment Policy

and may close the fund to new participants. Upon completion of the evaluation, the Board may continue the fund under formal review status, remove the fund from formal review, or terminate the fund.

Step 2. A fund search will be initiated and a replacement fund selected. Regarding the Plan assets already deposited with the fund, the fund option will be closed and assets transferred to the replacement fund or the fund option of the participant's choice.

Additionally, the Board may place a fund under formal fund review, terminate a fund, or "freeze" a fund to new contributions for reasons other than investment performance, including:

1. The fund has changed investment manager, or such change appears imminent;
2. The fund has changed subadvisor.
3. The fund has had a significant change in ownership or control;
4. The fund has changed investment focus or has experienced style drift, departing from the investment category or objectives or parameters in its prospectus or "fact sheet";
5. The fund has violated a SEC rule or regulation; as well as any other important and appropriate statutory regulatory requirements.
6. The fund has operational difficulties concerning fund transfers or pricing.

MARYLAND TEACHERS' AND STATE EMPLOYEES' SUPPLEMENTAL RETIREMENT PLANS

Statement Of Investment Policy

V. Selection Criteria for Investment Options

The following outlines the selection criteria to be used, if the need arises, to replace an existing investment option, or if a new fund is to be added to the Plan(s). To be eligible for the initial screen, a fund should meet the following minimum criteria:

- Have a minimum track record of three years (five year is preferable but may not be realistic in some asset classes)
- Have a minimum of \$100 million in assets
- or
- Have the MSRP investment represent no more than 10% of the total fund's assets; and
- Have above peer group median performance for each of the last 3 and 5-year periods
- or
- Have favorable risk adjusted performance over the last 3 and 5 year periods.
- Be open to new investors
- Have no load (front end or deferred sales charges) or be willing to waive the load and be willing to negotiate rebates on fee structure.
- Have the fund characteristics of the appropriate investment category as outlined in this document

The primary evaluation criteria to be used in the selection of funds which satisfy the above:

- One, three and five year rates of return (net of operating expenses and annualized for time periods longer than one year)
- Risk measures including annualized standard deviation and tracking error
- Three and five-year risk/return ratio and information ratio
- Fund expense ratio
- Investment objective(s) and portfolio strategy
- Tenure/experience of portfolio manager(s)
- Portfolio composition (asset classes and sector concentrations)

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

Statement Of Investment Policy

VI. Termination of Fund

When the Board terminates a fund:

1. The Board, or its designee, will promptly notify the Plans' provider that the fund is being terminated;
2. The Board, or its designee, will promptly notify participants in the Plans who are currently investing in the fund that the Board is terminating the fund as an investment option under the Plans and that:
 - a. New investment monies will be redirected to another fund option under the Plans prior to the termination date of the fund;
 - b. All assets in the terminated fund will be transferred to another fund option prior to the termination date of the fund; and
 - c. Assets not transferred by participants to alternate investment fund options by the termination date will be automatically transferred to a replacement fund or a designated default fund option.

This Statement of Investment Policy is adopted by the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans on _____

Secretary

Date

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

Statement Of Investment Policy

Appendix: Performance Benchmarks and Peer Groups

The majority of the investment funds listed on the next page are offered in each of the four MSRP Plans. A few exceptions include the Vanguard Money Market Prime Fund which is only offered in the 403(b) Plan and the Maryland Investment Contract Pool which is available only in the 457, 401(k) and 401(a) Plans.

As of December 31, 2010.

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

Statement Of Investment Policy

<i>Fund Name</i>	<i>Asset Category</i>	<i>Primary Benchmark</i>	<i>Peer Group</i>
Vanguard Money Market Prime	Money Market	90-Day T-Bill	Money Market Funds
MD Investment Contract Pool	Stable Value	90-Day T-Bill + 100 bps	Stable Value
Nationwide Fixed Annuity	Stable Value	Merrill Lynch 1-3	Short Term Bond Funds
PIMCO Total Return Inst.	Core Bond	Barclays Capital Aggregate	Core Bond Funds
Fidelity Puritan	Balanced	60% S&P 500/ 40% BC Aggregate	Balanced Funds
T. Rowe Price Retirement Funds	Lifecycle	Custom Benchmarks	Target Date Universe
Vanguard Inst. S&P 500 Index Inst.	Large Cap Core	S&P 500	Large Cap Core Funds
Neuberger Berman Partners Inst.	Large Cap Core	S&P 500	Large Cap Core Funds
Goldman Sachs Large Cap Value Inst.	Large Cap Value	Russell 1000 Value	Large Cap Value Funds
Vanguard Value Index Inst.	Large Cap Value	MSCI US Equity Value	Large Cap Value Funds
Am. Funds Growth Fund of America R6	Large Cap	Russell 1000 Growth	Large Cap Growth Funds
Vanguard Mid Cap Index Inst.	Mid Cap Core	MSCI US Mid Cap 450	Mid Cap Core Funds
T. Rowe Price Mid-Cap Value	Mid Cap Value	Russell Midcap Value	Mid Cap Value Funds
Morgan Stanley Inst. Mid Cap Growth	Mid Cap Growth	Russell Midcap Growth	Mid Cap Growth Funds
Vanguard Small Cap Value Index Inst.	Small Cap Value	MSCI Small Cap Value	Small Cap Value Funds
T. Rowe Price Small Cap Stock	Small Cap Core	Russell 2000	Small Cap Core Funds
Vanguard Small Cap Growth Index Inst.	Small Cap	MSCI Small Cap Growth	Small Cap Growth Funds
Am. Funds EuroPacific Growth R6	International Equity	MSCI ACWI ex US	International Equity Funds
Vanguard Total Int'l Stock Index	International Equity	Total International Composite Index	International Equity Funds
Parnassus Equity Income Inst.	SRI Large Cap Core	S&P 500	Large Cap Core Funds

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

Statement Of Investment Policy

Historical Notes of Fund Changes:

- 3Q07: *Add Goldman Sachs Large Cap Value
Add Vanguard Value Index
Add Vanguard Total Int'l Stock Index
Freeze American Funds Washington Mutual Investors*
- 4Q07 *Eliminate Washington Mutual, assets map to Goldman Sachs Large Cap Value*
- 2Q09 *Eliminate Legg Mason Value Inst., assets map to Vanguard Institutional Index Plus
Eliminate Lord Abbett Mid Cap Value, assets map to T. Rowe Price Mid Cap Value*
- 2Q10 *Eliminate Dreyfus Mid Cap Index, assets map to Vanguard Mid-Cap Index*
- 3Q10 *Eliminate INVESCO Van Kampen Mid Cap Growth, assets map to Morgan Stanley Institutional Mid Cap Growth*
- 4Q10 *Add Parnassus Equity Income*

Exhibit C

Fourth Quarter 2010

Defined Contribution Performance Evaluation

Maryland Teachers & State Employees

Supplemental Retirement Plans

MERCER

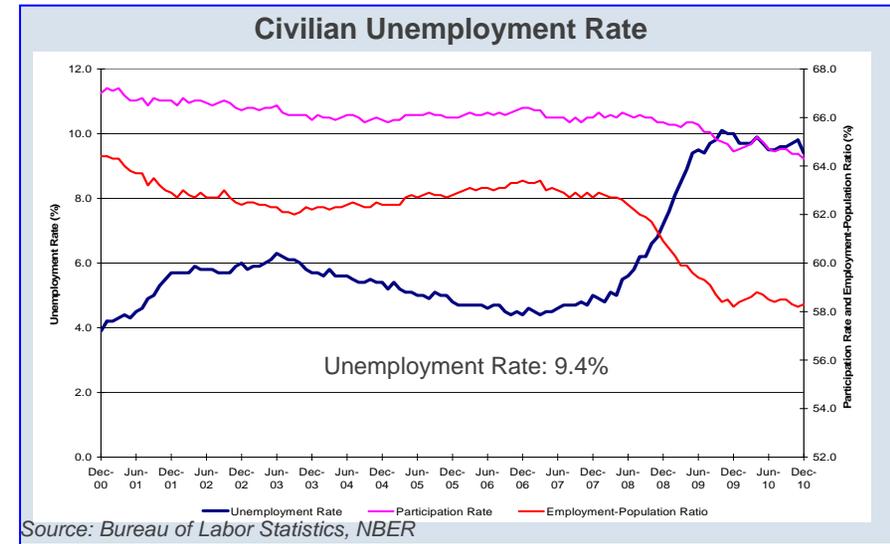
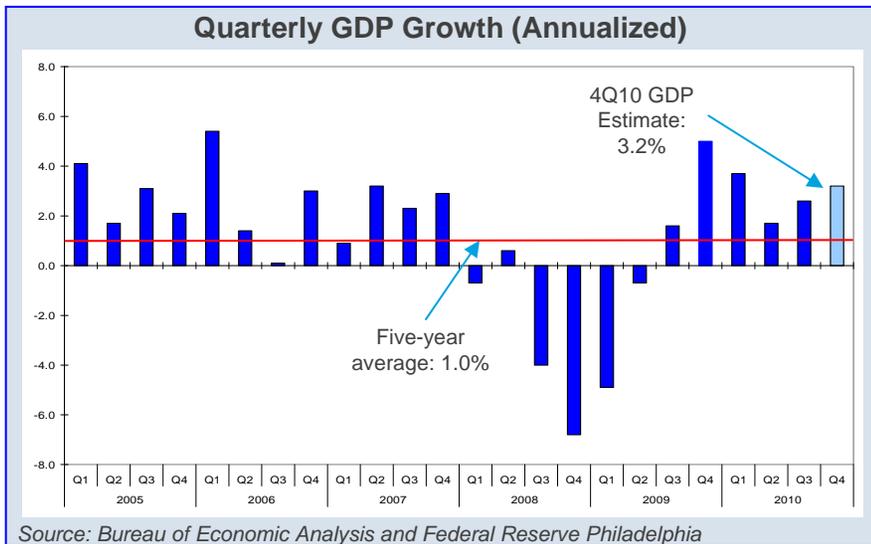
All services provided by Mercer Investment Consulting, Inc.

Contents

Market Environment.....	1
Management Summary.....	2
Fund Profiles.....	3
Investment Expense Analysis.....	4
Appendix	

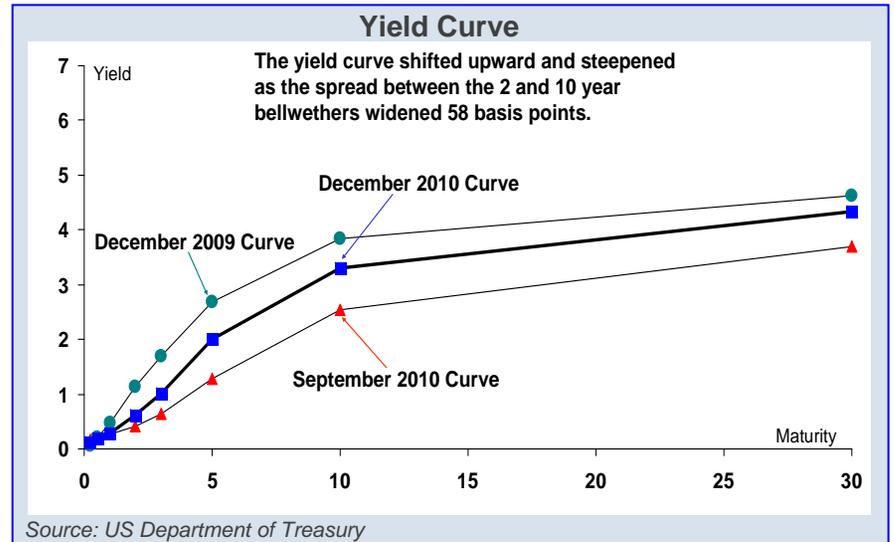
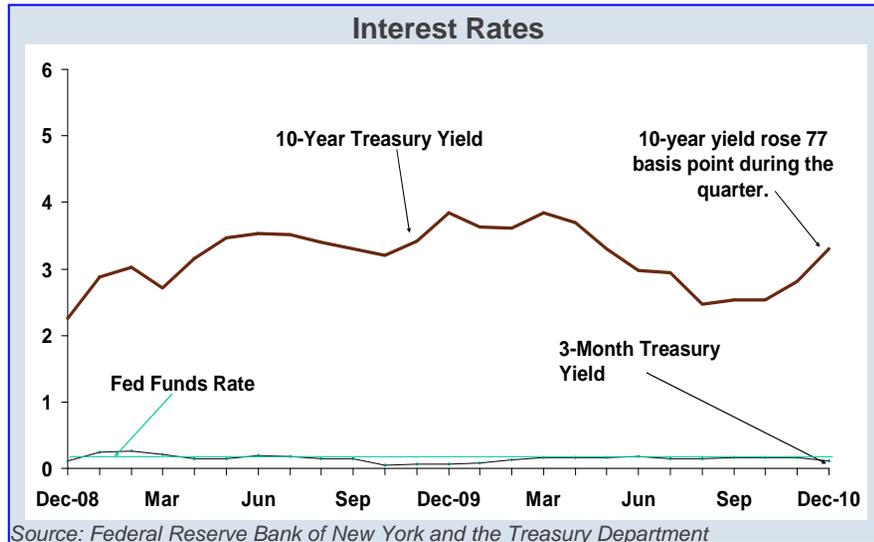
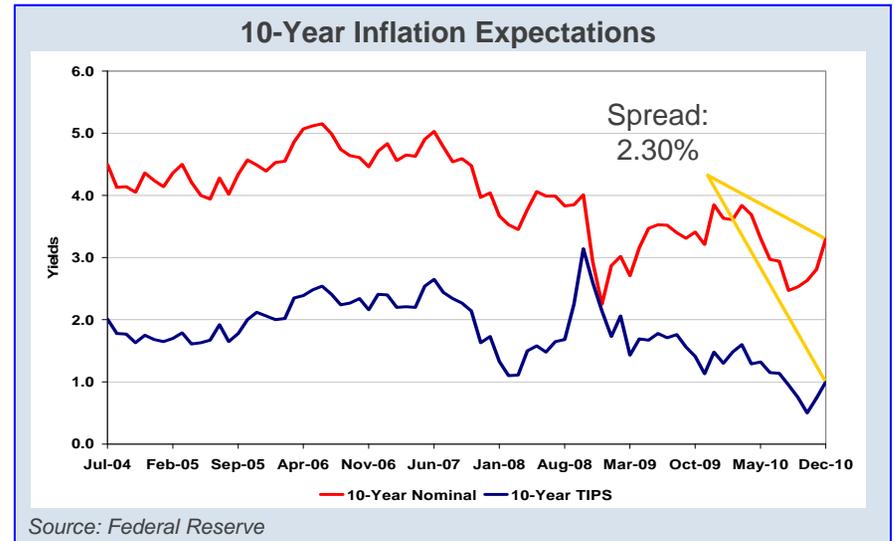
U.S. Capital Markets and Macroeconomic Conditions: Economy

- The S&P 500 Index gained 10.8% during the fourth quarter of 2010, bringing the year's total return to 15.1%.
- As of January 28th, the Bureau of Economic Analysis estimated that GDP increased at an annual rate of 3.2% during the fourth quarter.
- The unemployment rate decreased from 9.6% in September to 9.4% in December as Nonfarm payroll employment increased during the quarter by 384,000 jobs in total. All nonfarm employment gains are attributable to the private sector as government employment decreased by 1,000 jobs. However, the significant drop in the employment rate is mostly attributable to discouraged workers leaving the work force as both the participation rate (64.3%) and the employment-population ratio (58.3%) decreased during the quarter, marking new lows in the past 10 years.



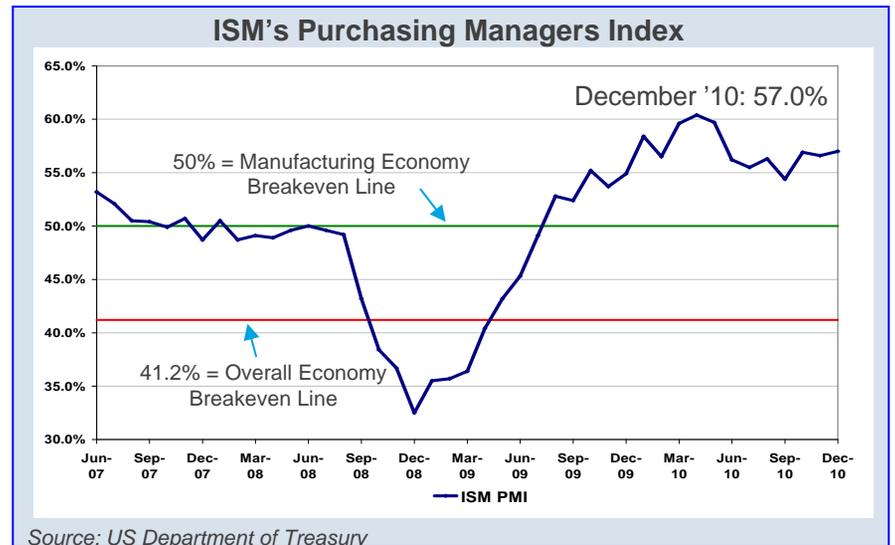
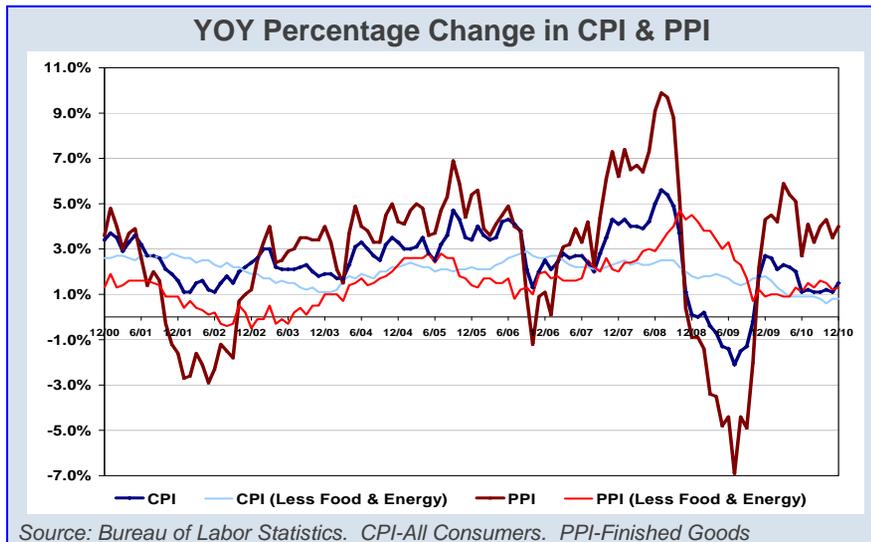
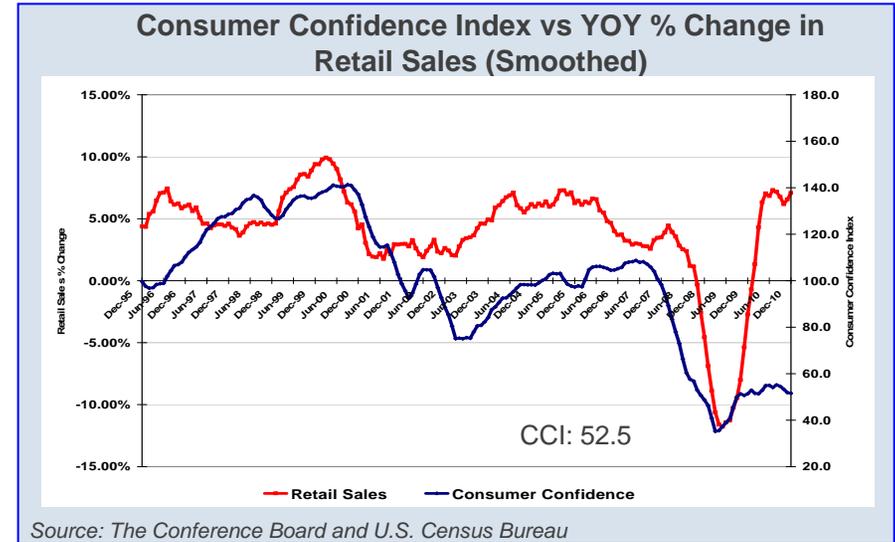
U.S. Capital Markets and Macroeconomic Conditions: Economy

- The Fed kept the federal funds rate to a target range between 0.0% and 0.25% throughout the quarter. The yield curve shifted upward and steepened. Short-term yields decreased slightly with 3-month Treasuries falling 4 basis points to 0.12% at the end of December. However, long-term yields increased significantly with 30-year yields rising 65 basis points during the quarter to 4.34% at the end of December.
- 10-year inflation expectations increased over the fourth quarter by 52 basis points to 2.30%, which is now above the 5-year average of 2.07%.



U.S. Capital Markets and Macroeconomic Conditions: Economy

- The Institute for Supply Management's Purchasing Managers Index increased to 57.0% in December. The PMI indicates the seventeenth consecutive month of growth in the manufacturing sector, and the twentieth consecutive month of growth in the overall economy.
- Headline inflation (CPI) increased to 1.5% year-over-year in December. Core inflation remained steady at 0.8% year-over-year in December. The PPI for finished goods remained steady at 4.0% year-over-year in December. Core PPI decreased to 1.3% year-over-year in December.
- The Consumer Confidence Index increased from 48.6 in September to 52.5 in December. Seasonally adjusted retail sales excluding food services increased through the quarter by 3.3%. Retail sales were up year-over-year in December by 7.9%. Total sales for the quarter were up 8.2% year-over-year.

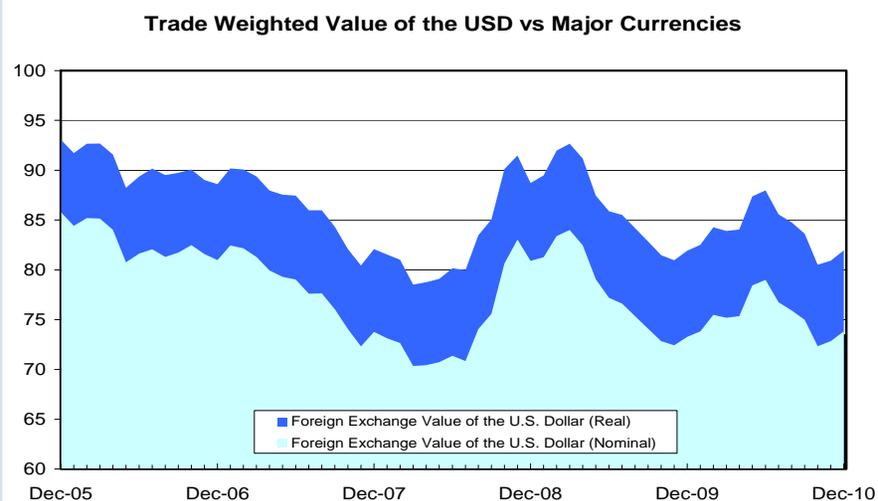


U.S. Capital Markets and Macroeconomic Conditions:

Currency: Dollar falls and fear of currency wars heighten

- The US dollar dropped slightly in the 4th quarter with a loss of 0.41%. Declines of 1.9% and 2.9% in October and December, respectively, contributed to the 0.41% loss against major currencies for the quarter. For the 1-year period, the US dollar declined 1.1%
- During the year, the dollar appreciated against the British Pound and the Euro, but dropped against most major currencies. There has been little appreciation of China's Yuan over the past quarter, even though China announced the end of its currency peg in June
- Throughout 2010, the US dollar has been affected by the European debt crisis and Japan's intervention to keep it's currency from depreciating against other major currencies

Trade Weighted Value of the USD vs Major Currencies



Average Monthly Foreign Exchange Rates

Country	Monetary Unit	Weight as of 5/17/2010	Monthly Exchange Rate (unit/USD)			
			Dec 2010	Nov 2010	Oct 2010	Dec 2009
Major Currencies						
AUSTRALIA	DOLLAR	2.6%	1.0072	1.0112	1.0186	1.1085
CANADA	DOLLAR	30.2%	1.0081	1.0129	1.018	1.0537
EMU Members	EURO	36.6%	0.7564	0.7324	0.7194	0.6859
JAPAN	YEN	17.0%	83.3376	82.518	81.7335	89.9509
SWEDEN	KRONA	2.0%	6.8524	6.8201	6.6767	7.1384
SWITZERLAND	FRANC	3.2%	0.9689	0.9847	0.9689	1.0301
UNITED KINGDOM	POUND	8.5%	0.6412	0.6265	0.6304	0.6163
Other Notables						
BRAZIL	REAL	N/A	1.6955	1.7131	1.6846	1.7508
CHINA, P.R.	YUAN	N/A	6.6497	6.6538	6.6678	6.8275
HONG KONG	DOLLAR	N/A	7.7736	7.7546	7.7579	7.7526
MEXICO	PESO	N/A	12.3902	12.3376	12.4371	12.8622
SOUTH KOREA	WON	N/A	1145.4833	1129.623	1121.99	1163.3109
TAIWAN	DOLLAR	N/A	29.9014	30.318	30.8168	32.2459

Source: U.S. Federal Reserve; Note: USD is measured against the broad dollar index

U.S. Capital Markets and Macroeconomic Conditions

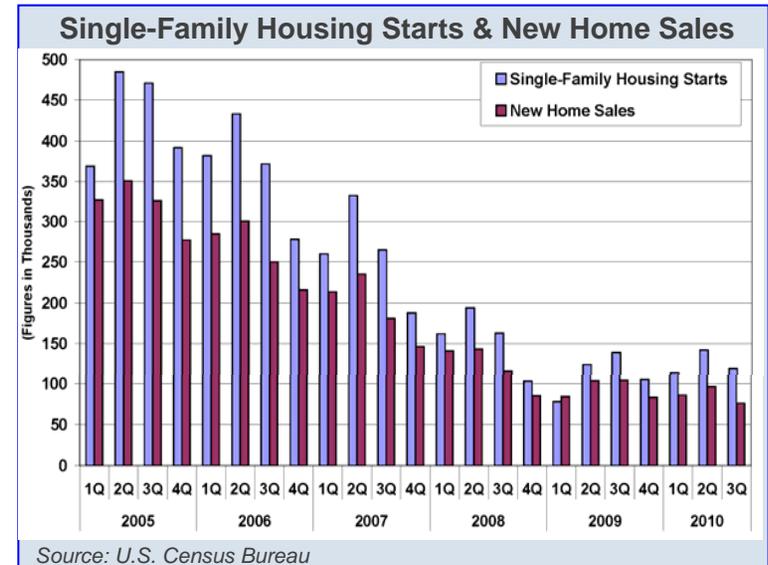
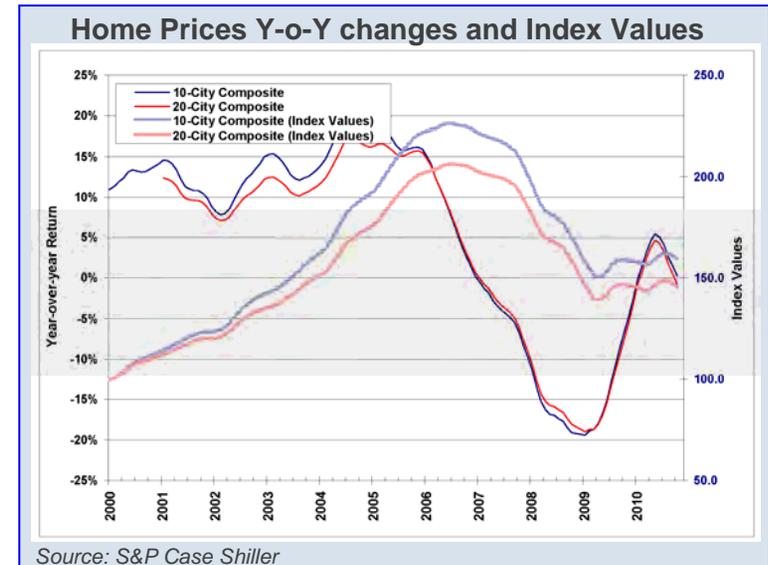
Real Estate: S&P Case-Shiller Home Price Index and Key Indicators

Residential Real Estate

- Consistent with the previous quarter, there was a deceleration in the annual growth rates in most metro areas. The 10-City Composite was up only 0.2% and the 20-City Composite fell 0.8% y-o-y as of October 2010
- Composite housing prices are still above their spring 2009 lows but six markets – Atlanta, Charlotte, Miami, Portland, Seattle, and Tampa – hit their lowest levels since home prices started to fall in '06 and '07
- The national median existing-home price was \$170,500 in October, down 0.9% from October 2009

Real Estate Key Indicators

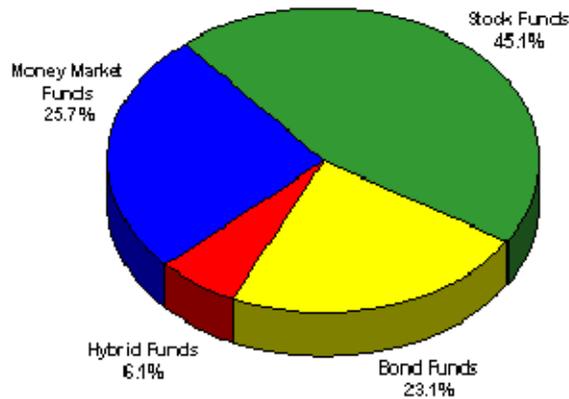
- Existing Home Sales** – Sales came in higher than expected and jumped 12.3% in December to an annual rate of 5.3 million units
- New Home Sales** – Off 8.1% from the previous month and 28.5% below the level in October 2009. The inventory of new homes stood at a 8.6 month supply at current rate
- Single-family and Multifamily Starts** – Starts declined 11.7% in October. Single-family starts were down 8.2% but multifamily starts were up 51.0% from October 2009
- Housing Affordability** – NAR's October reading continued to rise and is projected to be close to historic highs due to low mortgage rates and slight increases in median income



Mutual Fund Environment

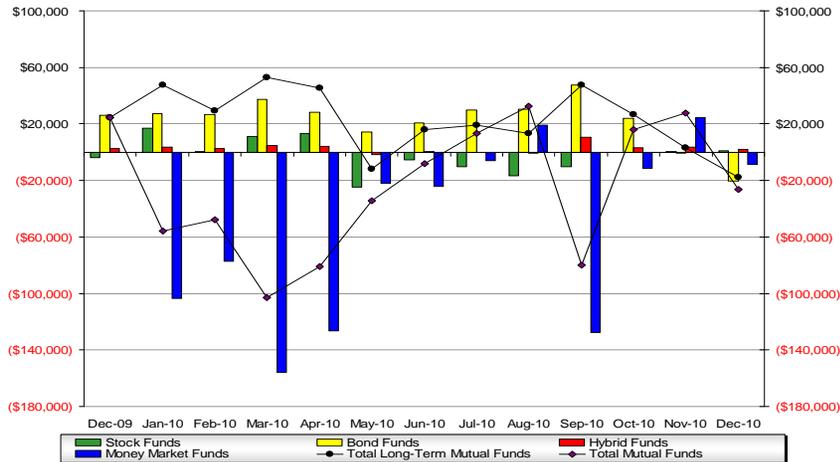
For Periods Ending December 31, 2010

Mutual Fund Asset Allocation
As of December 31, 2010¹

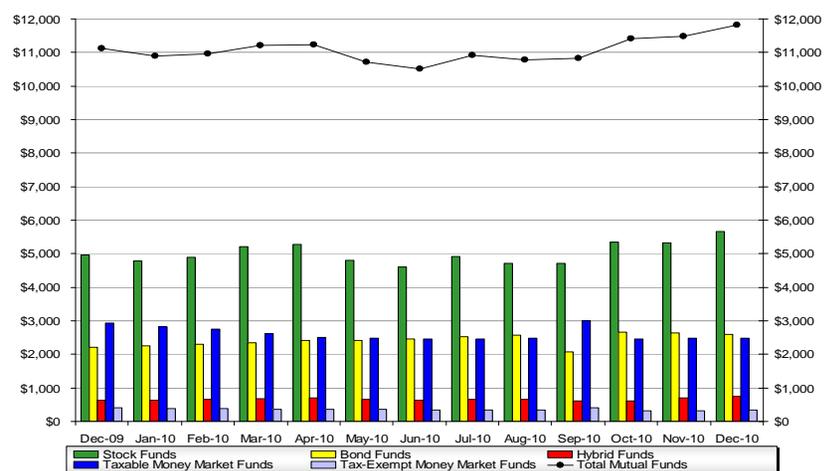


- Domestic equity funds posted strong gains in the fourth quarter. In general, small cap funds outperformed mid and large cap funds and growth-oriented funds outpaced value funds. International equity funds, in both the developed and emerging markets, underperformed US equity funds. Investment-grade bond funds posted negative returns, while those invested in high-yield bonds delivered solid results.
- During the quarter, net inflows to mutual funds totaled \$16.9 billion. Mutual fund investors added \$1.3 billion to stock funds and \$2.8 billion to bond funds. Money market funds and hybrid funds had net inflows of \$4.6 billion and \$8.2 billion respectively.
- During the past three months, total mutual fund assets increased 9.2%, ending the quarter at \$11.8 trillion. The increase was due primarily to appreciation in stock funds.

Net New Flows (\$Millions)¹



Total Net Assets (\$Billions)¹

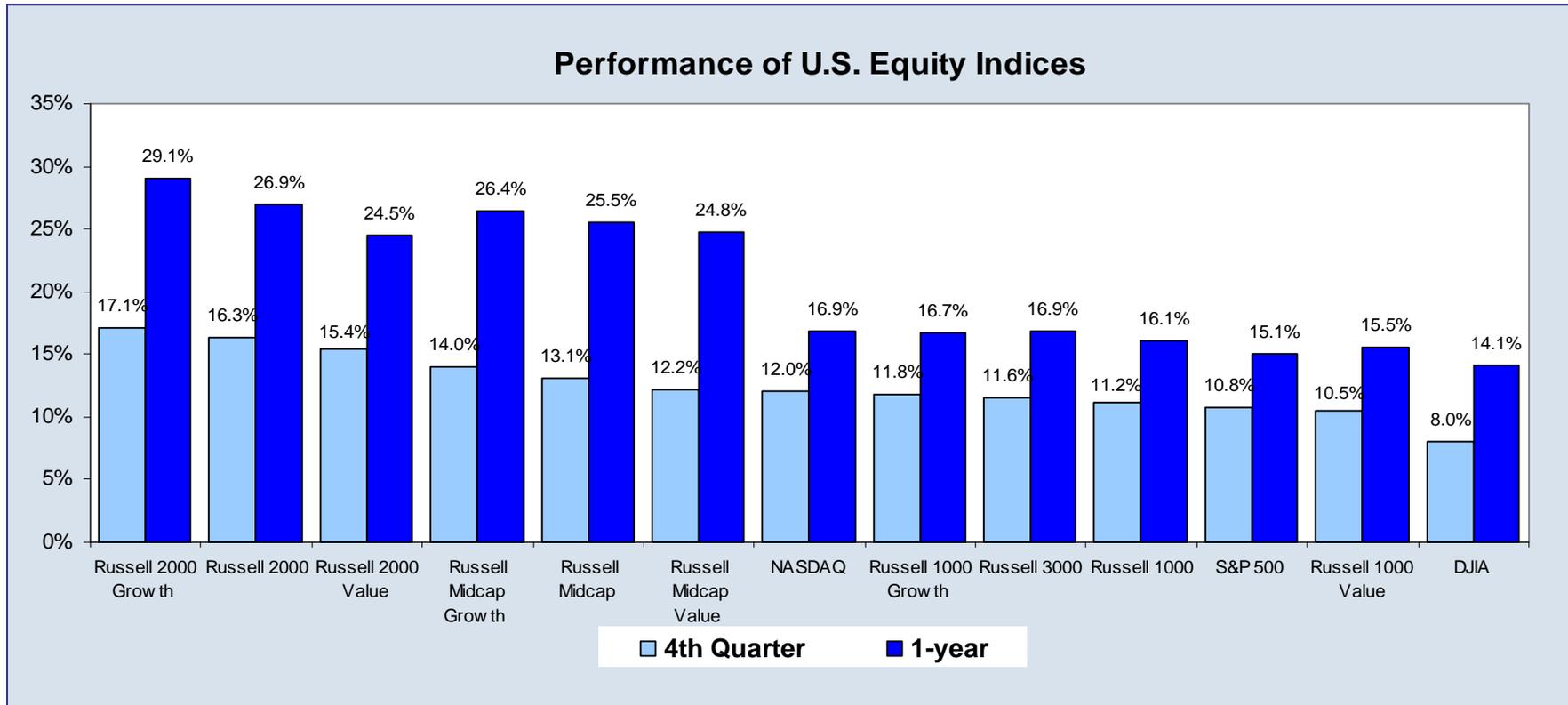


¹Source: Investment Company Institute

Domestic Equity

Small Cap outperforms Large Cap

- During the fourth quarter the US capital markets continued to surge, fueled by strong corporate earnings. US stocks performed positively across all market caps (large, mid, small) and investment styles (value, core, growth)
- Similar to the third quarter, growth oriented stocks outpaced their value counterparts across all market caps
- In a reversal from the third quarter, small cap stocks outperformed larger capitalization stocks

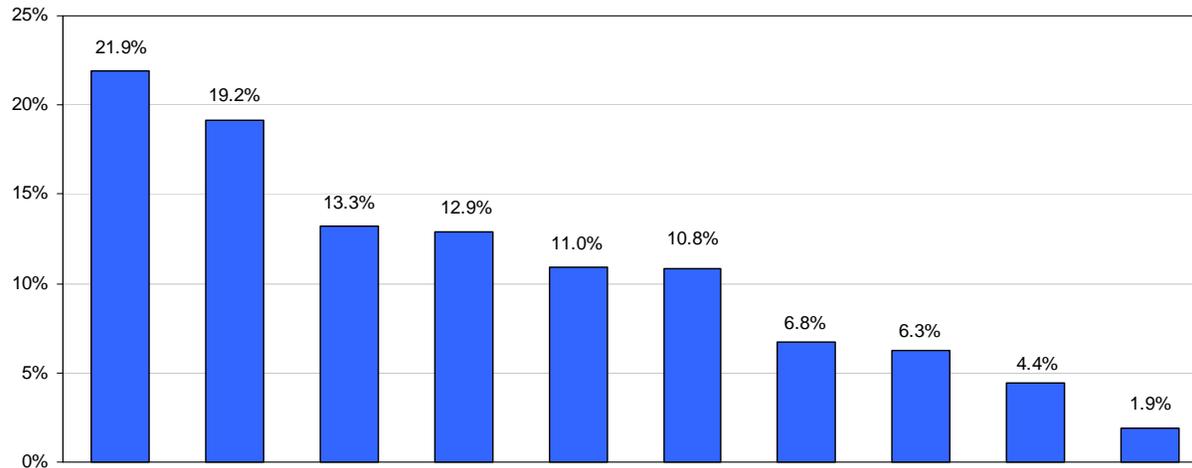


Domestic Equity – Large Cap

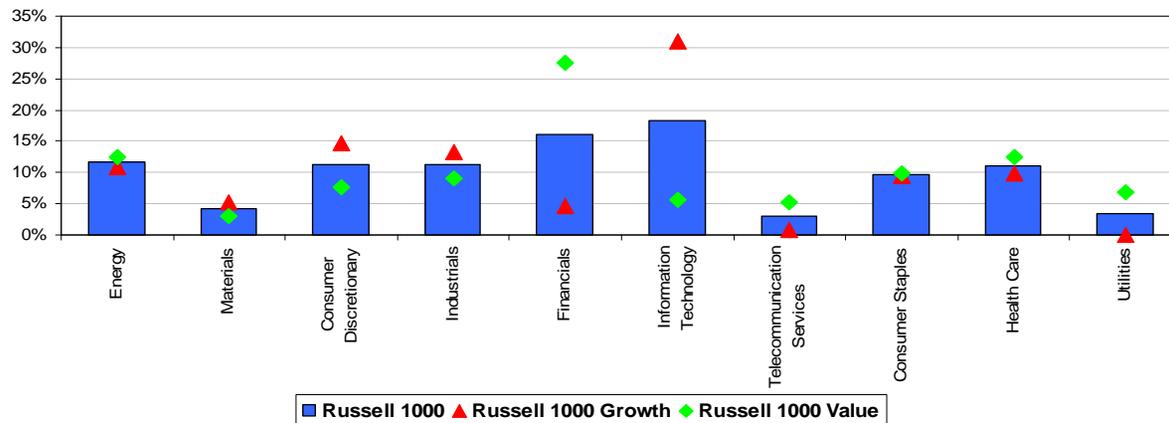
Growth Outperforms Value

- All of the ten sectors of the Russell 1000 indices reported positive returns for the quarter
- Materials and energy were the strongest performing sectors in the large cap space for the quarter
- Health care and utilities reported the weakest returns

Russell 1000 Sector Returns - Fourth Quarter 2010



Russell 1000 Sector Weights - December 2010



Domestic Equity

Style and Market Capitalization Comparison

4Q2010 Returns

	Growth	Core	Value
Large	11.8%	11.2%	10.5%
Mid	14.0%	13.1%	12.2%
Small	17.1%	16.3%	15.4%

Russell 3000: 11.60%

1 Year Returns

	Growth	Core	Value
Large	16.7%	16.1%	15.5%
Mid	26.4%	25.5%	24.8%
Small	29.1%	26.9%	24.5%

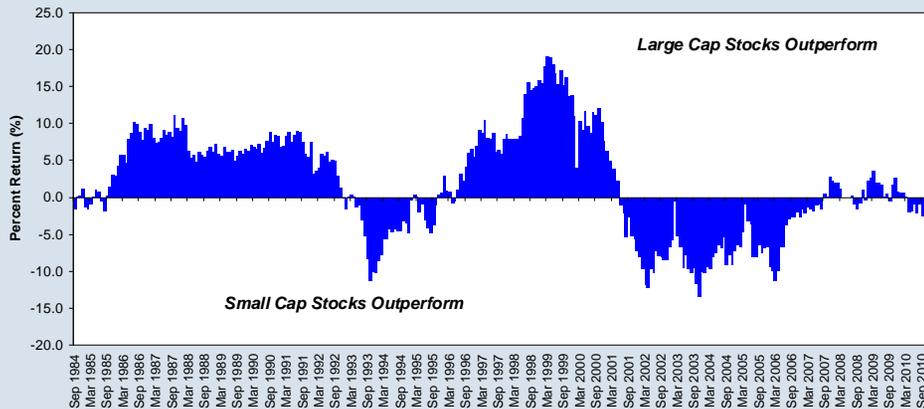
Russell 3000: 16.90%

3 Year Returns

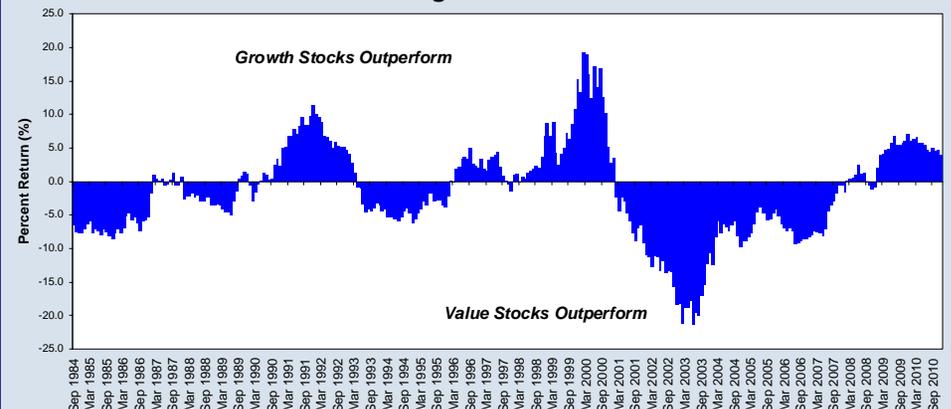
	Growth	Core	Value
Large	-0.5%	-2.4%	-4.4%
Mid	1.0%	1.1%	1.0%
Small	2.2%	2.2%	2.2%

Russell 3000: -2.00%

Russell 1000 Index Minus Russell 2000 Index for Rolling Three-Year Periods



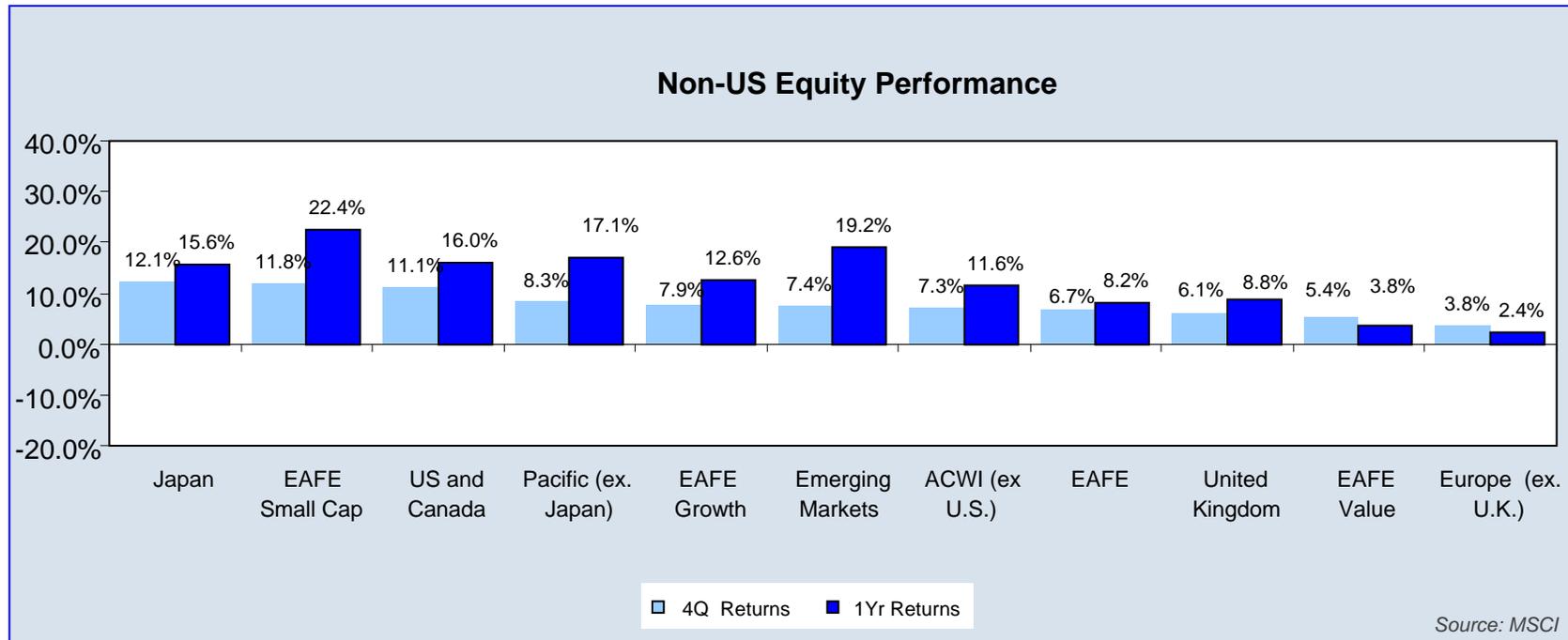
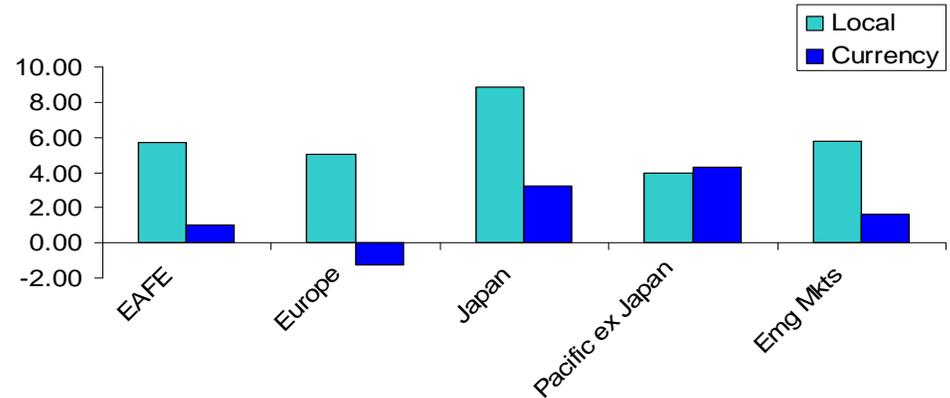
Russell 1000 Growth Index Minus Russell 1000 Value Index for Rolling Three-Year Periods



International Equity

Developed Markets: Non-U.S. Equities Performance

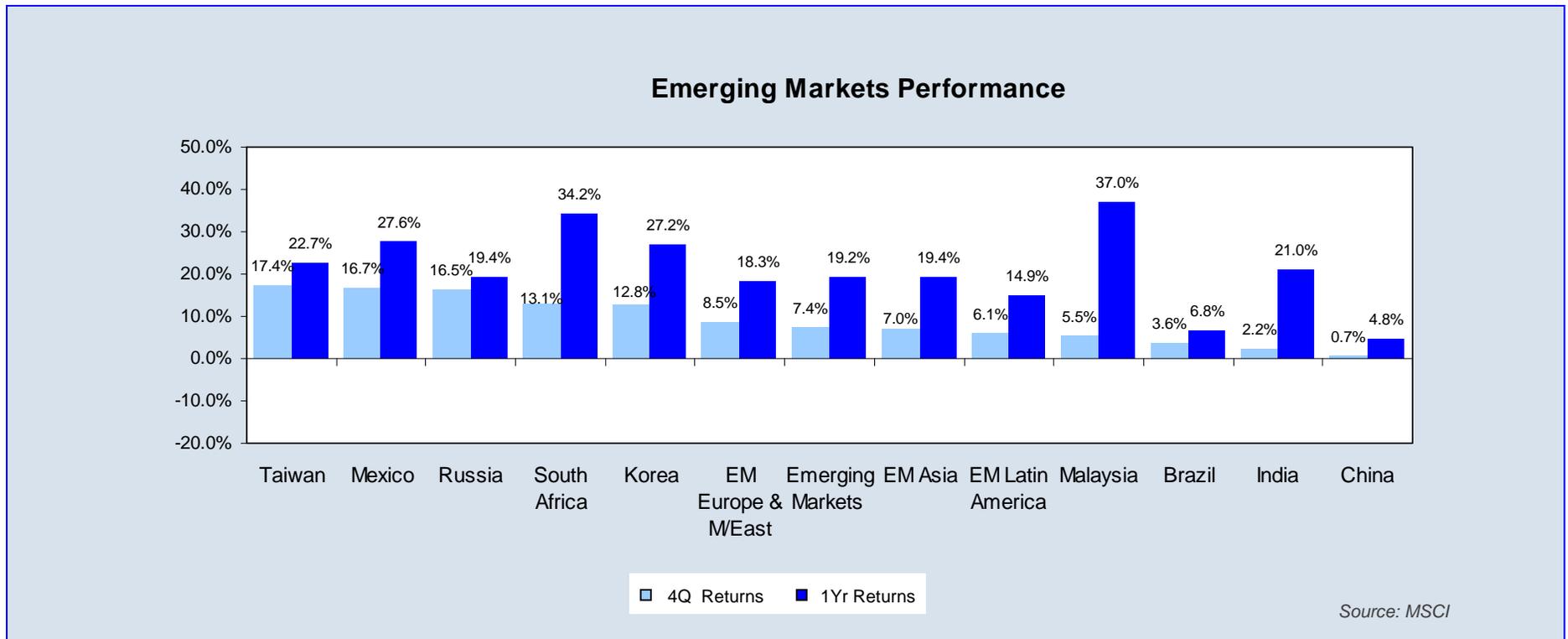
- MSCI EAFE gained 6.7% (gross) in the fourth quarter
 - In local currency terms, MSCI EAFE gained 5.7% for the quarter
- Japan, which represents 22.1% of the index, posted a 12.1% return. In local currency terms, Japan posted a 8.9% return
- The UK, which represents 21.3% of the index, posted a 6.1% return. In local currency terms, UK posted a 6.7% gain
- MSCI All Country World Index ex U.S. gained 7.3% (gross) in the fourth quarter
 - In local currency terms, MSCI All Country World Index ex U.S. gained 5.9% for the quarter



International Equity

Emerging Markets: Performance

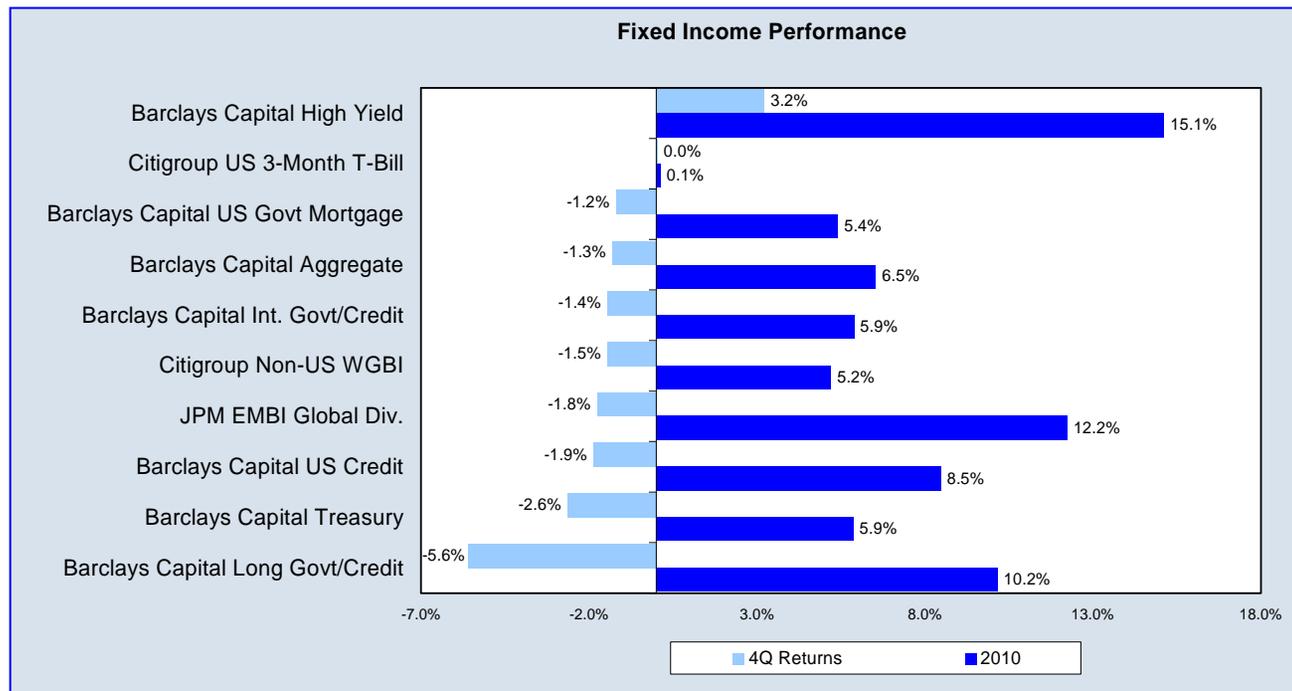
- MSCI Emerging Markets Index gained 7.4% in the fourth quarter
- Brazil, which represents 15.8% of the index, gained 3.6% for the quarter. China and Russia, which represent 17.3% and 6.4% of the index, posted quarterly returns of 0.7% and 16.5%, respectively



US Fixed Income

Fixed Income Suffers as Investors Shift Toward Riskier Assets

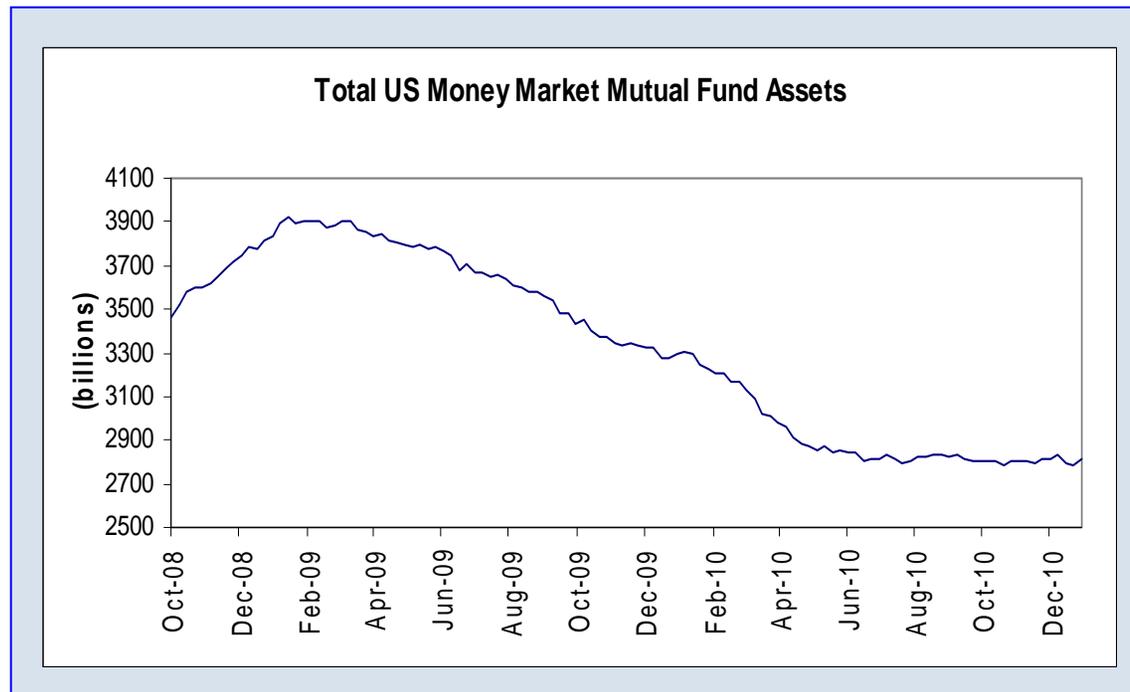
- Strong returns in the equity markets coupled with fears of inflation drove up the yield curve in the fourth quarter, negatively affecting fixed income returns
 - Mutual fund flows into fixed income funds turned net negative in the fourth quarter for the first time since January 2009
 - The Federal Reserve announced in November a second round of Quantitative Easing totaling \$600 billion
- Barclays Aggregate Index fell in the fourth quarter, returning -1.3% and finished 2010 up 6.5%
 - Longer maturities suffered with the increased prospect of higher interest rates. General consensus expects the Fed to raise their target rates sometime in 2011
- Barclays US High Yield Index gained 3.2% in the fourth quarter, one of few positive fixed income sectors
 - Increased investor risk tolerance and signs of a healthier economy helped to drive demand



Money Market

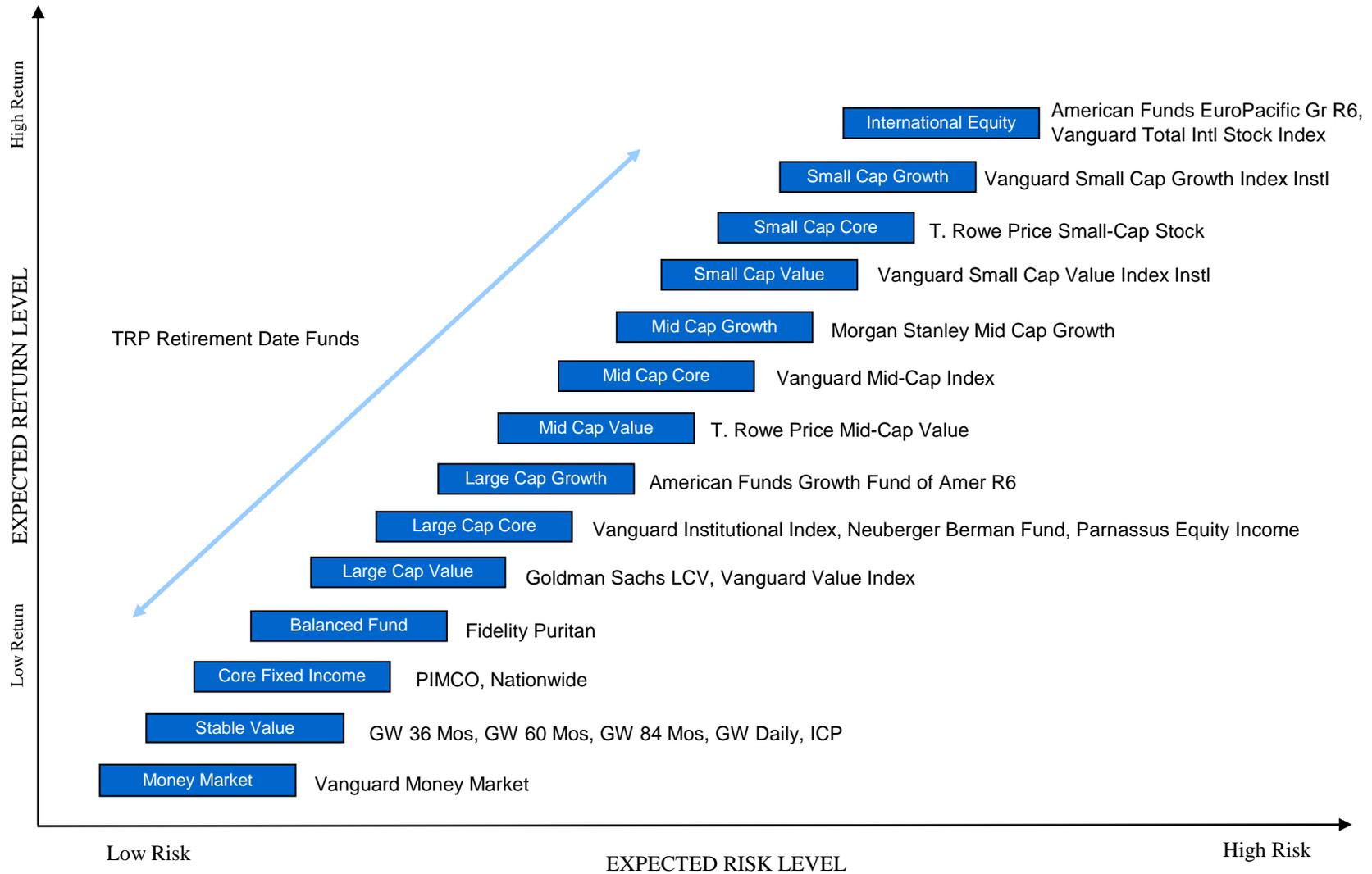
Mutual Funds Assets and Yields Remain Flat

- Assets in money market mutual funds stayed relatively flat in 4Q10 after being on a steady decline for nearly 2 years; assets were approximately \$2.8 trillion at the end of December
- Yields remain low due to historically low interest rates and a second round of quantitative easing; the Crane 100 Money Fund Index, an average of the largest taxable money funds, 7 day yield was at 0.07% as of January 2011
- As long as the US Federal Reserve maintains a loose monetary policy, yields are expected to remain low throughout 2011



Source: Investment Company Institute

Management Summary – Investment Option Array



Management Summary

Combined Plans

- Assets totaled \$2.525 billion for all combined plans as of December 31, 2010. This reflected an increase in assets of \$138.8 million from September 30, 2010. Due to positive fourth quarter equity markets, there was an increase in allocation to equity funds (42% to 44%) and corresponding decrease in stable value (32% to 30%).
- The 401(a) Plan totaled \$147.6 million on December 31, 2010. The Maryland Investment Contract Pool remains the most popular investment option in this Plan with 25.2% of Plan assets, followed by Vanguard Institutional Index PI (18.8%) and Fidelity Puritan (8.3%).
- The 401(k) Plan totaled approximately \$1.097 billion at quarter end. Similar to the 401(a) plan, the three most popular funds were the Maryland Investment Contract Pool (26.4%), Vanguard Institutional Index PI (13.5%) and Fidelity Puritan (7.9%).
- At quarter end, the 403(b) Plan totaled \$67.1 million. Vanguard Institutional Index PI was the most popular investment option in this Plan with 13.1% of Plan assets, followed by Fidelity Puritan (11.7%) and Vanguard Prime Money Market (9.0%).
- Assets in the 457 Plan totaled \$1.214 billion on December 31, 2010. The largest allocation was the Maryland Investment Contract Pool with 34.6% of Plan assets, followed by Vanguard Institutional Index PI (8.8%), Fidelity Puritan (8.0%) and Nationwide Fixed Annuity (7.0%).

Fund Level Analysis

- **Maryland Investment Contract Pool:** As the largest investment option in the Supplemental Retirement Plans, this fixed income option had approximately \$747.1 million in assets on December 31, 2010, across three of the four plans.
 - The fund's quarterly book value return of 0.6% outpaced the passive benchmark but lagged the peer group median of 0.9%, ranking in the bottom decile of its universe. The fund experienced similar relative results for the one-year period, trailing the median by 130 basis points and ranking in the bottom decile.
 - This option outperformed its passive benchmarks over the trailing three- and five-year periods measured as of December 31, 2010, however it did continue to lag the peer group median for the three- and five-year periods.
 - The Fund's market to book ratio slightly decreased to 101.49% compared to last quarter's 103.01%. The crediting rate increased from 2.30% to 2.48% during the quarter.
- **Nationwide Fixed Annuity:** Though only an option in the 457 Plan, the Nationwide Fixed Annuity was valued at \$85.5 million on December 31, 2010. This investment option outperformed for the quarter and all other periods measured.
- **GW Daily Interest Guarantee, GW 36 Month CD, GW 60 Month CD, GW 84 Month CD:** These investment options are only offered in the 403(b) Plan. As of December 31, 2010, the 84 month CD had the largest allocation with \$3.0 million in assets. Each of the remaining GW options had approximately \$300,000 to \$450,000 in assets.
- **Vanguard Prime Money Market:** Also offered only in the 403(b) Plan, this option had approximately \$6.1 million invested on December 31, 2010. This fund led 91-Day T-Bill for the quarter and matched or outperformed the index for all other time periods measured.

- **PIMCO Total Return Fund:** Across the four plans, MSRP had approximately \$131.5 million invested in the PIMCO Total Return Fund. Although less popular than the Stable Value offerings with participants, this is an important offering in the Core Bond category with strong historic performance. For the quarter, PIMCO outperformed the index yet underperformed peer group median. Performance over the three- and five-year periods remained strong as PIMCO ranked in the top decile of its peer group.

In December 2010, PIMCO announced the departure of managing director Paul McCulley. McCulley was the lead investment manager on the short term bond strategies and held many different important positions with the firm. Although an important loss to the firm PIMCO has put an emphasis on retaining talent and succession planning.

Also in December 2010, PIMCO announced it was changing the equity linked parameters in their Total Return Fund as of March 31, 2011. The fund will now be able to invest up to 10% in securities that share characteristics of debt and equity securities (such as convertible bonds and preferred equities). The removal of the restriction does not mean that the Total Return Fund can purchase common stock. However, the Fund will not be forced to sell equities that it may acquire through means such as the exercise of a convertible security. Clients should not be concerned about the change to investment permissions for the Total Return Fund. Importantly, PIMCO's intent is not to invest directly in common stock, which would not be consistent with the Fund's profile as a core plus fixed income product. Rather, PIMCO seeks the permission given the perception of an attractive opportunity set in the equity-related space, specifically with regard to the Financial industry.

*In January 2011, PIMCO announced that it reached a settlement in a private lawsuit brought against the firm in 2005. The lawsuit relates to trading in 10-year Treasury futures. Despite the fact that PIMCO has not admitted wrongdoing, the firm has elected to settle the lawsuit to keep from expending further resources, internally and externally. This was a business decision, and the cost of the settlement will be borne by PIMCO, not investors. The settlement does not give Mercer cause to suggest any changes to our current views of PIMCO's investment strategies. We would be more concerned about the situation if regulators (such as the SEC or CFTC) filed a complaint against PIMCO for its actions. **Mercer does not believe that this news or the news listed above warrants a ratings change for this strategy.***

- **Fidelity Puritan:** Historically, a favored selection among plan participants with over \$203.0 million in assets, Fidelity Puritan outperformed its benchmark and ranked in the top quartile of the Mercer Mutual Fund US Balanced Universe for the quarter. Underperformance in the latter half of 2008 weakened the longer term results as the fund trailed the index and placed in the bottom half of the peer group for the three-year period. For the five-year period the fund outperformed its index and peer group median.
- **T. Rowe Price Retirement Date Funds:** The T. Rowe Price lifecycle funds consist of 12 different funds, which range in asset allocation strategy based on their respective target retirement date. All funds invest in a diversified portfolio of underlying T. Rowe Price mutual funds. All funds outperformed their respective indices for the quarter. In general, the T. Rowe Price Retirement Fund series outperformed due to strong performance from underlying developed international equity funds. The domestic equity and fixed income funds remained competitive versus their respective benchmarks. Relative to the Retirement Funds' custom benchmarks only six of the eighteen underlying active funds underperformed within their respective asset classes. The T. Rowe Price Retirement Funds series compared favorably to its peer group, primarily due to its higher weighting to equities. Performance was solid over the longer time periods. According to the peer group universes that compare the returns of these funds to other funds with similar target dates, T. Rowe Price compared favorably with all funds placing consistently above the median for the five-year period.
- **Vanguard Institutional Index Plus:** MSRP participants had \$291.5 million invested in this fund. As in past quarters, this fund consistently tracked the S&P 500 Index. Mercer believes that passive investing is the most efficient method of capturing large cap core market exposure.

In November 2010, Mercer held a conference call with Vanguard regarding its passive equity strategies. Subsequent to the meeting Mercer finalized its designation of Preferred Status for Vanguard's passive equity strategies. Mercer does not rate index funds. As such, the Preferred Provider rating is assigned to those index providers with whom Mercer has the most confidence.

- **Neuberger Berman Partners:** This fund was added in the third quarter of 2006. Near term performance placed the fund in the top decile of its peer group and 210 basis points above its benchmark for the fourth quarter. Note, the performance and characteristics reported in this report are from a different share class due to its longer history. MSRP investments in this fund totaled \$106.8 million across all four plans as of December 31, 2010. Due to significant underperformance in 2008, longer term performance does not compare favorably with the benchmark and peers for the three- and five-year periods. In 2008 and 2009 the fund experienced a high tracking error and volatility both positive and negative.
- **Parnassus Equity Income Fund:** Across the four plans, MSRP had approximately \$0.4 million invested in the Parnassus Equity Income Fund. This fund was added to the plan as a social responsible investment option during the fourth quarter of 2010. Although the fund struggled in the most recent quarter underperforming the index by 280 basis points, the results for the three- and five-year periods placed above the index and peer group median.
- **Goldman Sachs Large Cap Value Fund:** This fund was added during the third quarter of 2007 and made up \$128.7 million of the assets in the Plans as of December 31, 2010. During the fourth quarter, the fund modestly outperformed its index by 10 basis points and placed in the top half of its peer group. The fund surpassed its benchmark for the three-year and five-year periods and ranked in the top half of its peer group.
- **Vanguard Value Index Fund:** MSRP participants had \$6.5 million in this fund, which was added during the third quarter of 2007. This fund tracked its benchmark for all periods measured.
- **American Funds Growth Fund of America:** As the active large cap growth option, this fund trailed the index by 150 basis points for the quarter and underperformed for the one-, three- and five-year periods. This fund had \$105.1 million invested across the four plans as of December 31, 2010.

*During the third quarter of 2009, MSRP moved from the A share class to the R6 share class for both American Funds which enables participants to invest in the same fund with lower fees. It also eliminates this funds participation in the mutual fund rebate program. Note, the performance reported in this report is from a different share class due to its longer history. **Due to poor long term performance, the committee put the fund on watch in November of 2010.***

- **Vanguard Mid Cap Index:** This fund replaced the Dreyfus Mid Cap Index fund during the second quarter of 2010. The Vanguard Mid Cap Index tracked the MSCI US Mid Cap 450 Index for all periods measured. MSRP participants have approximately \$115.4 million invested in this fund.
- **T. Rowe Price Mid Cap Value:** The fund underperformed its index by 190 basis points and placed in the bottom quartile of its peer group. Longer-term performance was strong. At the end of the quarter, the fund held \$43.6 million in MSRP assets.

In November 2010, Mercer met with T. Rowe Price to review their mid cap value strategy. Mercer maintains the strategy's B+ rating. The full research note can be found in the Appendix.

- **Morgan Stanley Mid Cap Growth:** For the fourth quarter, the fund trailed its index by 250 basis points and placed in the bottom quartile of its peer group. Trailing results remain solid as the fund outperformed the index and placed in or near the top decile of its peer group for all other periods measured. As of the end of the fourth quarter, MSRP had \$28.3 million invested in this fund.

*In September 2010, Mercer met with Morgan Stanley to review their mid cap growth strategy. One subject from the meeting included the fund investing in private placements. These investments are not as liquid as a publicly traded securities, yet as of the end of the third quarter only consisted of 0.5% of the fund. Due to small concerns on focusing resources outside of publicly traded domestic equity space, this strategy has now been downgraded from B+(T)(P) to B(T). In the wake of this news from Morgan Stanley, MSRP placed the fund on watch in November 2010. **Mercer recommends continuing to invest in the fund and to monitor the level of liquidity in the fund as well as its overall performance.***

- **T. Rowe Price Small-Cap Stock:** For the quarter, the fund outperformed its index by 110 basis points and placed in the top quartile of its universe. For all annualized time periods measured, the fund exceeded its benchmark and the universe median. As of the end of December, this fund had \$98.2 million in MSRP assets.

In November 2010, Mercer met with T. Rowe Price to review their small cap core strategy. Mercer maintains the strategy's B+ rating. The full research note can be found in the Appendix.

- **Vanguard Small Cap Value Index:** This fund was added to the four plans during the first quarter of 2007 as a replacement for the MainStay Small Cap Opportunities Fund. During all time periods measured, the fund tracked its index within 20 basis points but performed below the actively managed funds for all periods measured ended December 31, 2010. MSRP had \$8.2 million invested in this fund.
- **Vanguard Small Cap Growth Index:** This fund replaced the Delaware Trend Fund as of March 31, 2007. For all time periods measured the fund tracked its index within 30 basis points. This passive style outperformed the median fund in the small cap growth segment for all annualized periods measured. Currently, the fund has \$35.6 million in MSRP assets.
- **American Funds EuroPacific Growth:** The fund ranked in the bottom quartile of its peer group and trailed the MSCI ACWI ex US Index for the fourth quarter. Longer term performance was strong. Mercer maintains some concern about the size of this fund, although the investment strategy and resources remain strong. The Board approved the addition of a passive international equity fund, Vanguard Total International Stock Market Index Fund, to complement and/or provide an alternative to the EuroPacific Growth Fund. This actively managed fund has outperformed the passive alternative for the trailing three- and five-year periods. There is \$134.4 million invested by MSRP participants.
- **Vanguard Total International Stock Index Fund:** This fund was added during the fourth quarter of 2007. This fund tracked its benchmark within 10 basis points for the three- and five-year periods. A description of fair value pricing, this tracking error and its temporary impact on performance can be found below. MSRP participants have \$12.6 million in this fund.

For funds holding securities traded on foreign exchanges that close before the US market, the usual method of computing a fund's daily price can result in stale fund prices, as news can occur between the time foreign markets close and 4:00 PM EST when the fund's closing price is set. This can provide an opportunity for speculators to inappropriately buy or sell a fund's shares based on what has happened after hours in the foreign markets. Vanguard and many international managers (both active and passive) use additional data to establish the fair value prices that are used to reflect market activity. While this can result in temporary pricing discrepancies versus the index, (particularly on a volatile day) it is a reporting issue that should even out over time as fair values are then reflected in the international markets once they open again. Many managers believe this process is better at ensuring that all shareholders receive fair and accurate pricing.

In November 2010, Mercer met with Vanguard to discuss this strategy. Subsequent to the meeting, Mercer maintains the strategy's Preferred Provider status.

In December 2010, Vanguard changed the benchmark for this fund from the MSCI EAFE+MSCI Emerging Markets to MSCI All Country World ex US Investable Market Index. This new index includes exposure to the international small cap asset class in addition to developed and emerging markets.

In January 2010, Vanguard released the newer less expensive share classes of this fund. There are now four share classes in total with MSRP eligible for the institutional share class that has an expense ratio of 0.15%.

Watch List Summary

Board Approved

Fund	On Watch Since	Comments
American Funds Growth Fund of America	4Q2010	Mercer recommended MSRP put this fund on watch due to underperformance. At the time of the recommendation, the fund underperformed the index and peer group median for all periods measure except for the five-year period. The fund underperformed the index yet placed in the top half of its peer group for the five-year period.
Morgan Stanley Mid Cap Growth	4Q2010	Mercer recommended placing this fund on watch in the wake of the news regarding the funds investing in private placements. Mercer subsequently downgraded this strategy from a B+(T)(P) to a B(T).

Management Summary – Asset Allocation

Assets as of December 31, 2010

Investment Option	457 Plan	403(b) Plan	401(k) Plan	401(a) Plan	Total Assets
Vanguard Prime Money Market	\$ -	\$ 6,066,703.37	\$ -	\$ -	\$ 6,066,703.37
GW 36 Month Certificate of Deposit	\$ -	\$ 447,800.69	\$ -	\$ -	\$ 447,800.69
GW 60 Month Certificate of Deposit	\$ -	\$ 422,098.61	\$ -	\$ -	\$ 422,098.61
GW 84 Month Certificate of Deposit	\$ -	\$ 2,987,401.91	\$ -	\$ -	\$ 2,987,401.91
GW Daily Interest Guarantee	\$ -	\$ 324,863.42	\$ -	\$ -	\$ 324,863.42
Maryland Investment Contract Pool	\$ 420,021,819.72	\$ -	\$ 289,857,531.14	\$ 37,221,072.96	\$ 747,100,423.82
PIMCO Total Return	\$ 56,014,689.84	\$ 5,063,417.27	\$ 64,950,389.64	\$ 5,435,153.39	\$ 131,463,650.14
Nationwide Fixed Annuity	\$ 85,508,240.97	\$ -	\$ -	\$ -	\$ 85,508,240.97
Fidelity Puritan	\$ 96,577,664.09	\$ 7,862,680.10	\$ 86,358,804.04	\$ 12,254,692.73	\$ 203,053,840.96
T. Rowe Price Retirement Income	\$ 2,733,001.38	\$ 394,277.88	\$ 2,202,028.06	\$ 154,864.59	\$ 5,484,171.91
T. Rowe Price Retirement 2005	\$ 3,140,231.17	\$ 445,154.35	\$ 2,975,151.30	\$ 157,261.41	\$ 6,717,798.23
T. Rowe Price Retirement 2010	\$ 8,044,756.79	\$ 593,892.05	\$ 10,120,850.40	\$ 857,429.21	\$ 19,616,928.45
T. Rowe Price Retirement 2015	\$ 13,923,501.41	\$ 859,919.85	\$ 19,438,748.89	\$ 2,052,044.05	\$ 36,274,214.20
T. Rowe Price Retirement 2020	\$ 16,899,299.04	\$ 828,573.97	\$ 27,188,335.83	\$ 3,058,516.30	\$ 47,974,725.14
T. Rowe Price Retirement 2025	\$ 10,987,835.82	\$ 386,338.65	\$ 18,816,642.76	\$ 2,476,007.59	\$ 32,666,824.82
T. Rowe Price Retirement 2030	\$ 10,613,516.91	\$ 393,372.35	\$ 12,644,198.44	\$ 2,233,552.89	\$ 25,884,640.59
T. Rowe Price Retirement 2035	\$ 6,195,487.01	\$ 44,798.65	\$ 6,813,198.10	\$ 1,557,317.40	\$ 14,610,801.16
T. Rowe Price Retirement 2040	\$ 5,146,858.55	\$ 57,562.83	\$ 4,826,365.07	\$ 1,162,372.49	\$ 11,193,158.94
T. Rowe Price Retirement 2045	\$ 2,553,855.92	\$ 20,942.29	\$ 1,867,869.00	\$ 670,861.96	\$ 5,113,529.17
T. Rowe Price Retirement 2050	\$ 1,453,923.29	\$ 2,181.49	\$ 554,191.73	\$ 266,721.76	\$ 2,277,018.27
T. Rowe Price Retirement 2055	\$ 307,448.33	\$ 7,251.45	\$ 632,308.99	\$ 49,994.30	\$ 997,003.07
Vanguard Institutional Index	\$ 106,506,996.65	\$ 8,766,239.36	\$ 148,426,597.63	\$ 27,762,965.23	\$ 291,462,798.87

Management Summary – Asset Allocation

Assets as of December 31, 2010

Investment Option	457 Plan	403(b) Plan	401(k) Plan	401(a) Plan	Total Assets
Neuberger Berman Partners	\$ 48,510,569.33	\$ 3,454,947.81	\$ 46,586,968.30	\$ 8,228,216.96	\$ 106,780,702.40
Parnausus Equity Income	\$ 113,566.91	\$ 39,974.84	\$ 252,247.50	\$ 9,518.14	\$ 415,307.39
Goldman Sachs Large Cap Value	\$ 64,133,365.28	\$ 5,490,219.69	\$ 50,969,064.60	\$ 8,134,721.43	\$ 128,727,371.00
Vanguard Value Index	\$ 3,237,045.87	\$ 178,179.55	\$ 2,936,587.69	\$ 135,235.25	\$ 6,487,048.36
American Funds Growth Fund of America	\$ 40,603,369.02	\$ 3,041,345.62	\$ 54,773,893.21	\$ 6,634,340.53	\$ 105,052,948.38
Vanguard Mid-Cap Index	\$ 49,272,404.99	\$ 6,117,994.53	\$ 52,098,082.40	\$ 7,932,762.58	\$ 115,421,244.50
T. Rowe Price Mid-Cap Value	\$ 19,695,445.82	\$ 947,964.76	\$ 21,040,845.55	\$ 1,887,796.72	\$ 43,572,052.85
MSIM Mid Cap Growth	\$ 12,138,186.77	\$ 1,080,671.45	\$ 14,139,968.44	\$ 908,292.86	\$ 28,267,119.52
T. Rowe Price Small-Cap Stock	\$ 39,120,935.00	\$ 2,248,101.64	\$ 50,128,735.73	\$ 6,674,615.98	\$ 98,172,388.35
Vanguard Small Cap Value Index	\$ 3,621,336.78	\$ 642,549.97	\$ 3,687,628.34	\$ 265,021.13	\$ 8,216,536.22
Vanguard Small Cap Growth Index	\$ 13,180,063.28	\$ 1,463,239.72	\$ 18,631,763.82	\$ 2,348,982.16	\$ 35,624,048.98
American Funds EuroPacific Growth	\$ 56,792,414.01	\$ 5,109,930.79	\$ 65,708,261.45	\$ 6,770,202.98	\$ 134,380,809.23
Vanguard Total International Stock Index	\$ 5,785,572.47	\$ 1,083,246.57	\$ 5,465,732.03	\$ 287,017.30	\$ 12,621,568.37
Loan Fund - Unpaid Principal	\$ 11,166,303.19	\$ 230,961.22	\$ 12,663,184.65	\$ -	\$ 24,060,449.06
Total Assets	\$ 1,213,999,705.61	\$ 67,104,798.70	\$ 1,096,756,174.73	\$ 147,587,552.28	\$ 2,525,448,231.32

*Numbers may be off due to rounding

**Total does not include \$149.02 in Dreyfus Mid Cap Index Fund across 4 plans

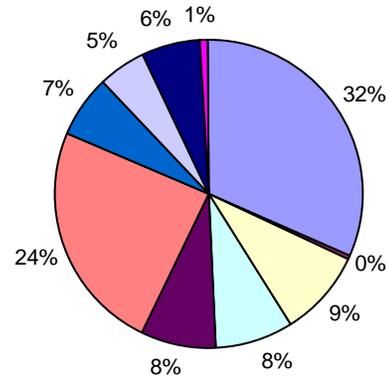
***Vanguard Value balance includes \$3.96 in investor share class across 4 plans

Management Summary – Asset Allocation

Combined

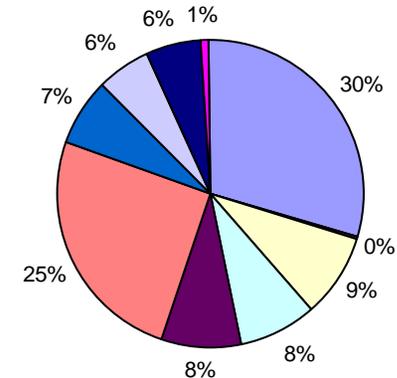
Prior Asset Allocation - September 30, 2010

- Stable Value
- Money Market
- US Fixed
- Balanced
- Lifecycle
- US Large Cap Equity
- US Mid Cap Equity
- US Small Cap Equity
- International Equity
- Other



Current Asset Allocation - December 31, 2010

- Stable Value
- Money Market
- US Fixed
- Balanced
- Lifecycle
- US Large Cap Equity
- US Mid Cap Equity
- US Small Cap Equity
- International Equity
- Other



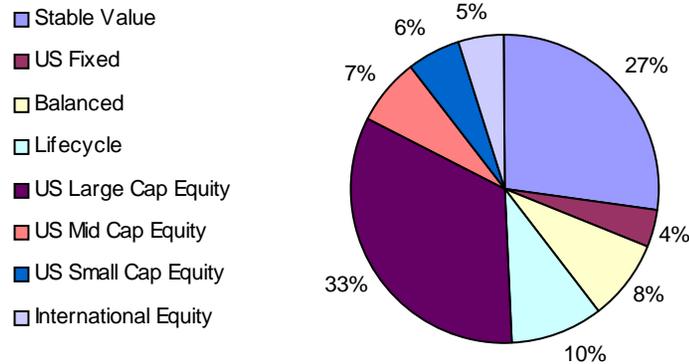
Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
Vanguard Prime Money Market	Money Market	\$6,066,703	0.2%	-0.1%
GW 36 Month CD	Stable Value	\$447,801	0.0%	0.0%
GW 60 Month CD	Stable Value	\$422,099	0.0%	0.0%
GW 84 Month CD	Stable Value	\$2,987,402	0.1%	0.0%
GW Daily Interest Guarantee	Stable Value	\$324,863	0.0%	0.0%
Maryland Investment Contract Pool	Stable Value	\$747,100,424	29.6%	-1.8%
PIMCO Total Return Fund Institutional	Domestic Fixed	\$131,463,650	5.2%	-0.5%
Nationwide Fixed Annuity	Domestic Fixed	\$85,508,241	3.4%	-0.2%
Fidelity Puritan Fund	Balanced	\$203,053,841	8.0%	0.0%
T Rowe Price Retirement Income Fund	Lifecycle	\$5,484,172	0.2%	0.0%
T Rowe Price Retirement 2005 Fund	Lifecycle	\$6,717,798	0.3%	0.0%
T Rowe Price Retirement 2010 Fund	Lifecycle	\$19,616,928	0.8%	0.0%
T Rowe Price Retirement 2015 Fund	Lifecycle	\$36,274,214	1.4%	0.1%
T Rowe Price Retirement 2020 Fund	Lifecycle	\$47,974,725	1.9%	0.1%

Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
T Rowe Price Retirement 2025 Fund	Lifecycle	\$32,666,825	1.3%	0.1%
T Rowe Price Retirement 2030 Fund	Lifecycle	\$25,884,641	1.0%	0.1%
T Rowe Price Retirement 2035 Fund	Lifecycle	\$14,610,801	0.6%	0.1%
T Rowe Price Retirement 2040 Fund	Lifecycle	\$11,193,159	0.4%	0.0%
T Rowe Price Retirement 2045 Fund	Lifecycle	\$5,113,529	0.2%	0.0%
T Rowe Price Retirement 2050 Fund	Lifecycle	\$2,277,018	0.1%	0.0%
T Rowe Price Retirement 2055 Fund	Lifecycle	\$997,003	0.0%	0.0%
Vanguard Institutional Index Fund Inst Plus	Domestic Equity	\$291,462,799	11.5%	0.4%
Neuberger Berman Partners Fund Institutional	Domestic Equity	\$106,780,702	4.2%	0.1%
Parnassus Equity Income Fund Institutional	Domestic Equity	\$415,307	0.0%	0.0%
Goldman Sachs Large Cap Value Fund Institutional	Domestic Equity	\$128,727,371	5.1%	0.1%
Vanguard Value Index Fund Institutional	Domestic Equity	\$6,487,048	0.3%	0.0%
American Funds Growth Fund of America R-6	Domestic Equity	\$105,052,948	4.2%	0.1%
Vanguard Mid-Cap Index Fund Institutional	Domestic Equity	\$115,421,245	4.6%	0.3%
T Rowe Price Mid-Cap Value Fund	Domestic Equity	\$43,572,053	1.7%	0.1%
Morgan Stanley Inst Mid Cap Growth Portfolio I	Domestic Equity	\$28,267,120	1.1%	0.2%
T Rowe Price Small-Cap Stock Fund	Domestic Equity	\$98,172,388	3.9%	0.4%
Vanguard Small-Cap Value Index Fund Institutional	Domestic Equity	\$8,216,536	0.3%	0.0%
Vanguard Small-Cap Growth Index Fund Institutional	Domestic Equity	\$35,624,049	1.4%	0.2%
American Funds EuroPacific Growth Fund R-6	International Equity	\$134,380,809	5.3%	-0.1%
Vanguard Total International Stock Index Fund Inv	International Equity	\$12,621,568	0.5%	0.0%
Loan Unpaid Principal	Other	\$24,060,449	1.0%	0.0%
Total Plan		\$2,525,448,231	100%	

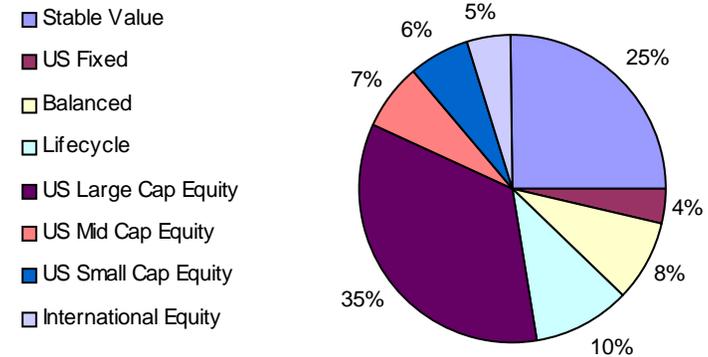
Management Summary - Asset Allocation

401(a)

Prior Asset Allocation - September 30, 2010



Current Asset Allocation - December 31, 2010



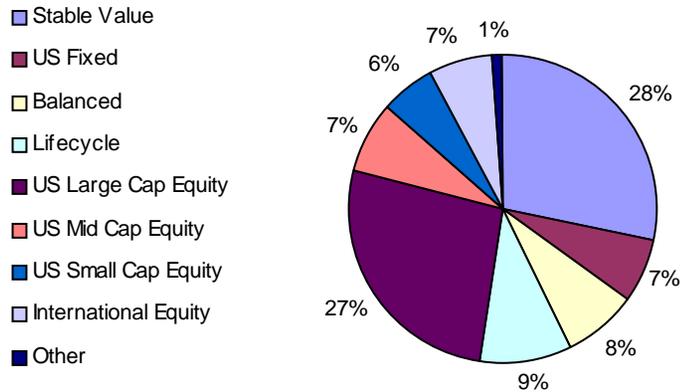
Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
Maryland Investment Contract Pool	Stable Value	\$37,221,073	25.2%	-1.9%
PIMCO Total Return Fund Institutional	Domestic Fixed	\$5,435,153	3.7%	-0.4%
Fidelity Puritan Fund	Balanced	\$12,254,693	8.3%	0.0%
T Rowe Price Retirement Income Fund	Lifecycle	\$154,865	0.1%	0.0%
T Rowe Price Retirement 2005 Fund	Lifecycle	\$157,261	0.1%	0.0%
T Rowe Price Retirement 2010 Fund	Lifecycle	\$857,429	0.6%	0.0%
T Rowe Price Retirement 2015 Fund	Lifecycle	\$2,052,044	1.4%	0.0%
T Rowe Price Retirement 2020 Fund	Lifecycle	\$3,058,516	2.1%	0.1%
T Rowe Price Retirement 2025 Fund	Lifecycle	\$2,476,008	1.7%	0.1%
T Rowe Price Retirement 2030 Fund	Lifecycle	\$2,233,553	1.5%	0.0%
T Rowe Price Retirement 2035 Fund	Lifecycle	\$1,557,317	1.1%	0.1%
T Rowe Price Retirement 2040 Fund	Lifecycle	\$1,162,372	0.8%	0.0%
T Rowe Price Retirement 2045 Fund	Lifecycle	\$670,862	0.5%	0.0%
T Rowe Price Retirement 2050 Fund	Lifecycle	\$266,722	0.2%	0.0%

Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
T Rowe Price Retirement 2055 Fund	Lifecycle	\$49,994	0.0%	0.0%
Vanguard Institutional Index Fund Inst Plus	Domestic Equity	\$27,762,965	18.8%	0.5%
Neuberger Berman Partners Fund Institutional	Domestic Equity	\$8,228,217	5.6%	0.2%
Parnassus Equity Income Fund Institutional	Domestic Equity	\$9,518	0.0%	0.0%
Goldman Sachs Large Cap Value Fund Institutional	Domestic Equity	\$8,134,721	5.5%	0.1%
Vanguard Value Index Fund Institutional	Domestic Equity	\$135,235	0.1%	0.0%
American Funds Growth Fund of America R-6	Domestic Equity	\$6,634,341	4.5%	0.1%
Vanguard Mid-Cap Index Fund Institutional	Domestic Equity	\$7,932,763	5.4%	0.3%
T Rowe Price Mid-Cap Value Fund	Domestic Equity	\$1,887,797	1.3%	0.0%
Morgan Stanley Inst Mid Cap Growth Portfolio I	Domestic Equity	\$908,293	0.6%	0.1%
T Rowe Price Small-Cap Stock Fund	Domestic Equity	\$6,674,616	4.5%	0.4%
Vanguard Small-Cap Value Index Fund Institutional	Domestic Equity	\$265,021	0.2%	0.0%
Vanguard Small-Cap Growth Index Fund Institutional	Domestic Equity	\$2,348,982	1.6%	0.1%
American Funds EuroPacific Growth Fund R-6	International Equity	\$6,770,203	4.6%	-0.1%
Vanguard Total International Stock Index Fund Inv	International Equity	\$287,017	0.2%	0.0%
Total Plan		\$147,587,552	100%	

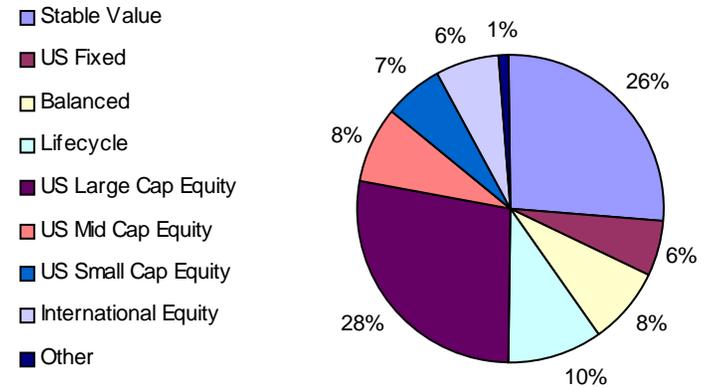
Management Summary - Asset Allocation

401(k)

Prior Asset Allocation - September 30, 2010



Current Asset Allocation - December 31, 2010

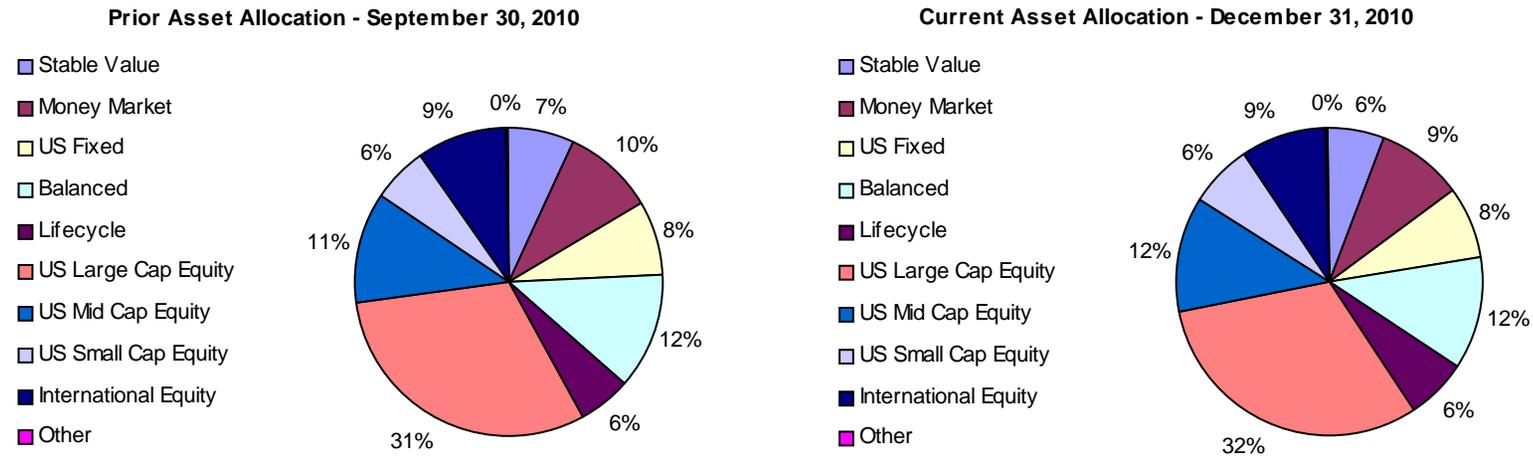


Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
Maryland Investment Contract Pool	Stable Value	\$289,857,531	26.4%	-1.9%
PIMCO Total Return Fund Institutional	Domestic Fixed	\$64,950,390	5.9%	-0.7%
Fidelity Puritan Fund	Balanced	\$86,358,804	7.9%	0.0%
T Rowe Price Retirement Income Fund	Lifecycle	\$2,202,028	0.2%	0.0%
T Rowe Price Retirement 2005 Fund	Lifecycle	\$2,975,151	0.3%	0.0%
T Rowe Price Retirement 2010 Fund	Lifecycle	\$10,120,850	0.9%	0.0%
T Rowe Price Retirement 2015 Fund	Lifecycle	\$19,438,749	1.8%	0.1%
T Rowe Price Retirement 2020 Fund	Lifecycle	\$27,188,336	2.5%	0.1%
T Rowe Price Retirement 2025 Fund	Lifecycle	\$18,816,643	1.7%	0.1%
T Rowe Price Retirement 2030 Fund	Lifecycle	\$12,644,198	1.2%	0.1%
T Rowe Price Retirement 2035 Fund	Lifecycle	\$6,813,198	0.6%	0.1%
T Rowe Price Retirement 2040 Fund	Lifecycle	\$4,826,365	0.4%	0.0%
T Rowe Price Retirement 2045 Fund	Lifecycle	\$1,867,869	0.2%	0.0%
T Rowe Price Retirement 2050 Fund	Lifecycle	\$554,192	0.1%	0.0%

Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
T Rowe Price Retirement 2055 Fund	Lifecycle	\$632,309	0.1%	0.0%
Vanguard Institutional Index Fund Inst Plus	Domestic Equity	\$148,426,598	13.5%	0.5%
Neuberger Berman Partners Fund Institutional	Domestic Equity	\$46,586,968	4.2%	0.2%
Parnassus Equity Income Fund Institutional	Domestic Equity	\$252,248	0.0%	0.0%
Goldman Sachs Large Cap Value Fund Institutional	Domestic Equity	\$50,969,065	4.6%	0.1%
Vanguard Value Index Fund Institutional	Domestic Equity	\$2,936,588	0.3%	0.0%
American Funds Growth Fund of America R-6	Domestic Equity	\$54,773,893	5.0%	0.1%
Vanguard Mid-Cap Index Fund Institutional	Domestic Equity	\$52,098,082	4.8%	0.3%
T Rowe Price Mid-Cap Value Fund	Domestic Equity	\$21,040,846	1.9%	0.1%
Morgan Stanley Inst Mid Cap Growth Portfolio I	Domestic Equity	\$14,139,968	1.3%	0.3%
T Rowe Price Small-Cap Stock Fund	Domestic Equity	\$50,128,736	4.6%	0.5%
Vanguard Small-Cap Value Index Fund Institutional	Domestic Equity	\$3,687,628	0.3%	0.0%
Vanguard Small-Cap Growth Index Fund Institutional	Domestic Equity	\$18,631,764	1.7%	0.2%
American Funds EuroPacific Growth Fund R-6	International Equity	\$65,708,261	6.0%	-0.1%
Vanguard Total International Stock Index Fund Inv	International Equity	\$5,465,732	0.5%	0.0%
Loan Unpaid Principal	Other	\$12,663,185	1.2%	0.0%
Total Plan		\$1,096,756,175	100%	

Management Summary - Asset Allocation

403(b)



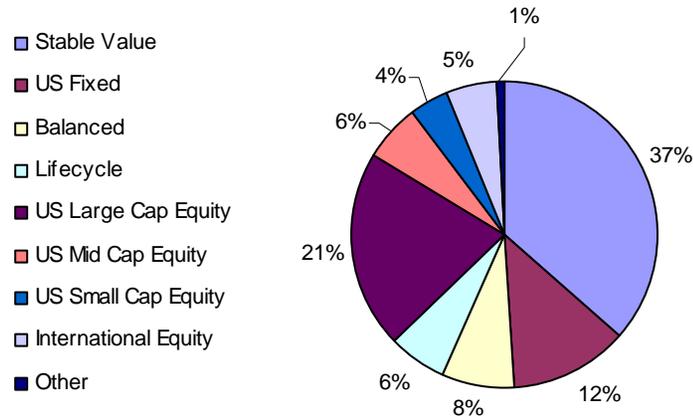
Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
GW 36 Month CD	Stable Value	\$447,801	0.7%	0.0%
GW 60 Month CD	Stable Value	\$422,099	0.6%	0.0%
GW 84 Month CD	Stable Value	\$2,987,402	4.5%	-0.7%
GW Daily Interest Guarantee	Stable Value	\$324,863	0.5%	0.0%
Vanguard Prime Money Market	Domestic Fixed	\$6,066,703	9.0%	-0.5%
PIMCO Total Return Fund Institutional	Domestic Fixed	\$5,063,417	7.5%	-0.2%
Fidelity Puritan Fund	Balanced	\$7,862,680	11.7%	-0.1%
T Rowe Price Retirement Income Fund	Lifecycle	\$394,278	0.6%	0.2%
T Rowe Price Retirement 2005 Fund	Lifecycle	\$445,154	0.7%	-0.1%
T Rowe Price Retirement 2010 Fund	Lifecycle	\$593,892	0.9%	-0.1%
T Rowe Price Retirement 2015 Fund	Lifecycle	\$859,920	1.3%	0.2%
T Rowe Price Retirement 2020 Fund	Lifecycle	\$828,574	1.2%	0.0%
T Rowe Price Retirement 2025 Fund	Lifecycle	\$386,339	0.6%	0.0%
T Rowe Price Retirement 2030 Fund	Lifecycle	\$393,372	0.6%	0.2%

Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
T Rowe Price Retirement 2035 Fund	Lifecycle	\$44,799	0.1%	0.0%
T Rowe Price Retirement 2040 Fund	Lifecycle	\$57,563	0.1%	0.0%
T Rowe Price Retirement 2045 Fund	Lifecycle	\$20,942	0.0%	0.0%
T Rowe Price Retirement 2050 Fund	Lifecycle	\$2,181	0.0%	0.0%
T Rowe Price Retirement 2055 Fund	Lifecycle	\$7,251	0.0%	0.0%
Vanguard Institutional Index Fund Inst Plus	Domestic Equity	\$8,766,239	13.1%	0.2%
Neuberger Berman Partners Fund Institutional	Domestic Equity	\$3,454,948	5.1%	-0.3%
Parnassus Equity Income Fund Institutional	Domestic Equity	\$39,975	0.1%	0.1%
Goldman Sachs Large Cap Value Fund Institutional	Domestic Equity	\$5,490,220	8.2%	0.2%
Vanguard Value Index Fund Institutional	Domestic Equity	\$178,180	0.3%	0.0%
American Funds Growth Fund of America R-6	Domestic Equity	\$3,041,346	4.5%	0.2%
Vanguard Mid-Cap Index Fund Institutional	Domestic Equity	\$6,117,995	9.1%	0.5%
T Rowe Price Mid-Cap Value Fund	Domestic Equity	\$947,965	1.4%	0.1%
Morgan Stanley Inst Mid Cap Growth Portfolio I	Domestic Equity	\$1,080,671	1.6%	0.0%
T Rowe Price Small-Cap Stock Fund	Domestic Equity	\$2,248,102	3.4%	0.3%
Vanguard Small-Cap Value Index Fund Institutional	Domestic Equity	\$642,550	1.0%	0.1%
Vanguard Small-Cap Growth Index Fund Institutional	Domestic Equity	\$1,463,240	2.2%	0.2%
American Funds EuroPacific Growth Fund R-6	International Equity	\$5,109,931	7.6%	-0.3%
Vanguard Total International Stock Index Fund Inv	International Equity	\$1,083,247	1.6%	0.0%
Loan Unpaid Principal	Other	\$230,961	0.3%	0.0%
Total Plan		\$67,104,799	100%	

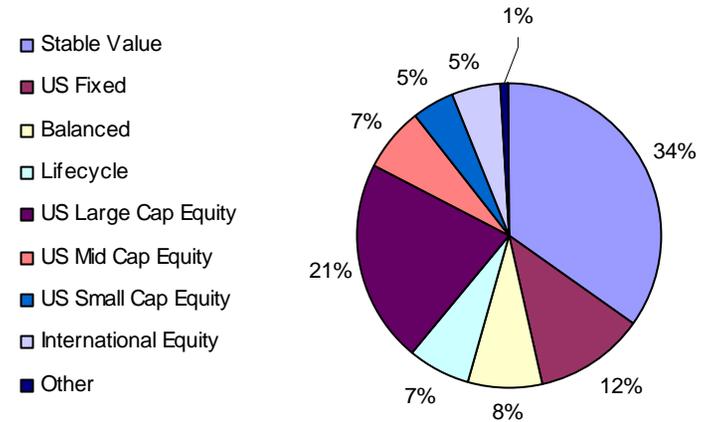
Management Summary - Asset Allocation

457

Prior Asset Allocation - September 30, 2010



Current Asset Allocation - December 31, 2010



Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
Maryland Investment Contract Pool	Stable Value	\$420,021,820	34.6%	-1.7%
PIMCO Total Return Fund Institutional	Domestic Fixed	\$56,014,690	4.6%	-0.4%
Nationwide Fixed Annuity	Domestic Fixed	\$85,508,241	7.0%	-0.4%
Fidelity Puritan Fund	Balanced	\$96,577,664	8.0%	0.0%
T Rowe Price Retirement Income Fund	Lifecycle	\$2,733,001	0.2%	0.0%
T Rowe Price Retirement 2005 Fund	Lifecycle	\$3,140,231	0.3%	0.0%
T Rowe Price Retirement 2010 Fund	Lifecycle	\$8,044,757	0.7%	0.0%
T Rowe Price Retirement 2015 Fund	Lifecycle	\$13,923,501	1.1%	0.1%
T Rowe Price Retirement 2020 Fund	Lifecycle	\$16,899,299	1.4%	0.1%
T Rowe Price Retirement 2025 Fund	Lifecycle	\$10,987,836	0.9%	0.1%
T Rowe Price Retirement 2030 Fund	Lifecycle	\$10,613,517	0.9%	0.1%
T Rowe Price Retirement 2035 Fund	Lifecycle	\$6,195,487	0.5%	0.0%
T Rowe Price Retirement 2040 Fund	Lifecycle	\$5,146,859	0.4%	0.0%
T Rowe Price Retirement 2045 Fund	Lifecycle	\$2,553,856	0.2%	0.0%

Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
T Rowe Price Retirement 2050 Fund	Lifecycle	\$1,453,923	0.1%	0.0%
T Rowe Price Retirement 2055 Fund	Lifecycle	\$307,448	0.0%	0.0%
Vanguard Institutional Index Fund Inst Plus	Domestic Equity	\$106,506,997	8.8%	0.4%
Neuberger Berman Partners Fund Institutional	Domestic Equity	\$48,510,569	4.0%	0.2%
Parnassus Equity Income Fund Institutional	Domestic Equity	\$113,567	0.0%	0.0%
Goldman Sachs Large Cap Value Fund Institutional	Domestic Equity	\$64,133,365	5.3%	0.1%
Vanguard Value Index Fund Institutional	Domestic Equity	\$3,237,046	0.3%	0.0%
American Funds Growth Fund of America R-6	Domestic Equity	\$40,603,369	3.3%	0.1%
Vanguard Mid-Cap Index Fund Institutional	Domestic Equity	\$49,272,405	4.1%	0.3%
T Rowe Price Mid-Cap Value Fund	Domestic Equity	\$19,695,446	1.6%	0.1%
Morgan Stanley Inst Mid Cap Growth Portfolio I	Domestic Equity	\$12,138,187	1.0%	0.3%
T Rowe Price Small-Cap Stock Fund	Domestic Equity	\$39,120,935	3.2%	0.4%
Vanguard Small-Cap Value Index Fund Institutional	Domestic Equity	\$3,621,337	0.3%	0.0%
Vanguard Small-Cap Growth Index Fund Institutional	Domestic Equity	\$13,180,063	1.1%	0.1%
American Funds EuroPacific Growth Fund R-6	International Equity	\$56,792,414	4.7%	-0.1%
Vanguard Total International Stock Index Fund Inv	International Equity	\$5,785,572	0.5%	0.0%
Loan Unpaid Principal	Other	\$11,166,303	0.9%	0.0%
Total Plan		\$1,213,999,706	100%	

Performance Table

✓ = Outperformed or matched performance ✗ = Underperformed T = Tracked	Annualized Periods Ending December 31, 2010										Comments	Mercer Rating
	Quarter		YTD		One Year		Three Years		Five Years			
	Index	Universe Median	Index	Universe Median	Index	Universe Median	Index	Universe Median	Index	Universe Median		
Vanguard Prime Money Market	✓	✗	✓	✗	✓	✗	✓	✗	✓	✓		N
Maryland Investment Contract Pool	✓	✗	✓	✗	✓	✗	✓	✗	✓	✗	Underperformance at the sub manager level has caused this fund to trail the peer group	N
PIMCO Total Return Instl	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	Consistently strong performance	A
Nationwide Fixed Annuity	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		N
Fidelity Puritan	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓		N
T. Rowe Price Retirement Income	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retirement series compares favorably with new universe	A
T. Rowe Price Retirement 2005	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		A
T. Rowe Price Retirement 2010	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		A
T. Rowe Price Retirement 2015	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		A
T. Rowe Price Retirement 2020	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		A
T. Rowe Price Retirement 2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		A
T. Rowe Price Retirement 2030	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		A
T. Rowe Price Retirement 2035	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		A
T. Rowe Price Retirement 2040	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		A
T. Rowe Price Retirement 2045	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A		A
T. Rowe Price Retirement 2050	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A		A
T. Rowe Price Retirement 2055	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A		A

¹ * **Mercer Rating Scale:** A = Above average probability of achieving the risk performance target without taking undue risk; B = Average probability; I = An indicative rating meaning that we do not maintain a formal rating of the product; N = Not rated; T = A high tracking error rating meaning that the strategy has a high tracking error; W = Strategy on watch by Mercer Research Group.

Performance Table

✓ = Outperformed or matched performance ✗ = Underperformed T = Tracked							Annualized Periods Ending December 31, 2010				Comments	Mercer Rating ²	
	Quarter		YTD		One Year		Three Years		Five Years				
	Index	Universe Median	Index	Universe Median	Index	Universe Median	Index	Universe Median	Index	Universe Median			
Vanguard Institutional Index Instl Plus	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	Tracked the index	Preferred Provider ³	
Neuberger Berman Partners Inst	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	Recent performance has improved.	N	
Parnassus Equity Income	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓	This socially responsible fund was added during the fourth quarter of 2010.	A	
Goldman Sachs Large Cap Value Inst	✓	✓	✗	✗	✗	✗	✓	✓	✓	✓		A	
Vanguard Value Index Instl	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	This fund was added during the third quarter of 2007. This fund tracked its index for all time periods measured.	Preferred Provider ³	
American Funds Grth Fund of Amer R6 ⁴	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	On watch November 2010	B
Vanguard Mid-Cap Index Instl	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	Replaced Dreyfus Mid Cap Index fund.	Preferred Provider ³	
T. Rowe Price Mid-Cap Value	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓	Fund added first quarter 2009.	B+	
Morgan Stanley Inst Mid Cap Growth Portfolio	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	On watch November 2010	B(T)
T. Rowe Price Small-Cap Stock	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		B+
Vanguard Small Cap Value Index Instl	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	Tracked the index.	Preferred Provider ³	
Vanguard Small Cap Growth Index Instl	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	Tracked the index.	Preferred Provider ³	
American Funds EuroPacific Gr R6 ⁵	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓		B	
Vanguard Total Intl Stock Index Inv	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A		Preferred Provider ³	

² Mercer Rating Scale: A = Above average probability of achieving the risk performance target without taking undue risk; B = Average probability; I = An indicative rating meaning that we do not maintain a formal rating of the product; N = Not rated; T = A high tracking error rating meaning that the strategy has a high tracking error; W = Strategy on watch by Mercer Research Group.

³ PP: Mercer does not rate most index funds. As such, the Preferred Provider rating is assigned to those index providers with whom Mercer has the most confidence.

⁴ Performance is from A share class to show longer history

⁵ Performance is from A share class to show longer history

Management Summary – Performance Summary

Periods ending December 31, 2010

Stable Value

	Market Value	% of Plan	3 Months	1 Year	3 Years	5 Years
Maryland Investment Contract Pool	\$747,100,424	29.6%	0.6%	2.5%	3.2%	3.8%
Citigroup TBill + 100 bp Premium			0.3%	1.1%	1.7%	3.3%
iMoneyNet All Taxable+100bps			0.3%	1.0%	1.8%	3.3%
<i>Mercer Stable Value Universe Median</i>			0.9%	3.8%	4.1%	4.4%
<i>Fund Rank in Universe</i>			92	96	94	81

Money Market

	Market Value	% of Plan	3 Months	1 Year	3 Years	5 Years
Vanguard Prime Money Market	\$6,066,703	0.2%	0.1%	0.2%	1.2%	2.8%
Citigroup 3-Month T-Bill			0.0%	0.1%	0.7%	2.3%
<i>Mercer Mutual Fund US Fixed Ultra Short Universe Median</i>			0.1%	1.4%	1.6%	2.7%
<i>Fund Rank in Universe</i>			57	90	63	45

Domestic Fixed

	Market Value	% of Plan	3 Months	1 Year	3 Years	5 Years
PIMCO Total Return Fund Institutional	\$131,463,650	5.2%	-0.9%	8.9%	9.1%	8.1%
Barclays Capital US Aggregate			-1.3%	6.6%	5.9%	5.8%
<i>Mercer Mutual Fund US Fixed Core Universe Median</i>			-0.7%	7.1%	5.6%	5.3%
<i>Fund Rank in Universe</i>			61	23	3	2
Nationwide Fixed Annuity	\$85,508,241	3.4%	1.0%	4.1%	4.3%	4.4%
BofA Treasury 1-3 Yr			-0.1%	2.3%	3.2%	4.2%
<i>Mercer Mutual Fund US Fixed Short Universe Median</i>			-0.1%	3.4%	3.5%	4.1%
<i>Fund Rank in Universe</i>			5	29	25	28

Balanced

	Market Value	% of Plan	3 Months	1 Year	3 Years	5 Years
Fidelity Puritan Fund	\$203,053,841	8.0%	7.7%	14.0%	0.8%	4.5%
S&P 500 60% / 40% BC Aggregate			5.9%	12.1%	1.1%	4.1%
<i>Mercer Mutual Fund US Balanced Universe Median</i>			5.6%	11.6%	1.1%	4.0%
<i>Fund Rank in Universe</i>			14	16	54	36

Lifecycle

	Market Value	% of Plan	3 Months	1 Year	3 Years	5 Years
T Rowe Price Retirement Income Fund	\$5,484,172	0.2%	4.2%	10.1%	3.1%	5.1%
T. Rowe Price Retirement Income Index			3.8%	8.7%	1.6%	4.1%
<i>Mercer Mutual Fund Lifecycle Income Universe Median</i>			2.9%	9.6%	3.1%	4.6%
<i>Fund Rank in Universe</i>			16	42	49	33
T Rowe Price Retirement 2005 Fund	\$6,717,798	0.3%	4.8%	11.5%	2.6%	5.1%
T. Rowe Price Retirement 2005 Index			4.3%	10.2%	1.4%	4.4%
<i>Mercer Mutual Fund Lifecycle 2010 Universe Median</i>			4.6%	10.8%	1.3%	4.0%
<i>Fund Rank in Universe</i>			48	31	16	5
T Rowe Price Retirement 2010 Fund	\$19,616,928	0.8%	5.8%	12.7%	1.9%	4.9%
T. Rowe Price Retirement 2010 Index			5.3%	11.4%	0.8%	4.2%
<i>Mercer Mutual Fund Lifecycle 2010 Universe Median</i>			4.6%	10.8%	1.3%	4.0%
<i>Fund Rank in Universe</i>			13	5	28	15
T Rowe Price Retirement 2015 Fund	\$36,274,214	1.4%	6.9%	13.8%	1.4%	4.8%
T. Rowe Price Retirement 2015 Index			6.4%	12.5%	0.3%	4.1%
<i>Mercer Mutual Fund Lifecycle 2015 Universe Median</i>			5.5%	11.7%	0.7%	3.6%
<i>Fund Rank in Universe</i>			3	8	28	7
T Rowe Price Retirement 2020 Fund	\$47,974,725	1.9%	7.9%	14.7%	0.8%	4.6%
T. Rowe Price Retirement 2020 Index			7.3%	13.5%	-0.3%	3.9%
<i>Mercer Mutual Fund Lifecycle 2020 Universe Median</i>			6.4%	12.6%	0.2%	3.5%
<i>Fund Rank in Universe</i>			2	5	17	6
T Rowe Price Retirement 2025 Fund	\$32,666,825	1.3%	8.6%	15.4%	0.3%	4.4%
T. Rowe Price Retirement 2025 Index			8.1%	14.1%	-0.8%	3.7%
<i>Mercer Mutual Fund Lifecycle 2025 Universe Median</i>			7.6%	13.8%	-0.5%	3.6%
<i>Fund Rank in Universe</i>			13	4	24	13
T Rowe Price Retirement 2030 Fund	\$25,884,641	1.0%	9.4%	16.0%	-0.1%	4.3%
T. Rowe Price Retirement 2030 Index			8.8%	14.7%	-1.3%	3.6%
<i>Mercer Mutual Fund Lifecycle 2030 Universe Median</i>			8.2%	13.9%	-1.4%	2.8%
<i>Fund Rank in Universe</i>			10	5	7	0

	Market Value	% of Plan	3 Months	1 Year	3 Years	5 Years
T Rowe Price Retirement 2035 Fund T. Rowe Price Retirement 2035 Index <i>Mercer Mutual Fund Lifecycle 2035 Universe Median</i> <i>Fund Rank in Universe</i>	\$14,610,801	0.6%	9.9% 9.4% 9.1% 10	16.3% 15.1% 14.8% 4	-0.4% -1.5% -1.5% 24	4.2% 3.5% 2.9% 12
T Rowe Price Retirement 2040 Fund T. Rowe Price Retirement 2040 Index <i>Mercer Mutual Fund Lifecycle 2040 Universe Median</i> <i>Fund Rank in Universe</i>	\$11,193,159	0.4%	10.0% 9.5% 9.2% 15	16.5% 15.2% 14.8% 7	-0.3% -1.4% -2.2% 7	4.2% 3.5% 2.7% 0
T Rowe Price Retirement 2045 Fund T. Rowe Price Retirement 2045 Index <i>Mercer Mutual Fund Lifecycle 2045 Universe Median</i> <i>Fund Rank in Universe</i>	\$5,113,529	0.2%	10.0% 9.5% 9.7% 21	16.4% 15.2% 15.2% 12	-0.3% -1.4% -1.8% 19	4.2% 3.5% 3.8% 25
T Rowe Price Retirement 2050 Fund T. Rowe Price Retirement 2050 Index <i>Mercer Mutual Fund Lifecycle 2050+ Universe Median</i> <i>Fund Rank in Universe</i>	\$2,277,018	0.1%	9.9% 9.5% 9.6% 32	16.4% 15.2% 15.1% 18	-0.3% -1.4% -2.6% 11	NA NA NA NA
T Rowe Price Retirement 2055 Fund T. Rowe Price Retirement 2055 Index <i>Mercer Mutual Fund Lifecycle 2050+ Universe Median</i> <i>Fund Rank in Universe</i>	\$997,003	0.0%	10.0% 9.5% 9.6% 29	16.4% 15.2% 15.1% 15	-0.4% -1.4% -2.6% 17	NA NA NA NA

Domestic Equity

	Market Value	% of Plan	3 Months	1 Year	3 Years	5 Years
Vanguard Institutional Index Fund Inst Plus S&P 500	\$291,462,799	11.5%	10.8% 10.8%	15.1% 15.1%	-2.8% -2.9%	2.3% 2.3%
Neuberger Berman Partners Fund Institutional S&P 500 <i>Mercer Mutual Fund US Equity Large Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$106,780,702	4.2%	12.9% 10.8% 10.5% 7	15.4% 15.1% 13.1% 18	-4.7% -2.9% -2.9% 84	1.5% 2.3% 2.2% 67
Parnassus Equity Income Fund Institutional S&P 500 <i>Mercer Mutual Fund US Equity Large Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$415,307	0.0%	8.0% 10.8% 10.5% 90	8.9% 15.1% 13.1% 91	2.6% -2.9% -2.9% 2	7.2% 2.3% 2.2% 1
Goldman Sachs Large Cap Value Fund Institutional Russell 1000 Value <i>Mercer Mutual Fund US Equity Large Cap Value Universe Median</i> <i>Fund Rank in Universe</i>	\$128,727,371	5.1%	10.6% 10.5% 10.6% 48	12.6% 15.5% 13.2% 60	-3.9% -4.4% -3.9% 48	1.9% 1.3% 1.5% 36

	Market Value	% of Plan	3 Months	1 Year	3 Years	5 Years
Vanguard Value Index Fund Institutional MSCI US Prime Market Value	\$6,487,048	0.3%	10.2% 10.2%	14.5% 14.5%	-4.2% -4.3%	1.5% 1.4%
American Funds Growth Fund of America R-6 Russell 1000 Growth <i>Mercer Mutual Fund US Equity Large Cap Growth Universe Median Fund Rank in Universe</i>	\$105,052,948	4.2%	10.3% 11.8% 11.8% 76	12.6% 16.7% 15.3% 71	-2.4% -0.5% -2.2% 55	2.8% 3.8% 2.5% 44
Vanguard Mid-Cap Index Fund Institutional MSCI US Mid Cap 450	\$115,421,245	4.6%	13.6% 13.6%	25.7% 25.7%	0.9% 0.9%	4.4% 4.4%
T Rowe Price Mid-Cap Value Fund Russell Midcap Value <i>Mercer Mutual Fund US Equity Mid Cap Value Universe Median Fund Rank in Universe</i>	\$43,572,053	1.7%	10.3% 12.2% 12.7% 91	16.5% 24.8% 23.2% 91	3.8% 1.0% 1.8% 26	6.2% 4.1% 4.7% 15
Morgan Stanley Inst Mid Cap Growth Portfolio I Russell Midcap Growth <i>Mercer Mutual Fund US Equity Mid Cap Growth Universe Median Fund Rank in Universe</i>	\$28,267,120	1.1%	11.5% 14.0% 14.2% 89	32.9% 26.4% 26.7% 9	4.0% 1.0% 0.0% 12	8.7% 4.9% 5.0% 6
T Rowe Price Small-Cap Stock Fund Russell 2000 <i>Mercer Mutual Fund US Equity Small Cap Core Universe Median Fund Rank in Universe</i>	\$98,172,388	3.9%	17.4% 16.3% 15.8% 22	32.5% 26.9% 25.6% 8	6.9% 2.2% 2.0% 10	6.3% 4.5% 4.2% 25
Vanguard Small-Cap Value Index Fund Institutional MSCI US Small Cap Value <i>Mercer Mutual Fund US Equity Small Cap Value Universe Median Fund Rank in Universe</i>	\$8,216,536	0.3%	14.0% 14.0% 16.2% 80	25.0% 25.0% 26.1% 67	3.6% 3.4% 3.9% 55	4.3% 4.2% 4.6% 60
Vanguard Small-Cap Growth Index Fund Institutional MSCI US Small Cap Growth <i>Mercer Mutual Fund US Equity Small Cap Growth Universe Median Fund Rank in Universe</i>	\$35,624,049	1.4%	17.2% 17.1% 16.5% 40	31.0% 30.7% 27.7% 29	3.8% 3.6% 0.5% 19	6.6% 6.4% 4.5% 16

International Equity

	Market Value	% of Plan	3 Months	1 Year	3 Years	5 Years
American Funds EuroPacific Growth Fund R-6	\$134,380,809	5.3%	5.7%	9.7%	-3.0%	5.9%
MSCI AC Wld ex US			7.2%	11.6%	-4.6%	5.3%
<i>Mercer Mutual Fund Intl Equity Universe Median</i>			7.4%	11.6%	-6.0%	3.4%
<i>Fund Rank in Universe</i>			87	64	20	17
Vanguard Total International Stock Index Fund Inv	\$12,621,568	0.5%	7.1%	11.1%	-5.3%	4.4%
Vanguard Total International Composite Index			7.0%	10.7%	-5.4%	4.5%

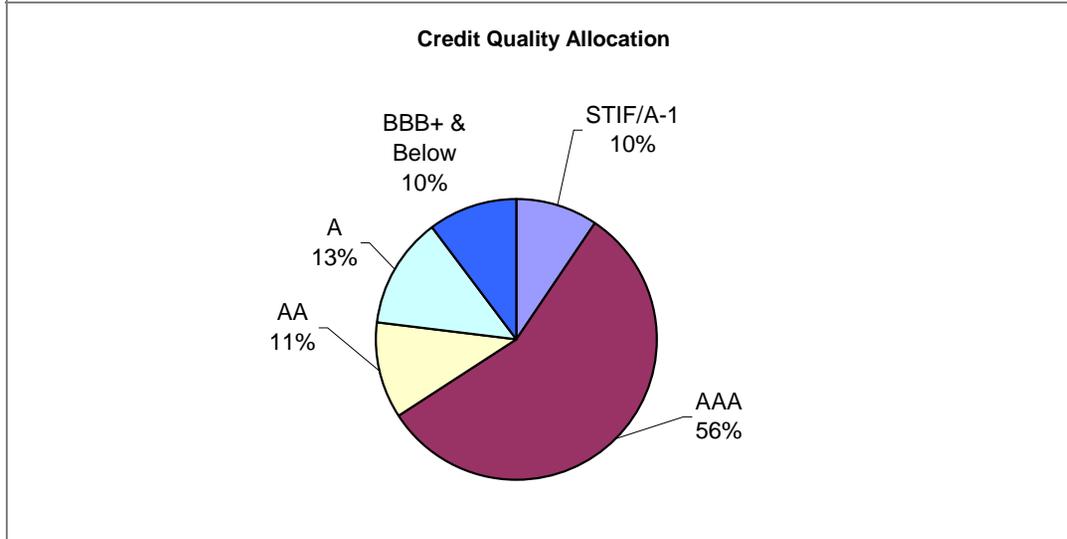
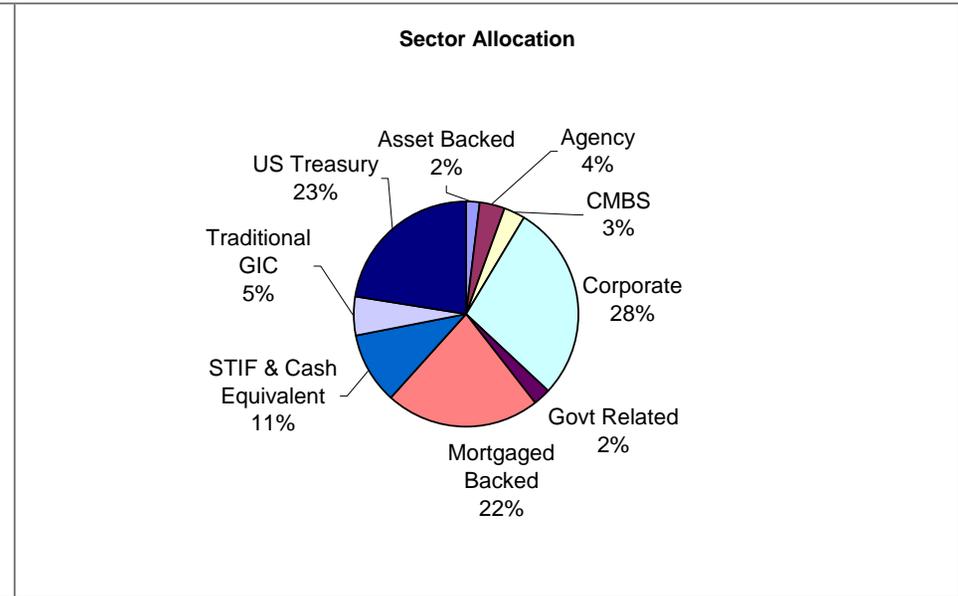
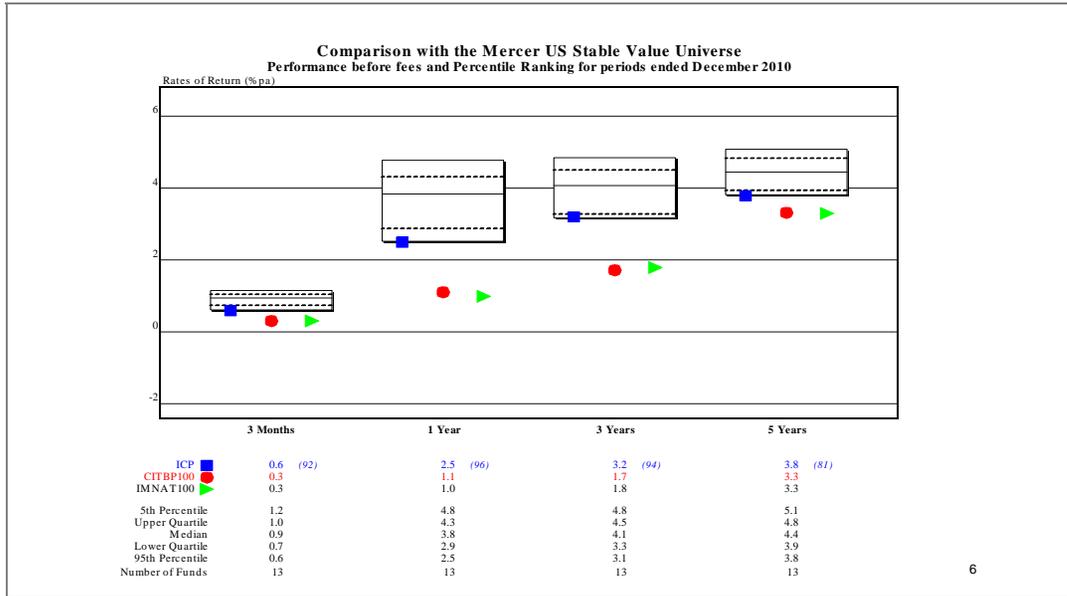
Fund Profile

Stable Value – Maryland Investment Contract Pool

Share Class: N/A		Benchmark: Citigroup 3-Month T-Bill + 100 bps																					
Investment Philosophy																							
<p>This product invests in short term cash for daily liquidity needs, stable value pooled funds, GICs: General Account Investment Contracts which are used to hold a constant principal amount value earning interest, and synthetic GICs which are portfolios managed by outside fixed income managers that have one or multiple wrap contracts to help maintain stability. Securities within the fixed income portion include US Treasury or Agency bonds, mortgaged backed and asset backed securities and corporate bonds.</p>																							
Fund Composition as of December 31, 2010		Performance as of December 31, 2010																					
<p>A pie chart illustrating the fund's composition. The largest slice is Synthetic GIC at 90%, colored yellow. Two smaller slices are Short-Term Investment Fund at 5% (blue) and Traditional GIC at 5% (maroon).</p>		<p>A grouped bar chart comparing the performance of three investment options over four time periods: Quarter, 1 Year, 3 Years, and 5 Years. The y-axis represents percentage return from 0.0% to 4.0%. The legend indicates: Maryland ICP (blue), Citigroup T-Bill + 100 (maroon), and MoneyNet All Taxable +100 (cyan).</p> <table border="1"> <thead> <tr> <th>Time Period</th> <th>Maryland ICP</th> <th>Citigroup T-Bill + 100</th> <th>MoneyNet All Taxable +100</th> </tr> </thead> <tbody> <tr> <td>Quarter</td> <td>0.6%</td> <td>0.3%</td> <td>0.3%</td> </tr> <tr> <td>1 Year</td> <td>2.5%</td> <td>1.1%</td> <td>1.0%</td> </tr> <tr> <td>3 Years</td> <td>3.2%</td> <td>1.7%</td> <td>1.8%</td> </tr> <tr> <td>5 Years</td> <td>3.8%</td> <td>3.3%</td> <td>3.3%</td> </tr> </tbody> </table>		Time Period	Maryland ICP	Citigroup T-Bill + 100	MoneyNet All Taxable +100	Quarter	0.6%	0.3%	0.3%	1 Year	2.5%	1.1%	1.0%	3 Years	3.2%	1.7%	1.8%	5 Years	3.8%	3.3%	3.3%
Time Period	Maryland ICP	Citigroup T-Bill + 100	MoneyNet All Taxable +100																				
Quarter	0.6%	0.3%	0.3%																				
1 Year	2.5%	1.1%	1.0%																				
3 Years	3.2%	1.7%	1.8%																				
5 Years	3.8%	3.3%	3.3%																				
Key Facts and Figures																							
Market/Book: 101.49%		Average Duration: 3.04	Crediting Rate: 2.48%																				
Average Quality: AA																							

Fund Profile

Stable Value - Maryland Investment Contract Pool



⁶ Mercer Stable Value Universe is gross of fees universe.
Mercer

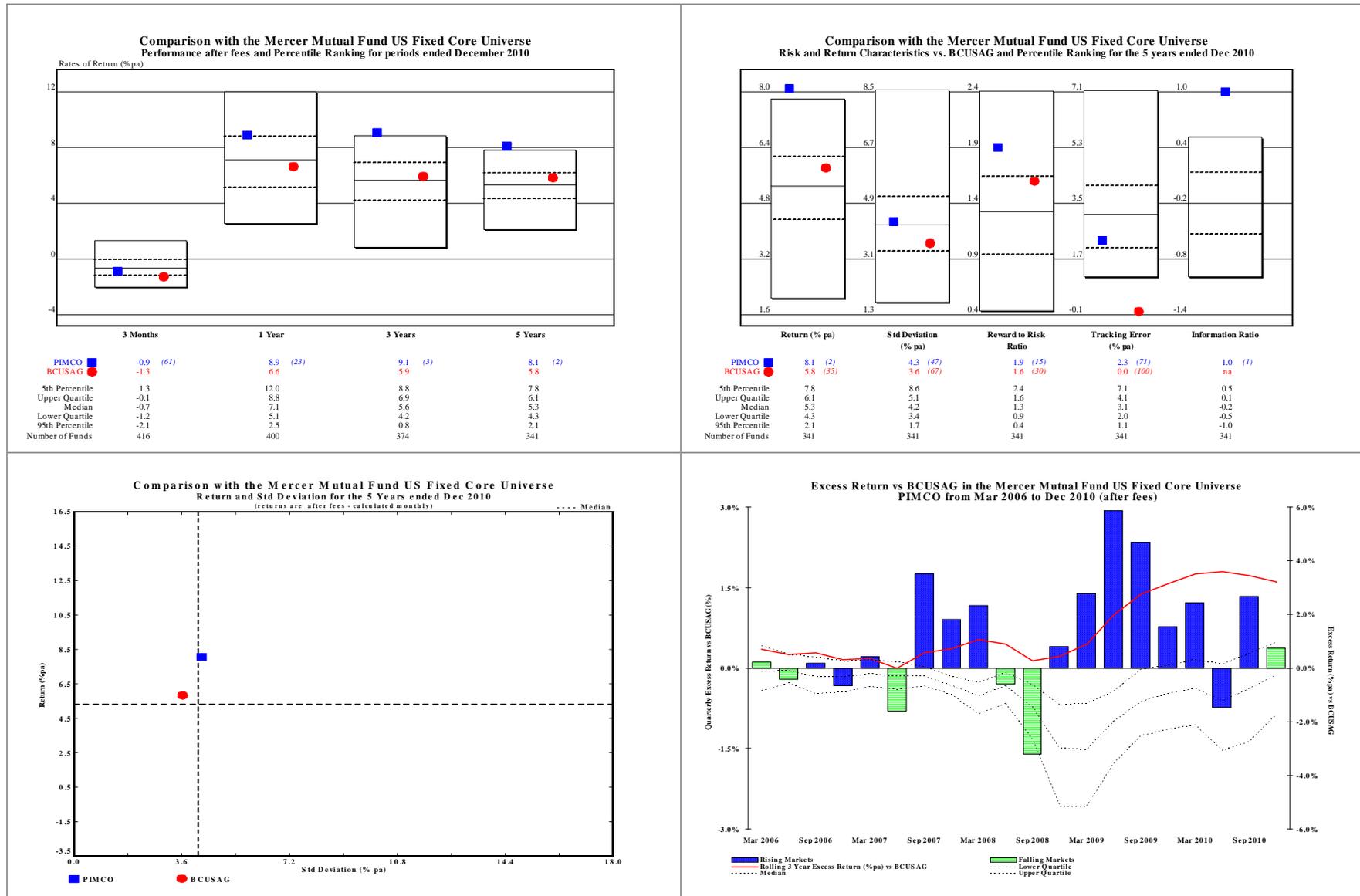
Fund Profile

Domestic Fixed - PIMCO Total Return Fund Institutional

Share Class: Institutional		Benchmark: Barclays Capital US Aggregate																								
Investment Philosophy																										
<p>The Fund seeks to achieve its investment objective by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of fixed income instruments of varying maturities. The average portfolio duration of this Fund normally varies within a 3- to 6-year time frame. The Fund invests primarily in investment-grade debt securities, but may invest up to 10% of its total assets in high yield securities ('junk bonds') rated B or higher by Moody's or S&P or, if unrated, determined by PIMCO to be of comparable quality. The Fund may invest up to 20% of its total assets in securities denominated in foreign currencies, and may invest beyond this limit in US dollar-denominated securities of foreign issuers. Currently, the Fund will normally hedge at least 75% of its exposure to foreign currency to reduce the risk of loss due to fluctuations in currency exchange rates.</p>																										
Portfolio Analysis & Key Observations		Sector Allocation as of December 31, 2010																								
<ul style="list-style-type: none"> ▪ The PIMCO Total Return Fund advanced -0.9% for the fourth quarter, outperforming the Barclays Capital Aggregate Index by 40 basis points yet placing in the third quartile of its peer group. ▪ The fund benefited from an overweight to Agency mortgages as well as security selection within these issues. An overweight to financial company bonds, which outpaced the broader corporate credit market, also positively contributed to returns. The fund held real return bonds as well, which outperformed nominal bonds as breakeven inflation levels widened during the quarter. Within emerging markets, overweight exposure to corporates in Russia and Indonesia ▪ The fund's overweight to duration detracted value as interest rates rose in the quarter. Exposure to money market futures and Build America Bonds also weighed on performance. ▪ The fund advanced 9.1% and 8.1% for the three- and five-year periods, which solidly outperformed the benchmark and placed in the top decile of the peer universe. 		<table border="1"> <caption>Sector Allocation Data (Estimated from Chart)</caption> <thead> <tr> <th>Sector</th> <th>PIMCO Total Return Fund Admn (%)</th> <th>Barclays Capital US Aggregate (%)</th> </tr> </thead> <tbody> <tr> <td>Treasury Agency</td> <td>22</td> <td>42</td> </tr> <tr> <td>Corporate</td> <td>23</td> <td>18</td> </tr> <tr> <td>Muni</td> <td>3</td> <td>0</td> </tr> <tr> <td>Mortgage Related</td> <td>45</td> <td>35</td> </tr> <tr> <td>ABS</td> <td>0</td> <td>0</td> </tr> <tr> <td>Non US</td> <td>13</td> <td>0</td> </tr> <tr> <td>Cash/Other</td> <td>-2</td> <td>0</td> </tr> </tbody> </table>	Sector	PIMCO Total Return Fund Admn (%)	Barclays Capital US Aggregate (%)	Treasury Agency	22	42	Corporate	23	18	Muni	3	0	Mortgage Related	45	35	ABS	0	0	Non US	13	0	Cash/Other	-2	0
Sector	PIMCO Total Return Fund Admn (%)	Barclays Capital US Aggregate (%)																								
Treasury Agency	22	42																								
Corporate	23	18																								
Muni	3	0																								
Mortgage Related	45	35																								
ABS	0	0																								
Non US	13	0																								
Cash/Other	-2	0																								
Key Facts and Figures																										
Portfolio Manager: William H. Gross	Total Fund Assets: \$240,658 Million Total Share Class Assets: \$138,794 Million	Expense Ratio (Net): 0.46% Mercer Median Expense Ratio (Net): 0.57%																								

Fund Profile

Domestic Fixed - PIMCO Total Return Fund Institutional



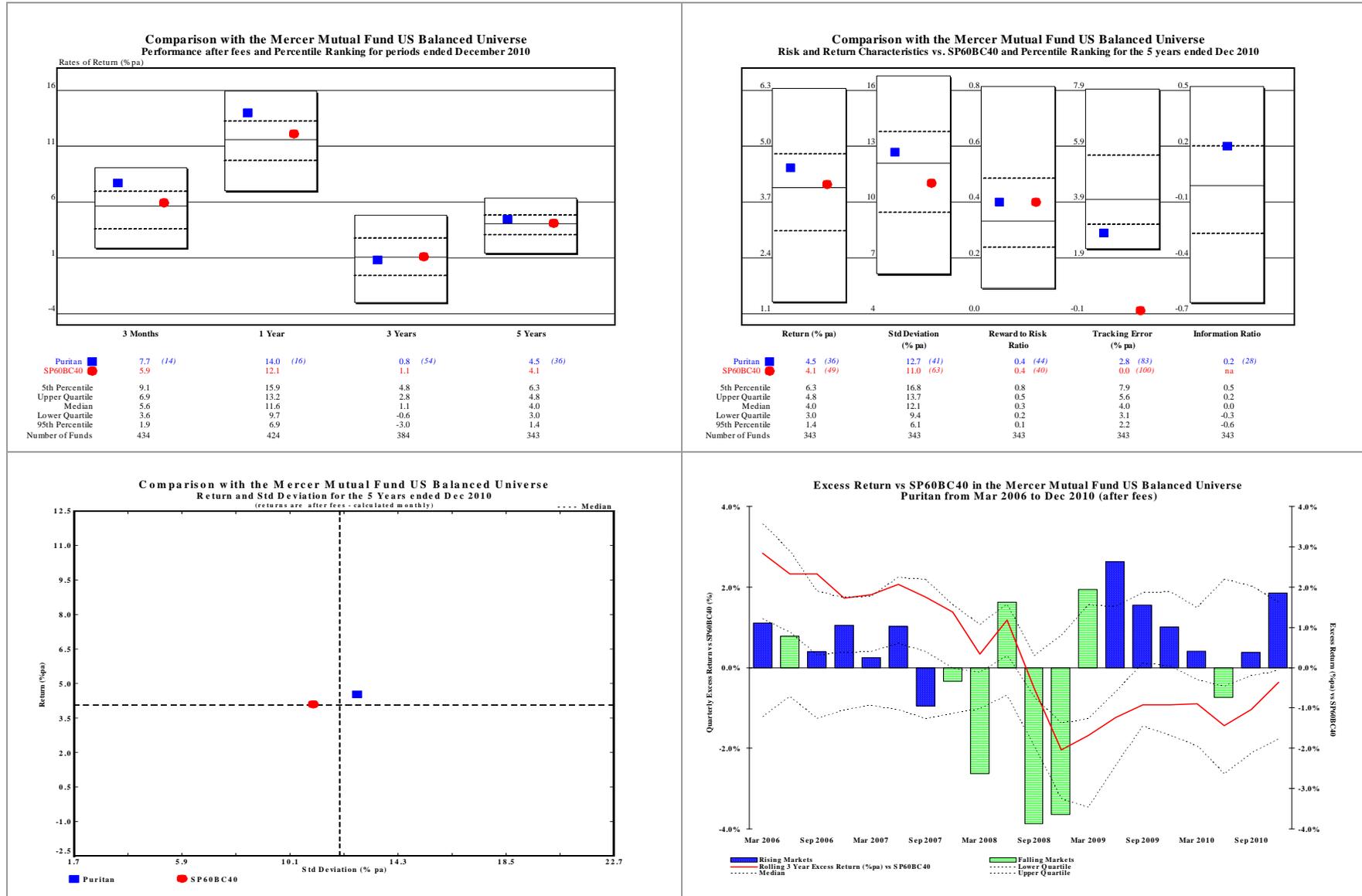
Fund Profile

Balanced - Fidelity Puritan Fund

Share Class:		Benchmark: S&P 500 60% / 40% BC Aggregate											
Investment Philosophy													
The Fund typically invests approximately 60% of assets in stocks and other equity securities and approximately 40% in bonds and other debt securities, including lower-quality bonds, when its outlook is neutral. Additionally, the Fund will invest in domestic and foreign issuers.													
Portfolio Analysis & Key Observations		Asset Allocation as of December 31, 2010											
<ul style="list-style-type: none"> ▪ The Fidelity Puritan fund outperformed its index by 180 basis points and placed in the top quartile of its peers for most recent period. ▪ An overweight to equities helped performance as equities outpaced fixed income during the quarter. ▪ Within the equity portfolio, an underweight to utilities and overweight to materials benefited results. ▪ An overweight to health care and underweight to financials hindered results. ▪ The fund modestly trailed its index and the median manger return for the three-year period; however, it led both measurements for the five year period. 		<table border="1"> <caption>Asset Allocation Data</caption> <thead> <tr> <th>Asset Class</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Domestic Equity</td> <td>55%</td> </tr> <tr> <td>International Equity</td> <td>8%</td> </tr> <tr> <td>Fixed Income</td> <td>35%</td> </tr> <tr> <td>Cash & Equivalents</td> <td>2%</td> </tr> </tbody> </table>		Asset Class	Percentage	Domestic Equity	55%	International Equity	8%	Fixed Income	35%	Cash & Equivalents	2%
Asset Class	Percentage												
Domestic Equity	55%												
International Equity	8%												
Fixed Income	35%												
Cash & Equivalents	2%												
Key Facts and Figures													
Portfolio Manager: George Fischer; John Avery; Matthew Friedman		Total Fund Assets: \$19,458 Million Total Share Class Assets: \$16,688 Million	Expense Ratio (Net): 0.61% Mercer Median Expense Ratio (Net): 0.91%										

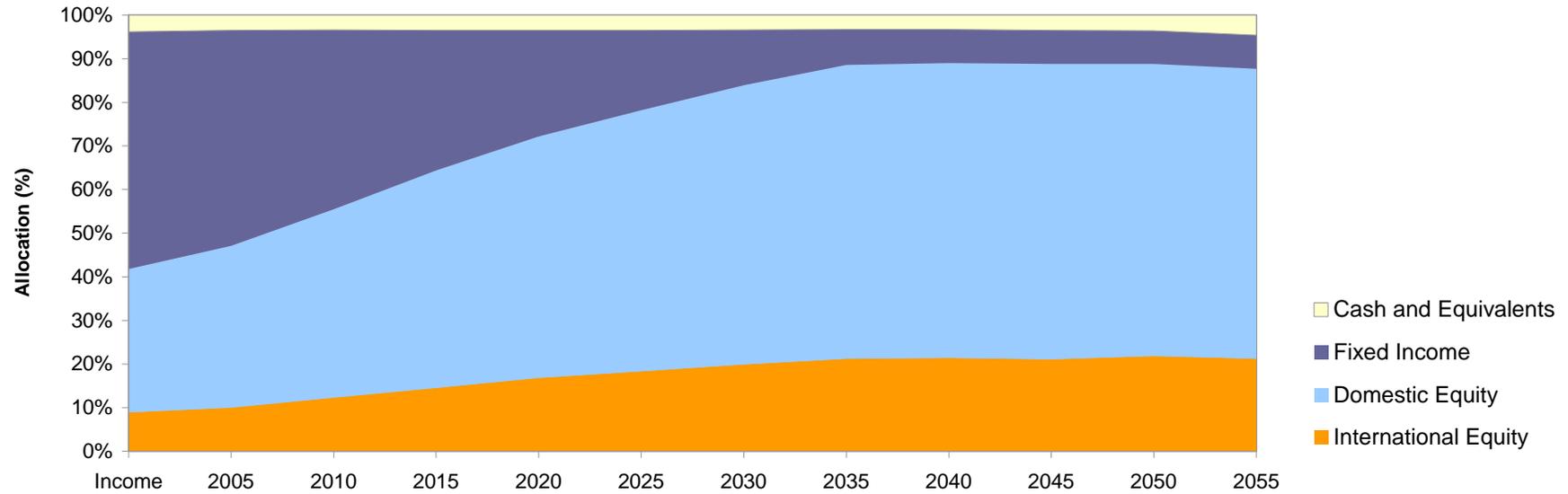
Fund Profile

Balanced - Fidelity Puritan Fund



Fund Profile

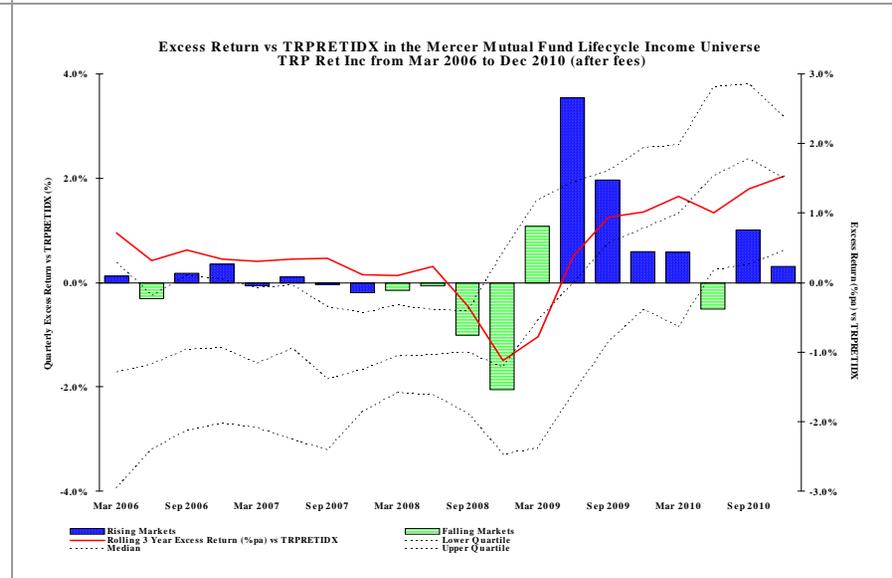
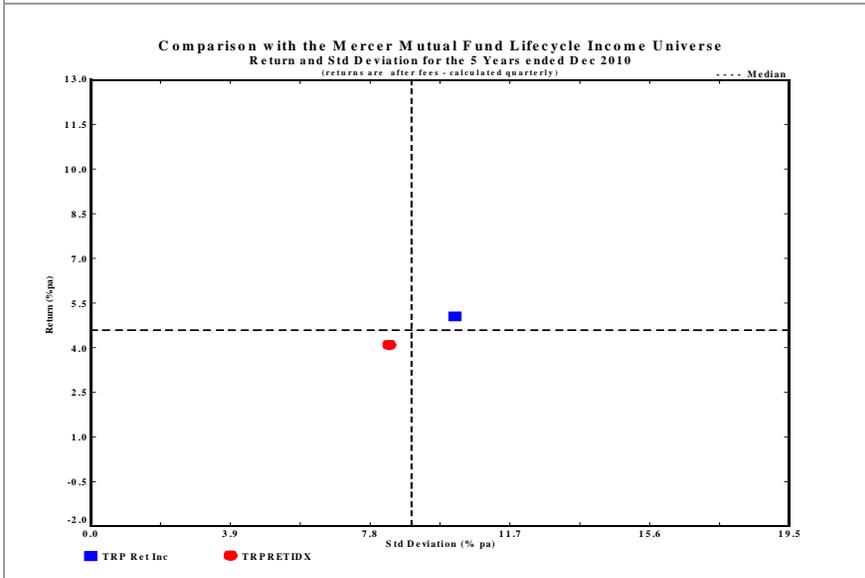
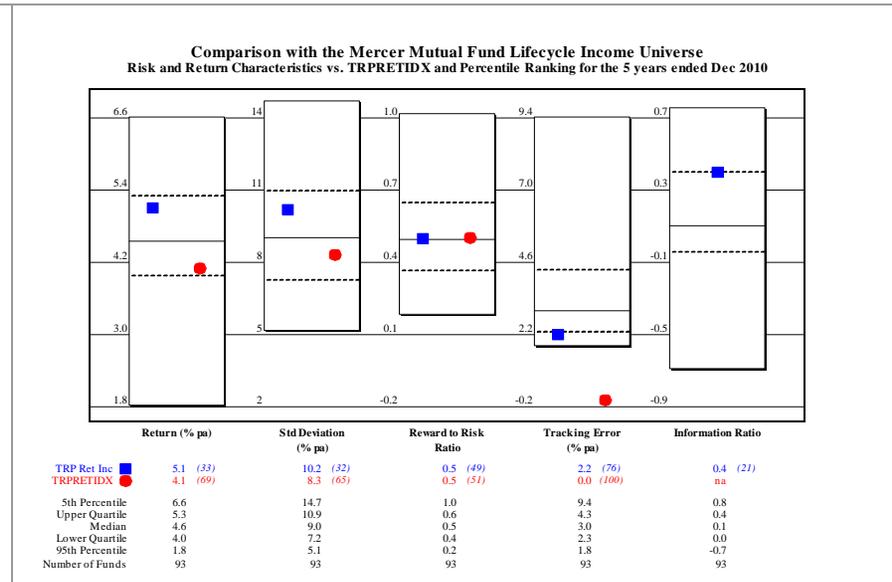
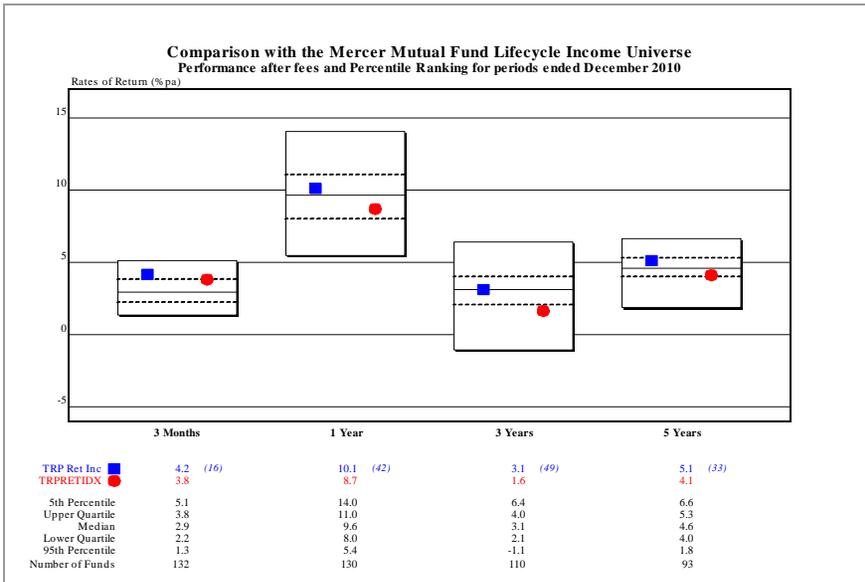
Lifecycle - T Rowe Price Retirement Funds



Fund Name	Domestic Equity	International Equity	Fixed Income	Cash/Other
T Rowe Price Retirement Income Fund	32.9%	8.9%	54.4%	3.8%
T Rowe Price Retirement 2005 Fund	37.1%	10.0%	49.4%	3.5%
T Rowe Price Retirement 2010 Fund	43.2%	12.3%	41.1%	3.4%
T Rowe Price Retirement 2015 Fund	49.9%	14.5%	32.1%	3.5%
T Rowe Price Retirement 2020 Fund	55.4%	16.8%	24.3%	3.5%
T Rowe Price Retirement 2025 Fund	59.9%	18.3%	18.3%	3.5%
T Rowe Price Retirement 2030 Fund	64.0%	19.9%	12.7%	3.4%
T Rowe Price Retirement 2035 Fund	67.4%	21.2%	8.1%	3.3%
T Rowe Price Retirement 2040 Fund	67.6%	21.4%	7.7%	3.3%
T Rowe Price Retirement 2045 Fund	67.7%	21.1%	7.7%	3.5%
T Rowe Price Retirement 2050 Fund	67.0%	21.8%	7.6%	3.6%
T Rowe Price Retirement 2055 Fund	66.5%	21.2%	7.7%	4.6%

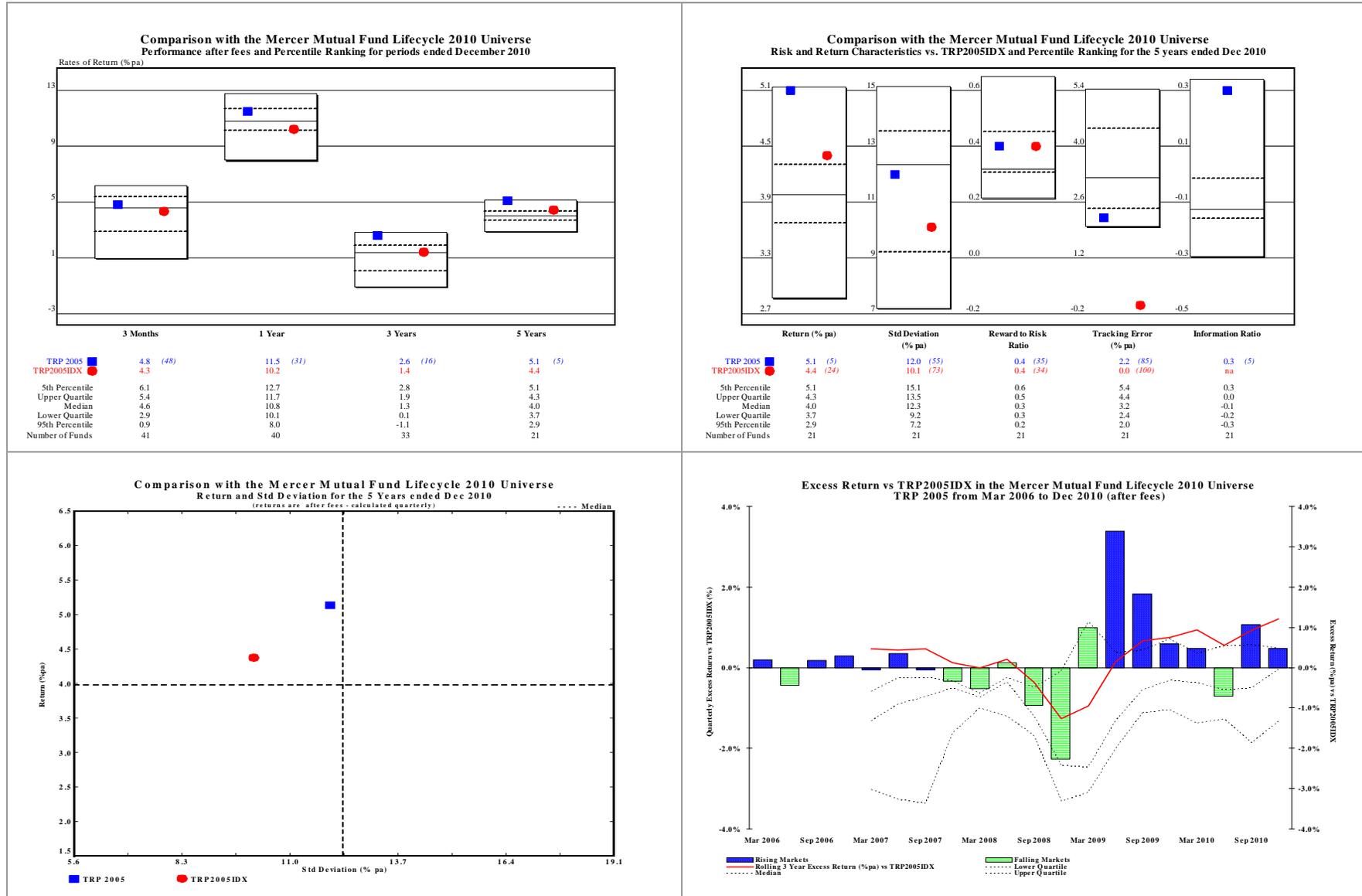
Fund Profile

Lifecycle - T Rowe Price Retirement Income Fund



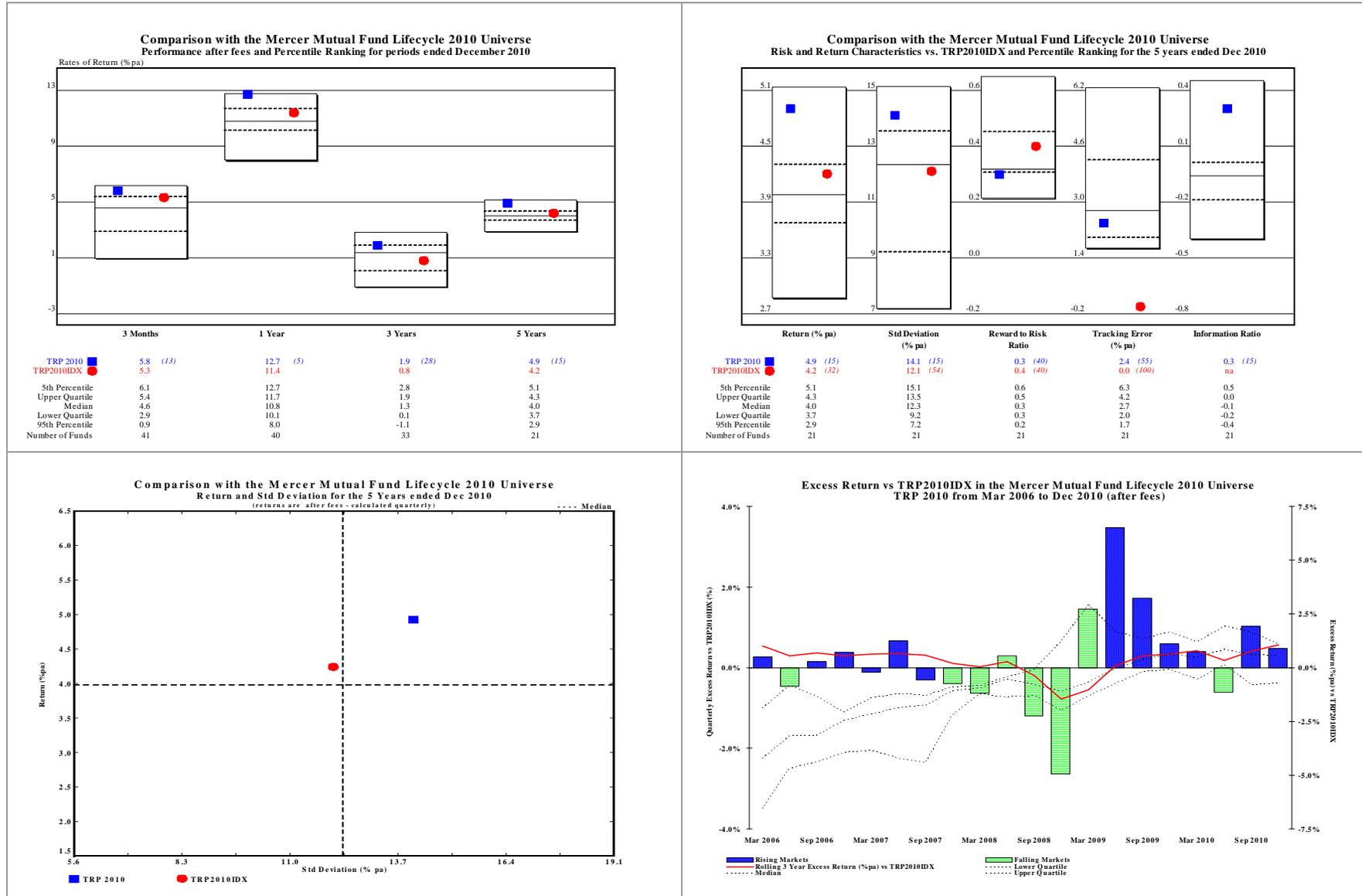
Fund Profile

Lifecycle - T Rowe Price Retirement 2005 Fund



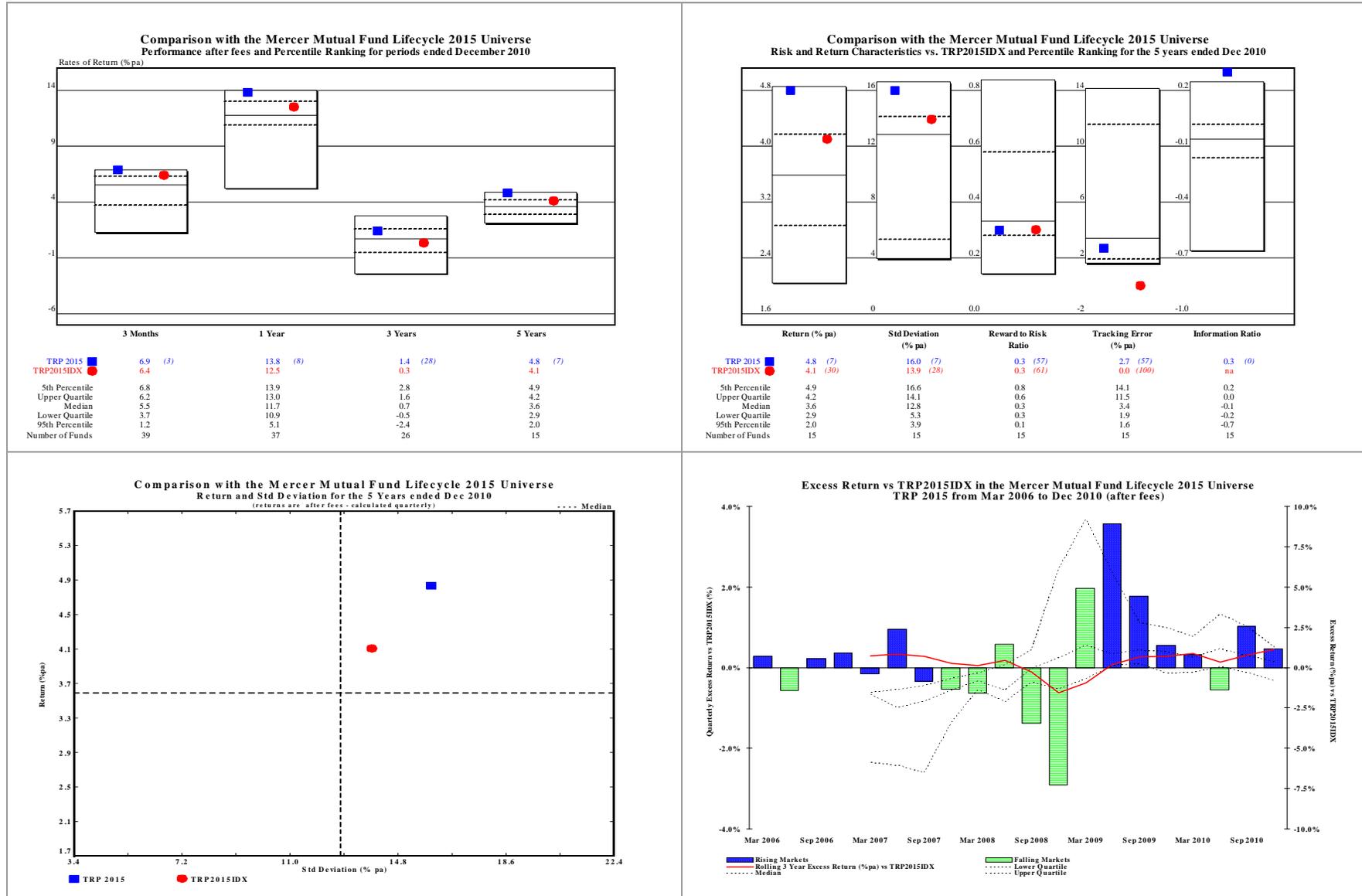
Fund Profile

Lifecycle - T Rowe Price Retirement 2010 Fund



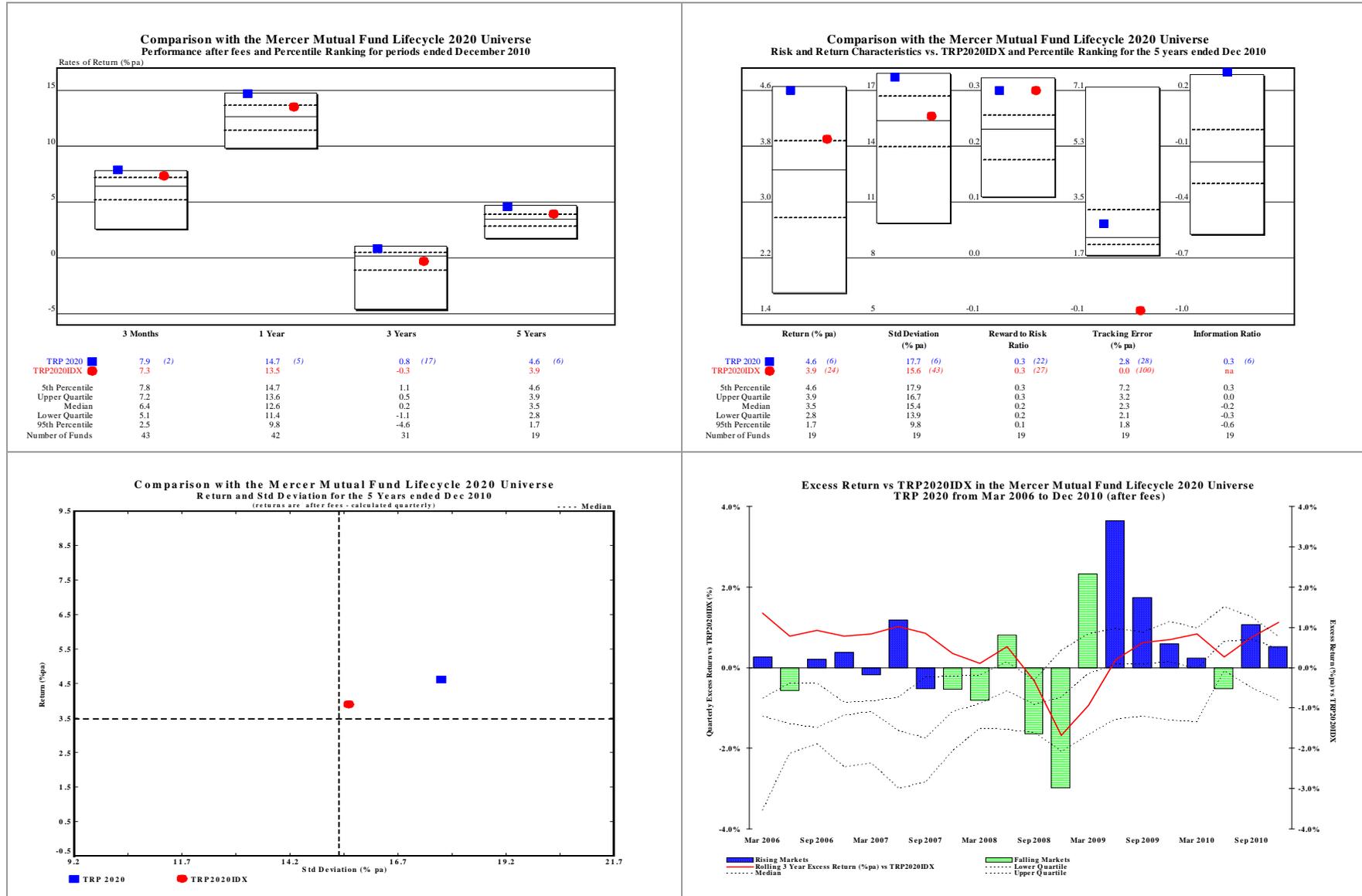
Fund Profile

Lifecycle - T Rowe Price Retirement 2015 Fund



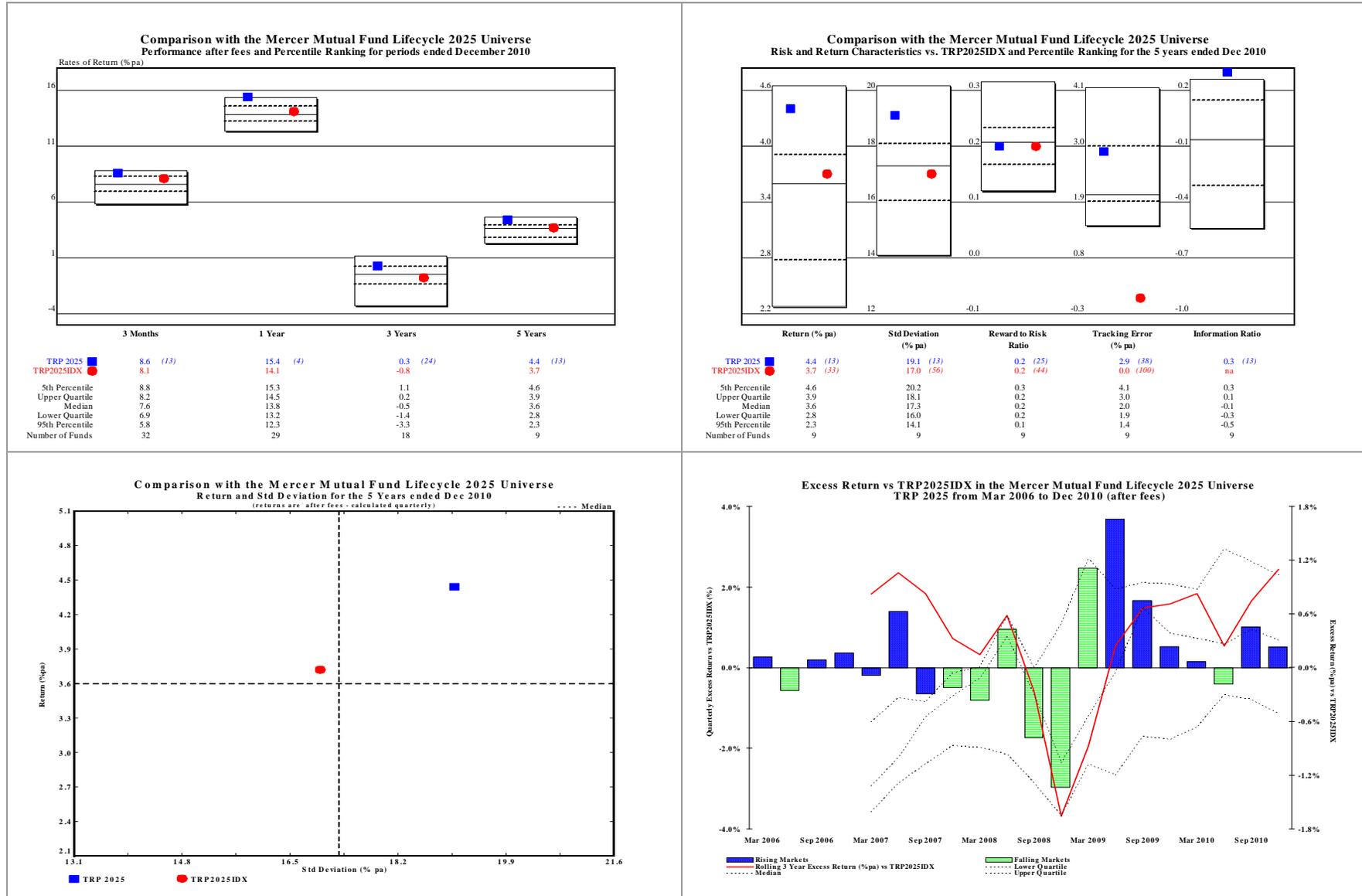
Fund Profile

Lifecycle - T Rowe Price Retirement 2020 Fund



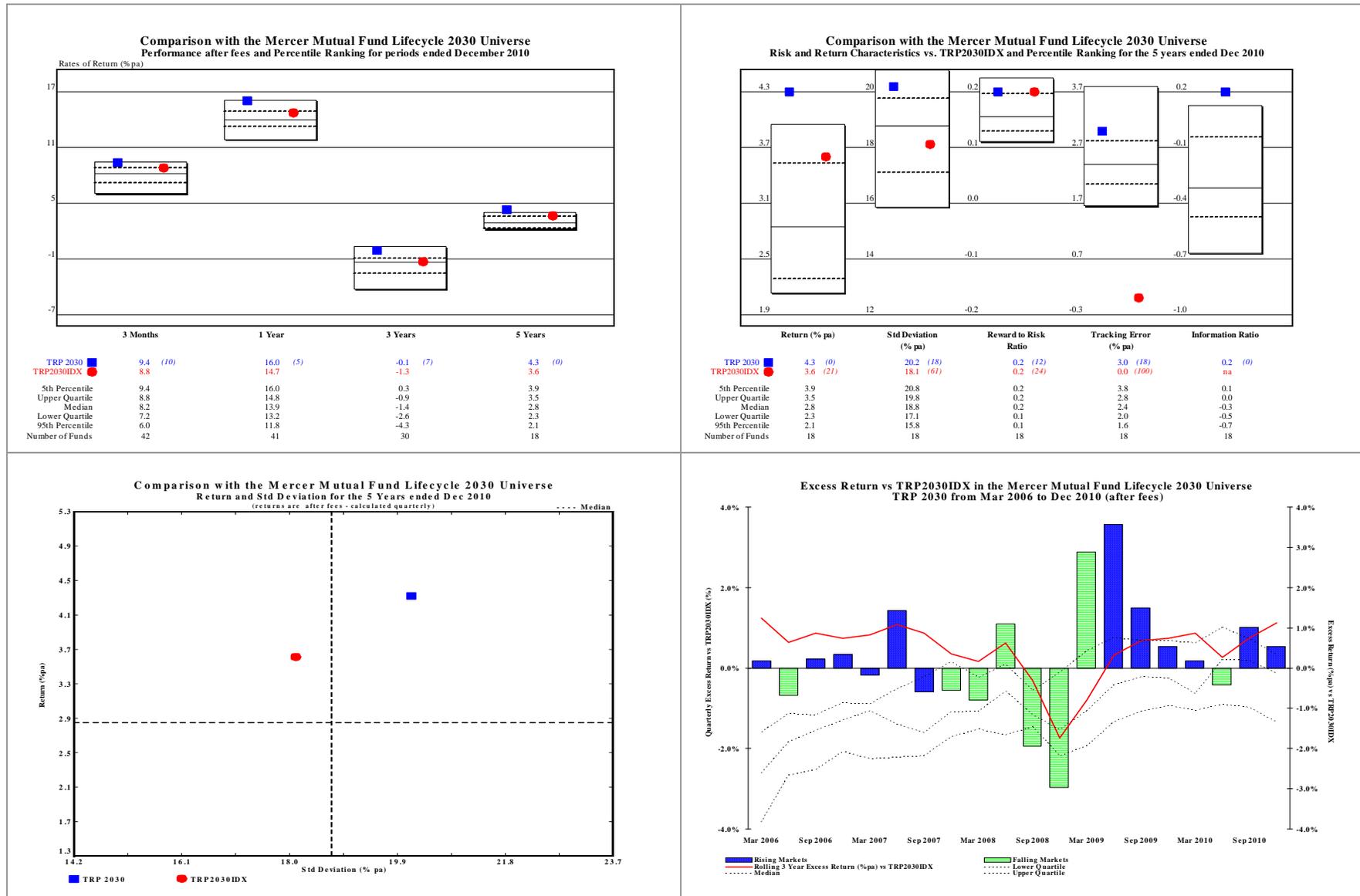
Fund Profile

Lifecycle - T Rowe Price Retirement 2025 Fund



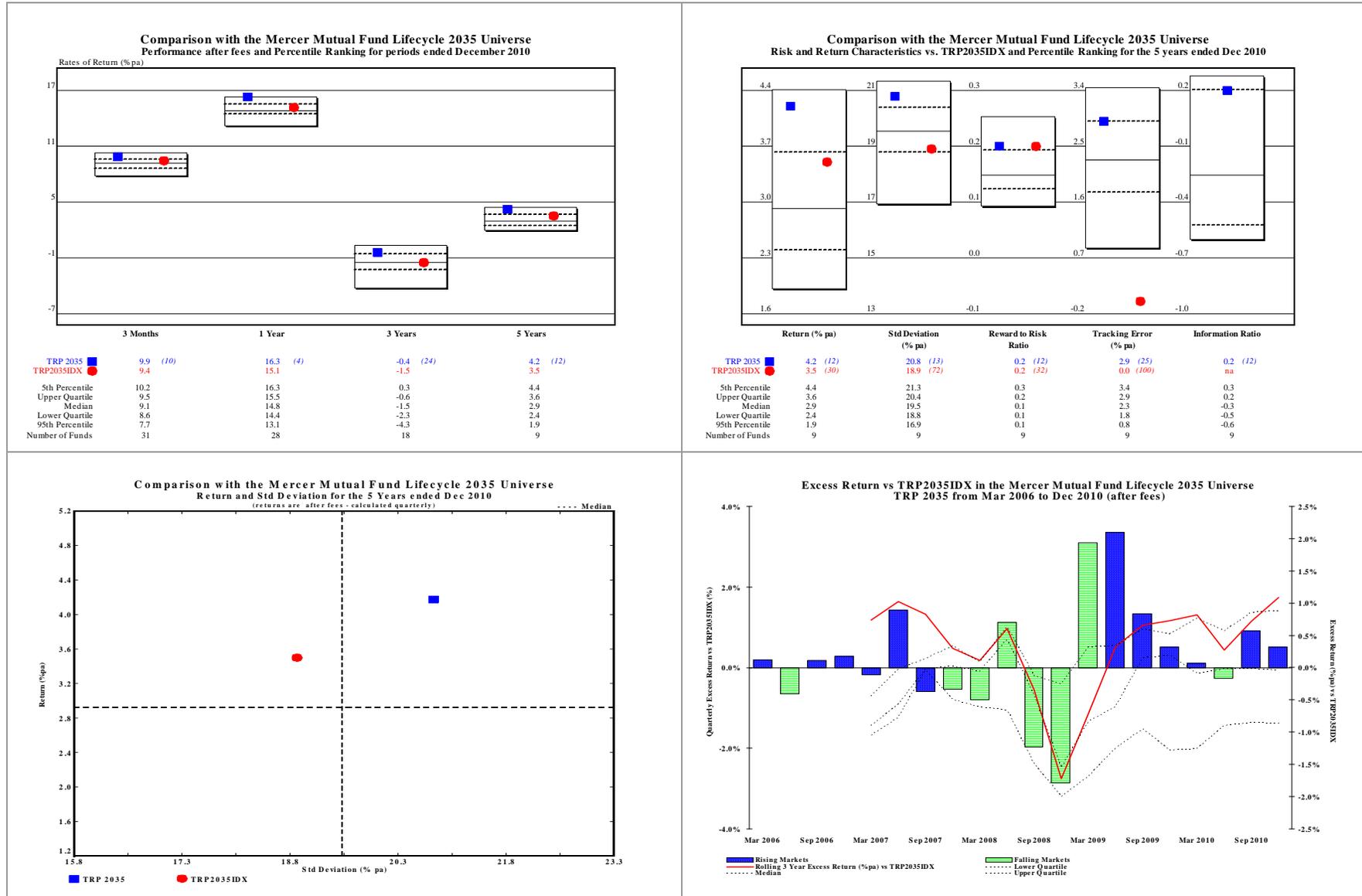
Fund Profile

Lifecycle - T Rowe Price Retirement 2030 Fund



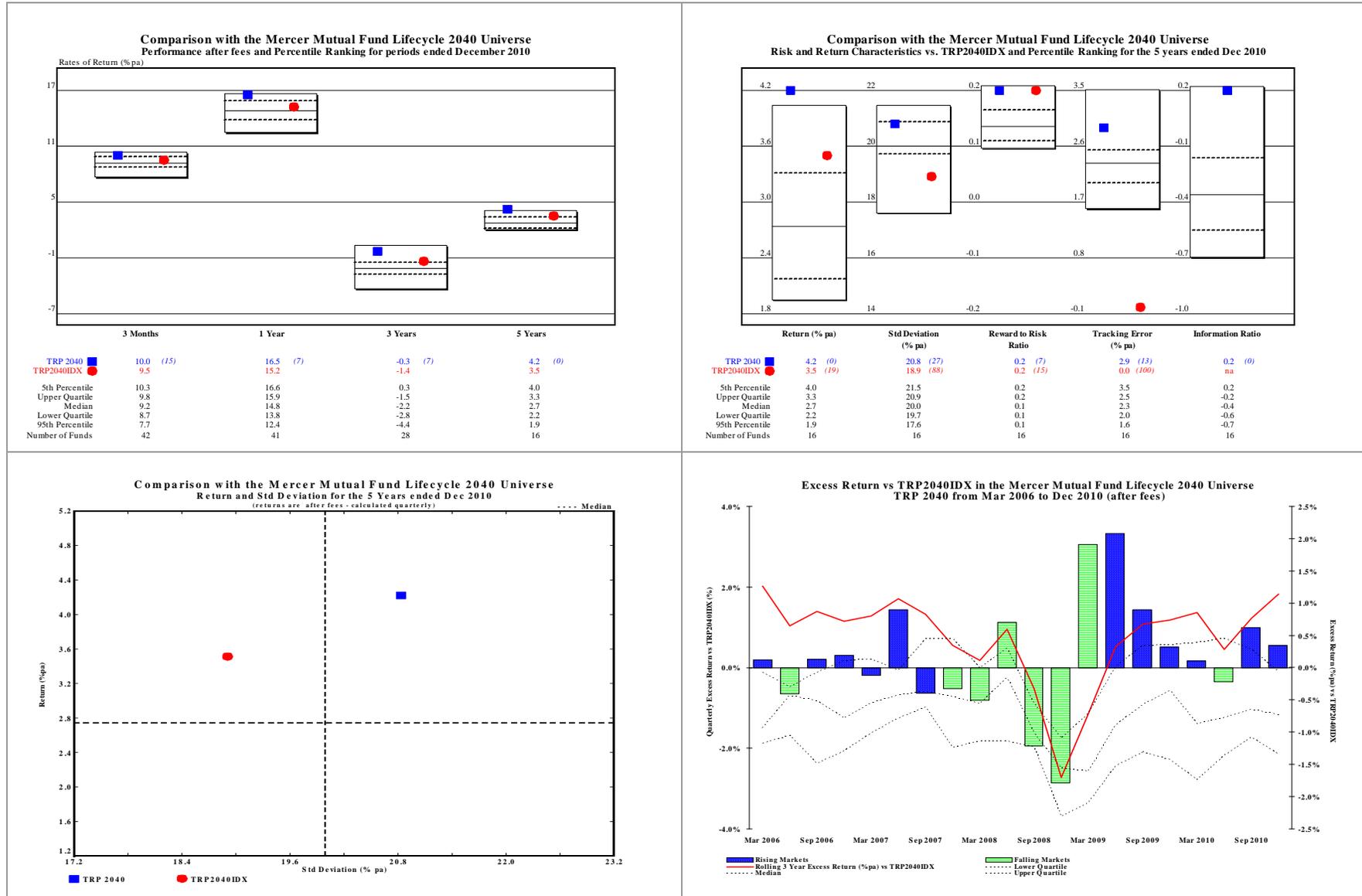
Fund Profile

Lifecycle - T Rowe Price Retirement 2035 Fund



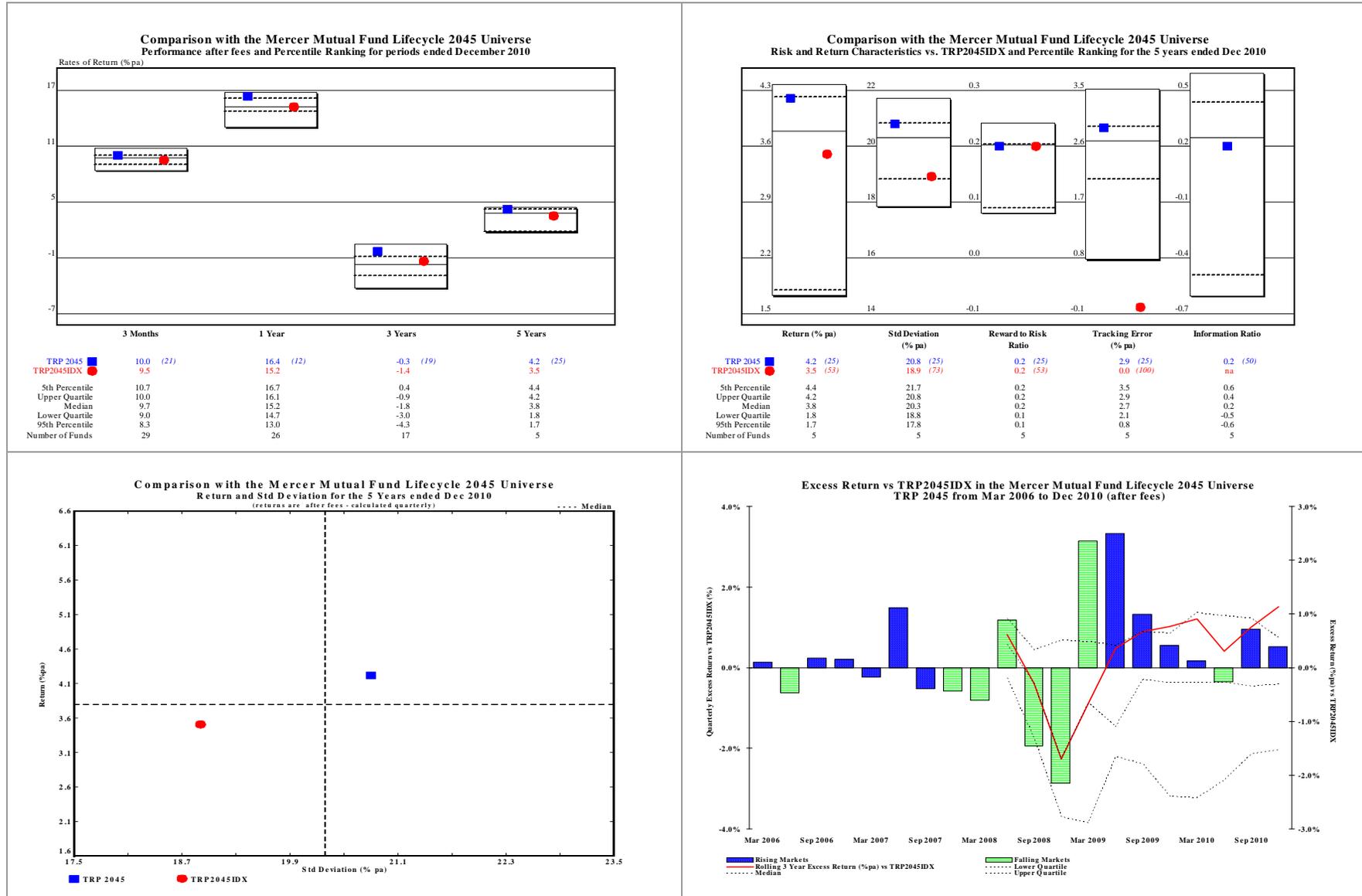
Fund Profile

Lifecycle - T Rowe Price Retirement 2040 Fund



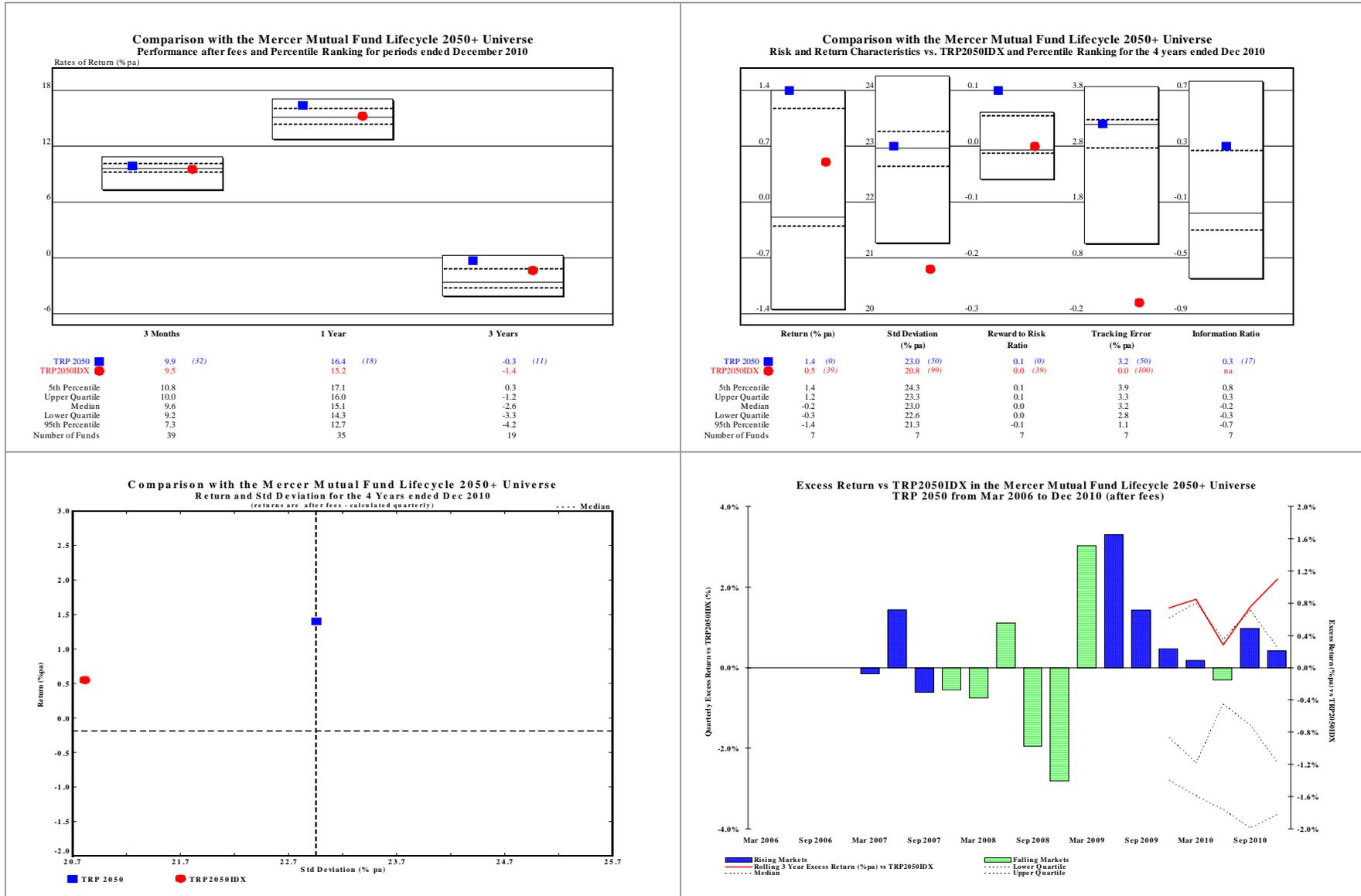
Fund Profile

Lifecycle - T Rowe Price Retirement 2045 Fund



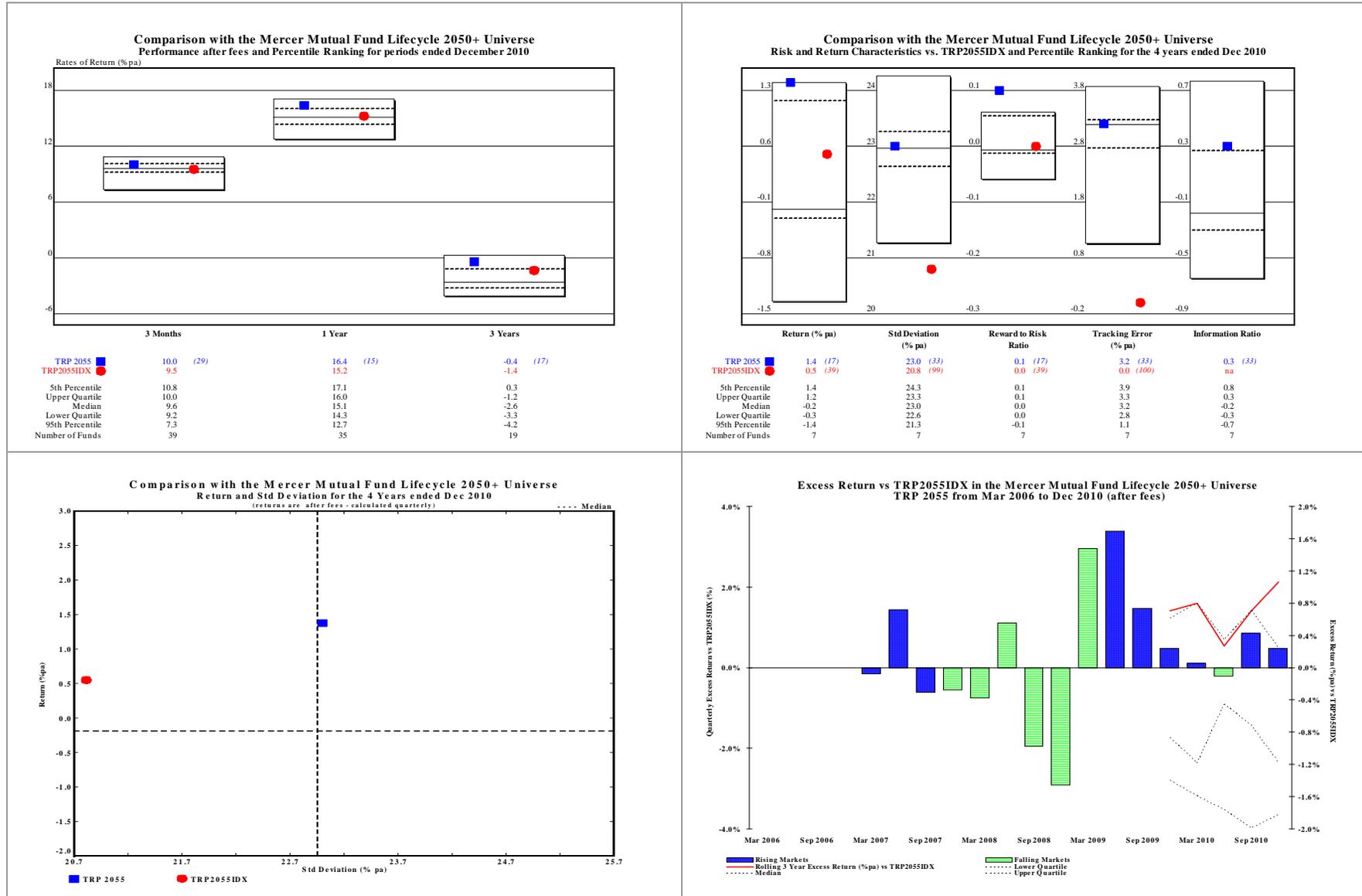
Fund Profile

Lifecycle - T Rowe Price Retirement 2050 Fund



Fund Profile

Lifecycle - T Rowe Price Retirement 2055 Fund



Fund Profile

Domestic Equity - Passive - Vanguard Institutional Index Fund Inst Plus

Share Class: Inst Plus		Benchmark: S&P 500
Investment Philosophy		
<p>The Fund attempts to provide investment results that parallel the performance of the S&P 500 Index. Given this objective, the portfolio is expected to provide investors with long-term growth of capital and income as well as a reasonable level of current income. The Fund employs a "passive management" - or indexing - investment approach designed to track the performance of the Standard & Poor 500 Index, a widely recognized benchmark of US stock market performance that is dominated by the stocks of large US companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.</p>		
Portfolio Analysis & Key Observations		Tracking Error
<ul style="list-style-type: none"> ▪ The top performing sectors were energy (+21.5%), materials (+19.0%) and consumer discretionary (+12.6%). ▪ The top contributors to performance included Exxon Mobil (+19.1%), Apple Inc. (+13.7%) and Schlumberger Ltd. (+35.9%). ▪ The bottom performing sectors were utilities (+1.1%), health care (+3.5%) and consumer staples (+6.1%). ▪ The top detractors to performance included Cisco Systems (-7.6%), Abbott Laboratories (-7.5%) and Berkshire Hathaway Class B (-3.1%). 		<p>5 Year Period - Vanguard Institutional Index Fund Inst Plus vs. S&P 500</p> <p align="center">— Rolling 1-Year Tracking Error</p>
Key Facts and Figures		
Portfolio Manager: Donald M. Butler	Total Fund Assets: \$88,329 Million Total Share Class Assets: \$33,643 Million	Expense Ratio (Net): 0.03% Mercer Median Expense Ratio (Net): 0.21%

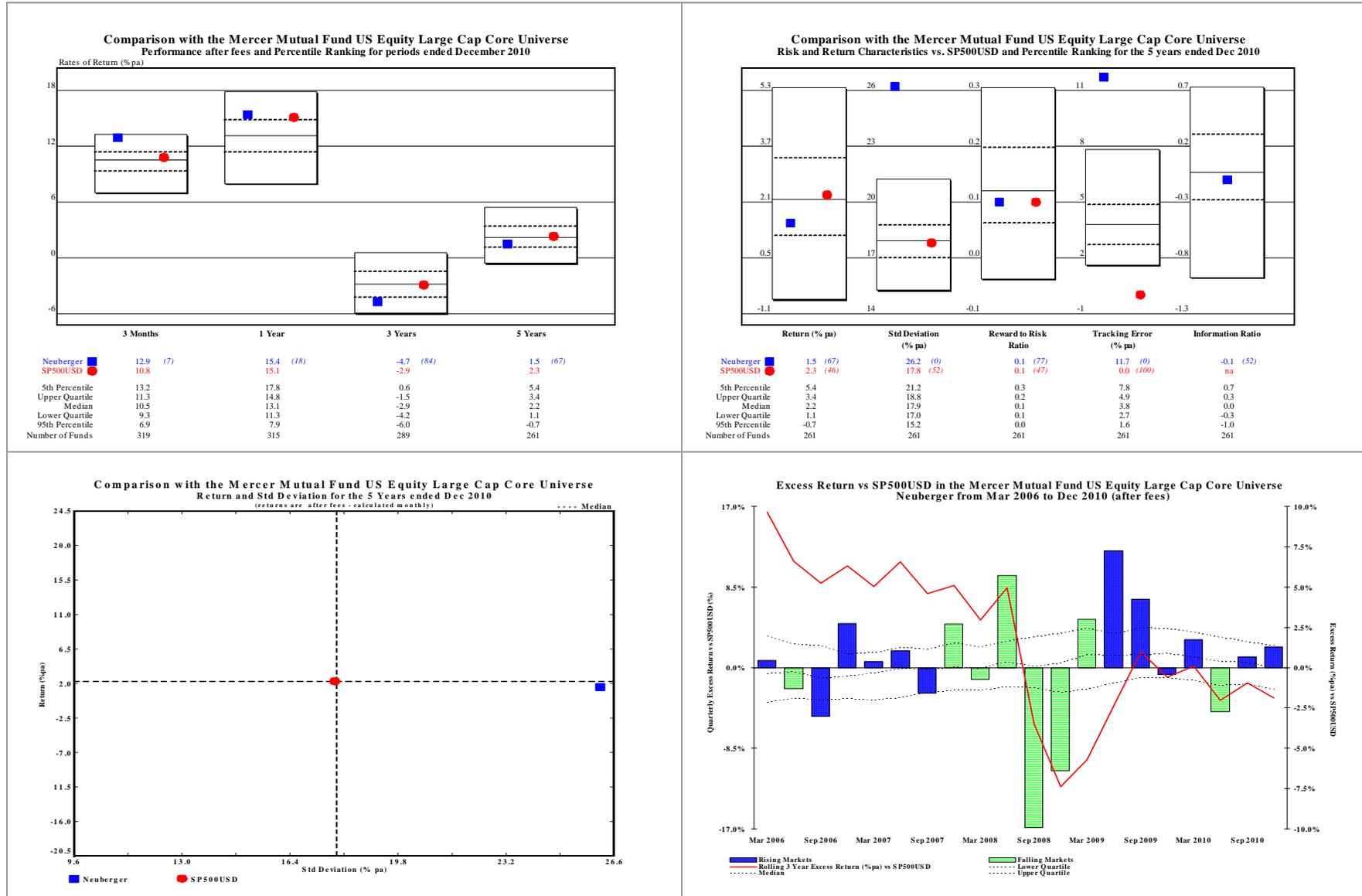
Fund Profile

Domestic Equity - Neuberger Berman Partners Fund Institutional

Share Class: Institutional		Benchmark: S&P 500
Investment Philosophy		
<p>The primary objective of the fund is growth of capital. Mullick seeks mid- to large-cap companies that he believes are selling for less than their intrinsic value. The fund employs a fundamental, bottom-up process that searches for firm specific catalysts that will lead to a change in investors' perceptions and valuations.</p>		
Portfolio Analysis & Key Observations		Style Analysis
<ul style="list-style-type: none"> ▪ The Neuberger Berman Partners Fund outperformed the S&P 500 Index by 210 basis points and placed in the top decile of its peers for the fourth quarter. ▪ An overweight to the energy and materials sectors along with an underweight to the utilities and consumer staples sectors benefited results. Top ten holdings Wells Fargo (+23.6%) and Owens Corning (+21.5%) helped performance. ▪ An overweight to the health care sector hindered results. ▪ Despite near term performance, long term results still lag the index. Both the three- and five-year returns fall below the index and peer group median. 		<p>5 Year Period - Rolling 3 Years ending Dec 31, 2010</p> <p>Legend: ■ Russell 1000 Value ■ Russell 1000 Growth ■ Russell 2000 Value ■ Russell 2000 Growth</p>
Key Facts and Figures		
Portfolio Manager: S. Basu Mullick	Total Fund Assets: \$2,619 Million Total Share Class Assets: \$181 Million	Expense Ratio (Net): 0.70% Mercer Median Expense Ratio (Net): 0.82%

Fund Profile

Domestic Equity - Neuberger Berman Partners Fund Institutional



Fund Profile

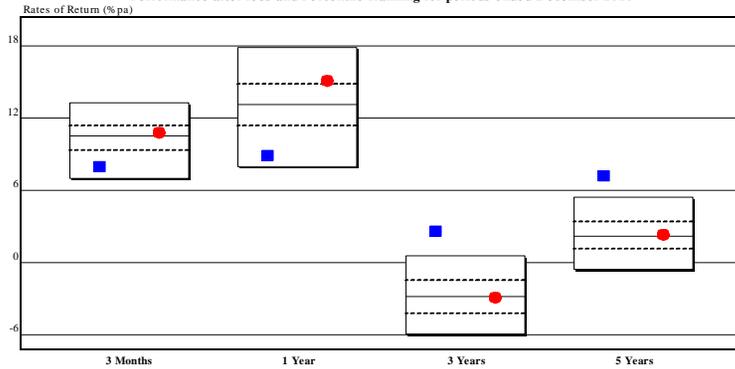
Domestic Equity - Parnassus Equity Income Fund Institutional

Share Class: Institutional		Benchmark: S&P 500
Investment Philosophy		
<p>The fund seeks to invest in good businesses that have high returns on capital, above-average growth prospects, ethical business practices, and sustainable competitive advantages. The team believes the most attractive opportunities for investments are when companies with good business fundamentals become temporarily undervalued due to market sentiments. The investment philosophy dictates that sound macroeconomic analysis combined with fundamental research is the most effective way to identify attractive investments. The portfolio manager likes to buy companies that are growing faster than the rest of the economy, and at attractive valuations.</p>		
Portfolio Analysis & Key Observations		Style Analysis
<ul style="list-style-type: none"> ▪ The Parnassus Equity Income Fund advanced 8.0% for the quarter which lagged the S&P 500 Index by 280 basis points. ▪ An underweight to the energy materials and consumer discretionary sectors hindered results. An overweight allocation to the utilities and health care sectors also weighed on performance. ▪ An underweight to the telecommunications and consumer staples sectors benefited results. ▪ Although near term performance was weak, long term results were solid. The return for the three- and five-year periods outperformed the index and placed in the top decile of its universe. 		<p>5 Year Period - Rolling 3 Years ending Dec 31, 2010</p> <p>Legend: ■ Russell 1000 Value ■ Russell 1000 Growth ■ Russell 2000 Value ■ Russell 2000 Growth</p>
Key Facts and Figures		
Portfolio Manager: Todd Ahlsten	Total Fund Assets: \$3,558 Million Total Share Class Assets: \$407 Million	Expense Ratio (Net): 0.78% Mercer Median Expense Ratio (Net): 0.82%

Fund Profile

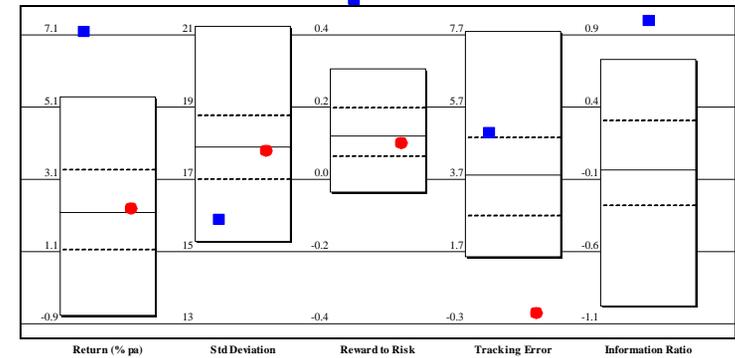
Domestic Equity - Parnassus Equity Income Fund Institutional

Comparison with the Mercer Mutual Fund US Equity Large Cap Core Universe
Performance after fees and Percentile Ranking for periods ended December 2010



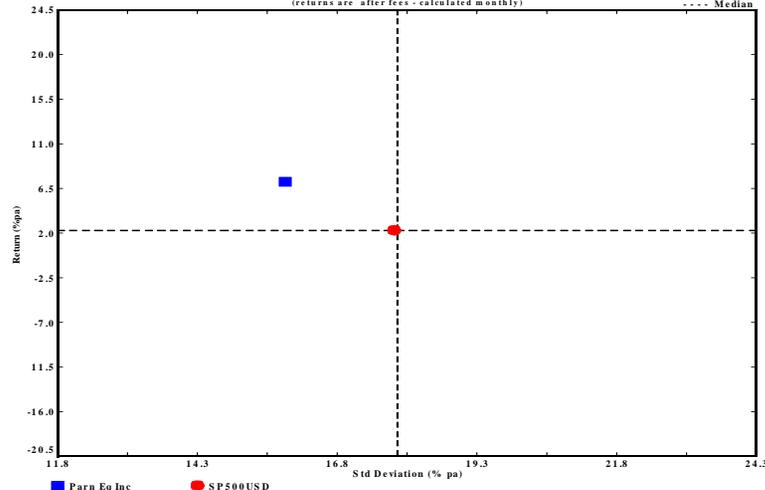
	3 Months	1 Year	3 Years	5 Years
Parn Eq Inc	8.0 (90)	8.9 (91)	2.6 (2)	7.2 (1)
SP500USD	10.8	15.1	-2.9	2.3
5th Percentile	13.2	17.8	-1.5	3.4
Upper Quartile	11.3	14.8	-4.2	1.1
Median	10.5	13.1	-2.9	2.2
Lower Quartile	9.3	11.3	-4.2	1.1
95th Percentile	6.9	7.9	-6.0	-0.7
Number of Funds	319	315	289	261

Comparison with the Mercer Mutual Fund US Equity Large Cap Core Universe
Risk and Return Characteristics vs. SP500USD and Percentile Ranking for the 5 years ended Dec 2010

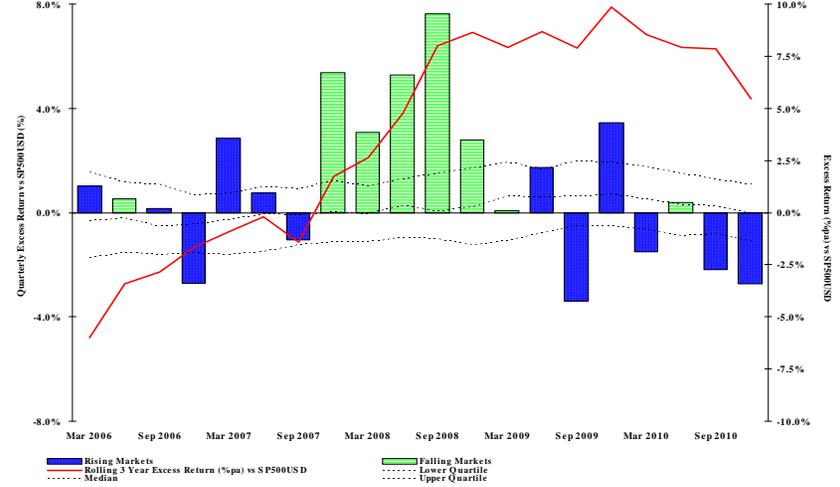


	Return (% pa)	Std Deviation (% pa)	Reward to Risk Ratio	Tracking Error (% pa)	Information Ratio
Parn Eq Inc	7.2 (1)	15.9 (89)	0.5 (1)	5.0 (23)	1.0 (1)
SP500USD	2.3 (46)	17.8 (52)	0.1 (47)	0.0 (100)	na
5th Percentile	5.4	21.2	0.3	7.8	0.7
Upper Quartile	3.4	18.8	0.2	4.9	0.3
Median	2.2	17.9	0.1	3.8	0.0
Lower Quartile	1.1	17.0	0.1	2.7	-0.3
95th Percentile	-0.7	15.2	0.0	1.6	-1.0
Number of Funds	261	261	261	261	261

Comparison with the Mercer Mutual Fund US Equity Large Cap Core Universe
Return and Std Deviation for the 5 Years ended Dec 2010
(returns are after fees - calculated monthly)



Excess Return vs SP500USD in the Mercer Mutual Fund US Equity Large Cap Core Universe
Parn Eq Inc from Mar 2006 to Dec 2010 (after fees)



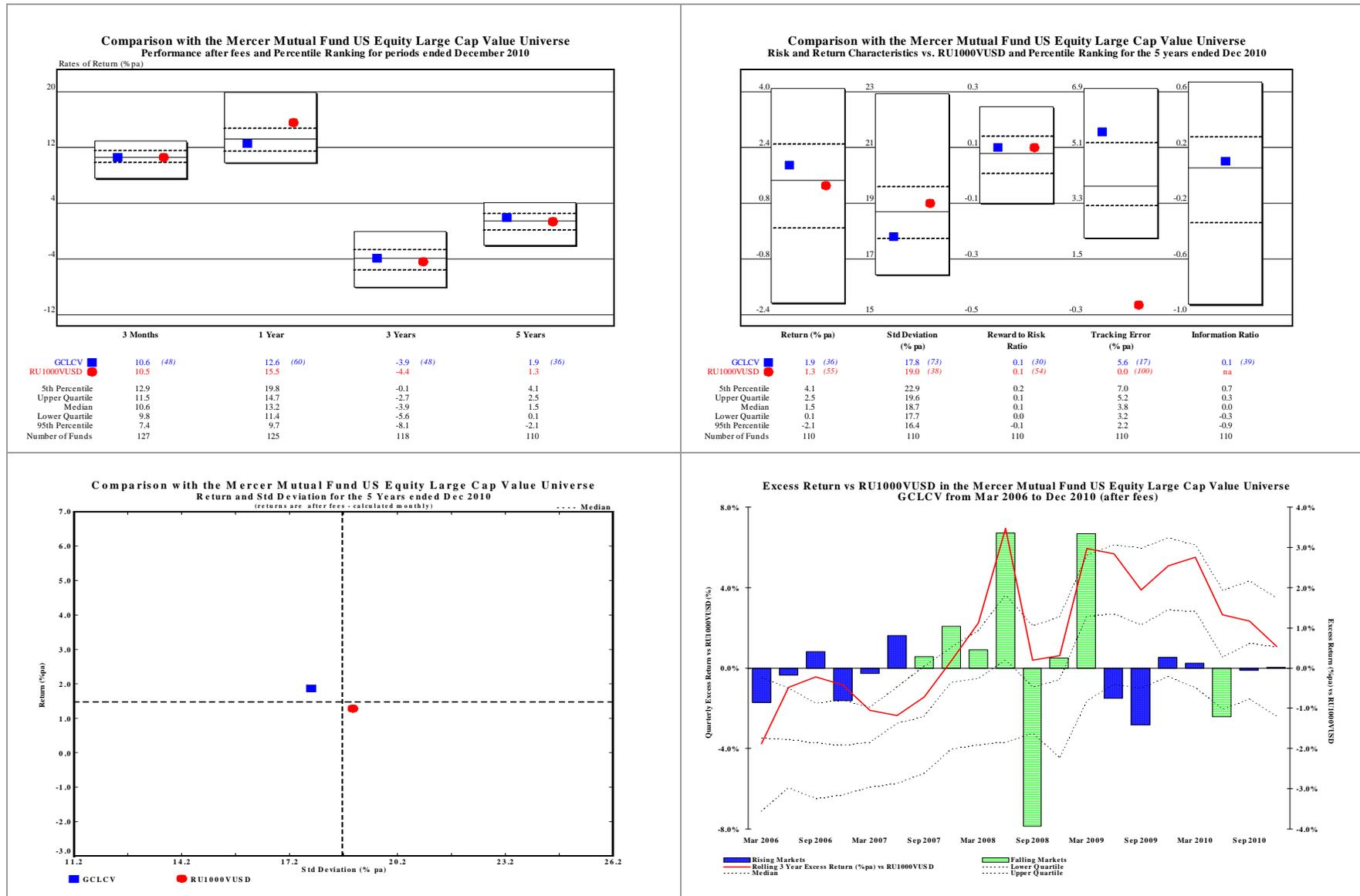
Fund Profile

Domestic Equity - Goldman Sachs Large Cap Value Fund Institutional

Share Class: Institutional		Benchmark: Russell 1000 Value																																																							
Investment Philosophy																																																									
<p>The Large Cap Value Fund invests primarily in large-capitalization U.S. equity investments and is subject to market risk so that the value of the securities in which it invests may go up or down in response to the prospects of individual companies, particular industry sectors and/or general economic conditions. The Fund may invest in fixed income securities, foreign securities and may participate in the Initial Public Offering (IPO) market.</p>																																																									
Portfolio Analysis & Key Observations		Style Analysis																																																							
<ul style="list-style-type: none"> ▪ The Goldman Sachs Large Cap Value Fund gained 10.6% and modestly outperformed its index by 10 basis points. ▪ An underweight allocation to the health care and utilities sectors benefited results. Stock selection in the consumer discretionary and materials sectors added value for the quarter. ▪ Stock selection in the telecommunications and consumer staples sectors detracted value for the quarter. An underweight to the energy sector also weighed on performance. ▪ The fund outperformed the Russell 1000 Value for the three- and five-year periods and placed in the top half of its peer group. 		<p>5 Year Period - Rolling 3 Years ending Dec 31, 2010</p> <table border="1"> <caption>Estimated Data for Style Analysis Chart</caption> <thead> <tr> <th>Period</th> <th>Russell 1000 Value (%)</th> <th>Russell 1000 Growth (%)</th> <th>Russell 2000 Value (%)</th> <th>Russell 2000 Growth (%)</th> </tr> </thead> <tbody> <tr> <td>Mar-06</td> <td>70</td> <td>25</td> <td>2</td> <td>3</td> </tr> <tr> <td>Sep-06</td> <td>82</td> <td>15</td> <td>2</td> <td>2</td> </tr> <tr> <td>Mar-07</td> <td>78</td> <td>18</td> <td>2</td> <td>2</td> </tr> <tr> <td>Sep-07</td> <td>72</td> <td>22</td> <td>2</td> <td>2</td> </tr> <tr> <td>Mar-08</td> <td>75</td> <td>20</td> <td>2</td> <td>3</td> </tr> <tr> <td>Sep-08</td> <td>35</td> <td>60</td> <td>2</td> <td>3</td> </tr> <tr> <td>Mar-09</td> <td>38</td> <td>58</td> <td>2</td> <td>2</td> </tr> <tr> <td>Sep-09</td> <td>35</td> <td>58</td> <td>2</td> <td>2</td> </tr> <tr> <td>Mar-10</td> <td>38</td> <td>58</td> <td>2</td> <td>2</td> </tr> <tr> <td>Sep-10</td> <td>35</td> <td>58</td> <td>2</td> <td>2</td> </tr> </tbody> </table>	Period	Russell 1000 Value (%)	Russell 1000 Growth (%)	Russell 2000 Value (%)	Russell 2000 Growth (%)	Mar-06	70	25	2	3	Sep-06	82	15	2	2	Mar-07	78	18	2	2	Sep-07	72	22	2	2	Mar-08	75	20	2	3	Sep-08	35	60	2	3	Mar-09	38	58	2	2	Sep-09	35	58	2	2	Mar-10	38	58	2	2	Sep-10	35	58	2	2
Period	Russell 1000 Value (%)	Russell 1000 Growth (%)	Russell 2000 Value (%)	Russell 2000 Growth (%)																																																					
Mar-06	70	25	2	3																																																					
Sep-06	82	15	2	2																																																					
Mar-07	78	18	2	2																																																					
Sep-07	72	22	2	2																																																					
Mar-08	75	20	2	3																																																					
Sep-08	35	60	2	3																																																					
Mar-09	38	58	2	2																																																					
Sep-09	35	58	2	2																																																					
Mar-10	38	58	2	2																																																					
Sep-10	35	58	2	2																																																					
Key Facts and Figures																																																									
Portfolio Manager: Eileen Rominger; Andrew Braun; Sean Gallagher	Total Fund Assets: \$2,662 Million Total Share Class Assets: \$1,769 Million	Expense Ratio (Net): 0.77% Mercer Median Expense Ratio (Net): 0.80%																																																							

Fund Profile

Domestic Equity - Goldman Sachs Large Cap Value Fund Institutional



Fund Profile

International Equity - Passive - Vanguard Total International Stock Index Fund Inv

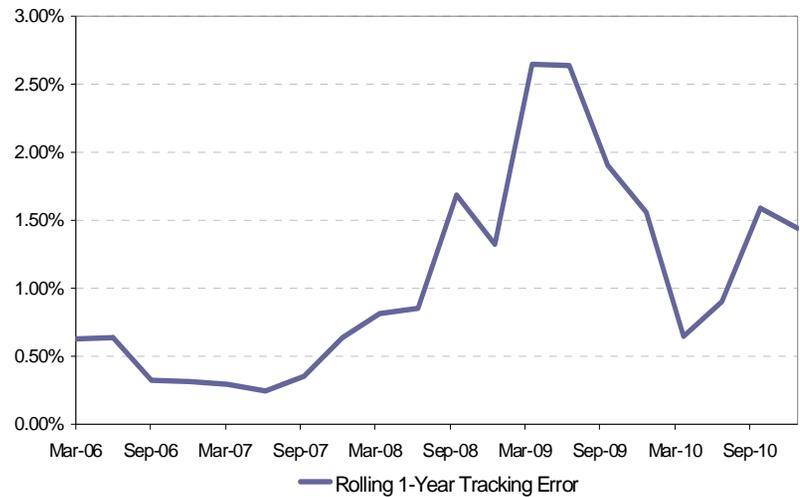
Share Class: Inv	Benchmark: Vanguard Total International Composite Index
-------------------------	--

Investment Philosophy

The Vanguard Total International Stock Index Fund attempts to provide investment results that parallel the performance of the Total International Composite Index, consisting of the MSCI EAFE Index and the Select Emerging Markets Index.

Tracking Error

5 Year Period - Vanguard Total International Stock Index Fund Inv vs. Vanguard Total Int...



Key Facts and Figures

Portfolio Manager: Michael Perre	Total Fund Assets: \$45,191 Million Total Share Class Assets: \$45,191 Million	Expense Ratio (Net): 0.32% Mercer Median Expense Ratio (Net): 0.48%
----------------------------------	---	--

Investment Expense Analysis

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Net Expense Ratio	Median Net Expense Ratio*	Net Expense Diff.	Rebate Amount ¹
Vanguard Prime Money Market	Money Market	\$6,066,703	\$0	NA	NA	NA	NA
GW 36 Month CD	Stable Value	\$447,801	\$0	NA	NA	NA	NA
GW 60 Month CD	Stable Value	\$422,099	\$0	NA	NA	NA	NA
GW 84 Month CD	Stable Value	\$2,987,402	\$0	NA	NA	NA	NA
GW Daily Interest Guarantee	Stable Value	\$324,863	\$0	NA	NA	NA	NA
Maryland Investment Contract Pool	Stable Value	\$747,100,424	\$0	NA	NA	NA	NA
PIMCO Total Return Instl	US Fixed	\$131,463,650	\$604,733	0.46%	0.57%	-0.11%	NA
Nationwide Fixed Annuity	US Fixed	\$85,508,241	\$0	NA	NA	NA	NA
Fidelity Puritan	Balanced	\$203,053,841	\$1,238,628	0.61%	0.91%	-0.30%	0.25%
T. Rowe Price Retirement Income	Lifecycle	\$5,484,172	\$32,357	0.59%	0.85%	-0.26%	0.15%
T. Rowe Price Retirement 2005	Lifecycle	\$6,717,798	\$40,979	0.61%	0.69%	-0.08%	0.15%
T. Rowe Price Retirement 2010	Lifecycle	\$19,616,928	\$125,548	0.64%	0.69%	-0.05%	0.15%
T. Rowe Price Retirement 2015	Lifecycle	\$36,274,214	\$246,665	0.68%	0.75%	-0.07%	0.15%
T. Rowe Price Retirement 2020	Lifecycle	\$47,974,725	\$340,621	0.71%	0.76%	-0.05%	0.15%
T. Rowe Price Retirement 2025	Lifecycle	\$32,666,825	\$241,735	0.74%	0.74%	0.00%	0.15%
T. Rowe Price Retirement 2030	Lifecycle	\$25,884,641	\$196,723	0.76%	0.80%	-0.04%	0.15%
T. Rowe Price Retirement 2035	Lifecycle	\$14,610,801	\$112,503	0.77%	0.78%	-0.01%	0.15%
T. Rowe Price Retirement 2040	Lifecycle	\$11,193,159	\$86,187	0.77%	0.83%	-0.06%	0.15%
T. Rowe Price Retirement 2045	Lifecycle	\$5,113,529	\$39,374	0.77%	0.80%	-0.03%	0.15%
T. Rowe Price Retirement 2050	Lifecycle	\$2,277,018	\$17,533	0.77%	0.85%	-0.08%	0.15%
T. Rowe Price Retirement 2055	Lifecycle	\$997,003	\$7,677	0.77%	0.85%	-0.08%	0.15%
Vanguard Institutional Index Instl Pl	US Large Cap Equity	\$291,462,799	\$87,439	0.03%	0.21%	-0.18%	NA
Neuberger Berman Partners Inst	US Large Cap Equity	\$106,780,702	\$747,465	0.70%	0.82%	-0.12%	0.10%

Investment Expense Analysis

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Net Expense Ratio	Median Net Expense Ratio*	Net Expense Diff.	Rebate Amount ¹
Parnassus Equity Income Inst	US Large Cap Equity	\$415,307	\$3,239	0.78%	0.82%	-0.04%	0.00%
Goldman Sachs Large Cap Value Inst	US Large Cap Equity	\$128,727,371	\$991,201	0.77%	0.80%	-0.03%	0.15%
Vanguard Value Index	US Large Cap Equity	\$6,487,048	\$5,190	0.08%	0.21%	-0.13%	NA
American Funds Growth Fund of Amer R6	US Large Cap Equity	\$105,052,948	\$357,180	0.34%	0.90%	-0.56%	0.00%
Vanguard Mid-Cap Index	US Mid Cap Equity	\$115,421,245	\$92,337	0.08%	0.30%	-0.22%	0.30%
T. Rowe Price Mid-Cap Value	US Mid Cap Equity	\$43,572,053	\$366,005	0.84%	0.96%	-0.12%	0.10%
MSIM Inst Mid Cap Growth Portfolio I	US Mid Cap Equity	\$28,267,120	\$206,350	0.73%	0.98%	-0.25%	NA
T. Rowe Price Small-Cap Stock	US Small Cap Equity	\$98,172,388	\$932,638	0.95%	1.06%	-0.11%	0.10%
Vanguard Small Cap Value Index Instl	US Small Cap Equity	\$8,216,536	\$6,573	0.08%	0.30%	-0.22%	NA
Vanguard Small Cap Growth Index Instl	US Small Cap Equity	\$35,624,049	\$28,499	0.08%	0.30%	-0.22%	NA
American Funds EuroPacific Gr R6	International Equity	\$134,380,809	\$698,780	0.52%	1.07%	-0.55%	0.00%
Vanguard Total Intl Stock Index	International Equity	\$12,621,568	\$40,389	0.32%	0.48%	-0.16%	NA
Loan Unpaid Principal	Other	\$24,060,449	\$0	NA	NA	NA	NA
Total		\$2,525,448,231	\$7,894,548	0.48%		-0.31%	

MERCER

Consulting. Outsourcing. Investments.



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Exhibit C-1

November 2010

Biennial Investment Option Review

Maryland Teachers and State Employees Supplemental Retirement Plans

Jeffrey Boucek, CFA

Kelly Henson

Andrew Ness



Table of Contents

- Observations from Customized Survey
 - Introduction
 - Number of Investment Options
 - Investment Option Prevalence
 - Investment Advice
- Investment Options for Consideration
 - Addition to the Core Options
 - Self Directed Brokerage Option
 - Other Design Considerations
- Stable Value
 - Overview
 - Current Fund
 - Best Practices
- Appendix
 - Complete Survey

Biennial Investment Option Review

Observations from Customized Survey

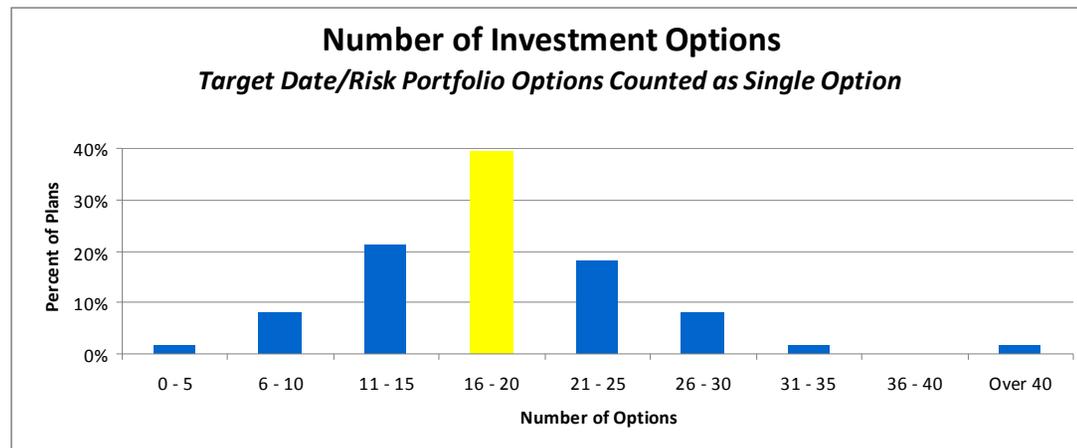
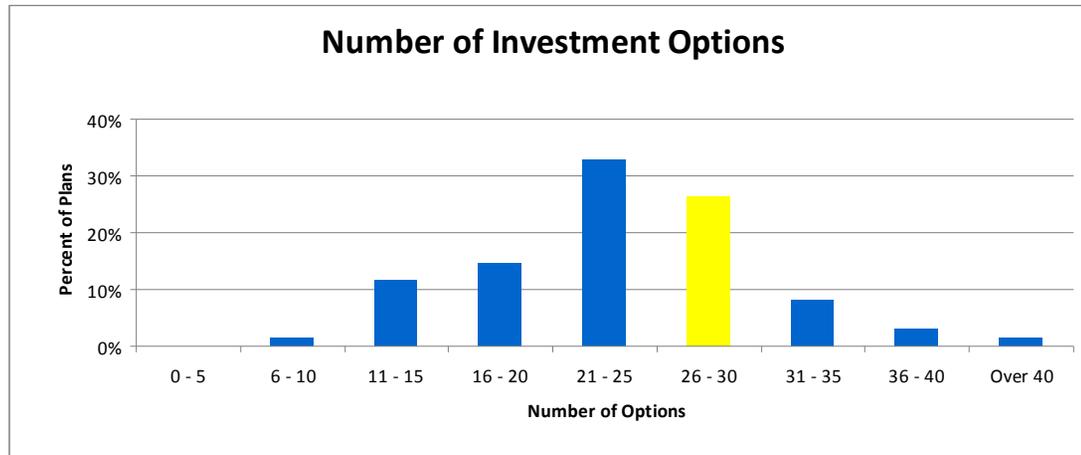
MSRP Biennial Investment Option Review

Observations from Customized Survey - Introduction

- The purpose of the biennial review is to consider the approved investment options and identify investment types that may be considered for addition or removal. The review is intended to facilitate a strategic discussion of the types of investments that should be offered in the Plans.
- Mercer contracted with Financial Integrity Resources Management, LLC to conduct a customized survey of state sponsored 457 programs from all 50 states.
- Supplemental data was collected by Mercer to produce the Investment Option Survey found in the Appendix of this report.

MSRP Biennial Investment Option Review

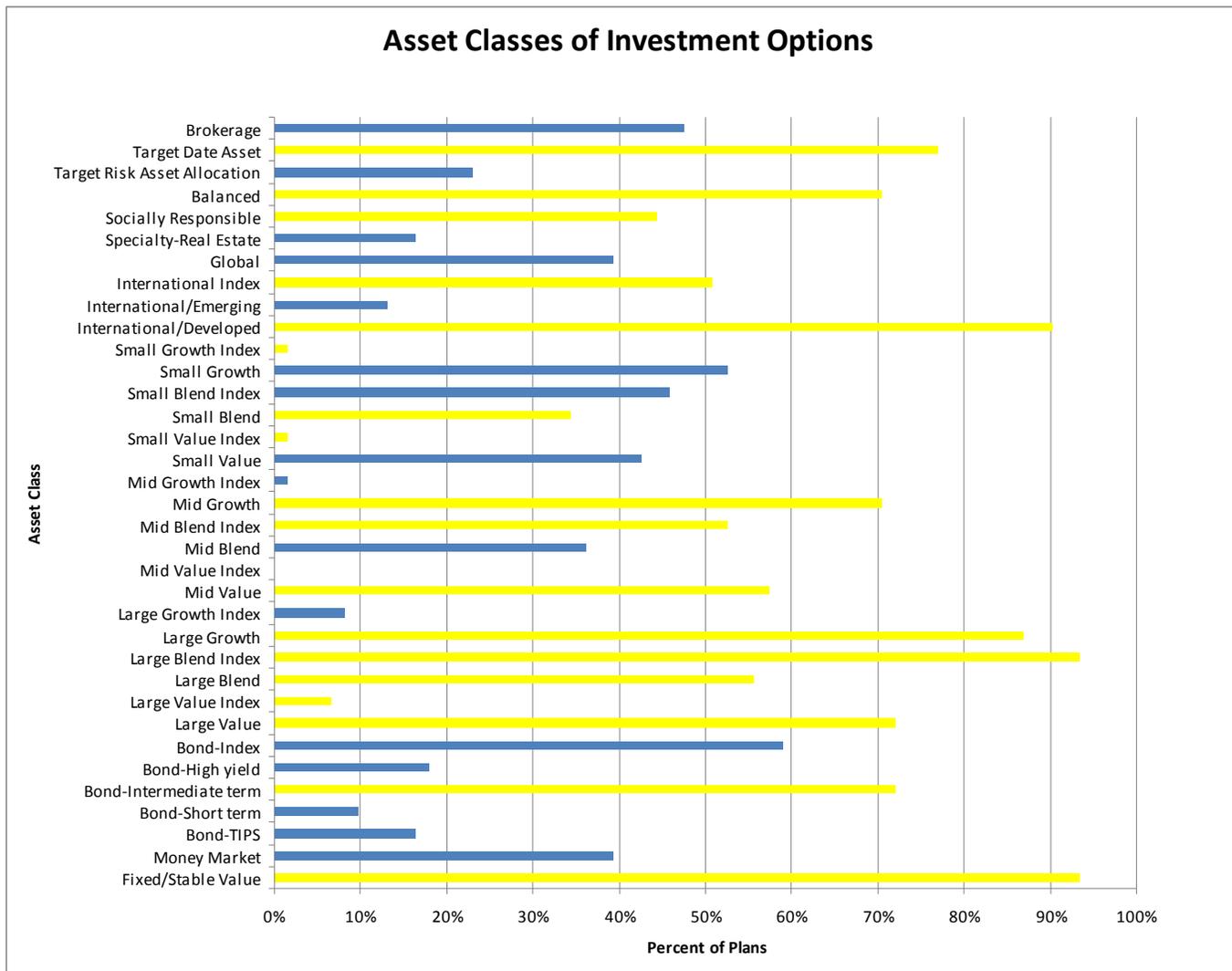
Observations from Customized Survey – Number of Investment Options



MSRP options highlighted in yellow

MSRP Biennial Investment Option Review

Observations from Customized Survey – Investment Option Prevalence

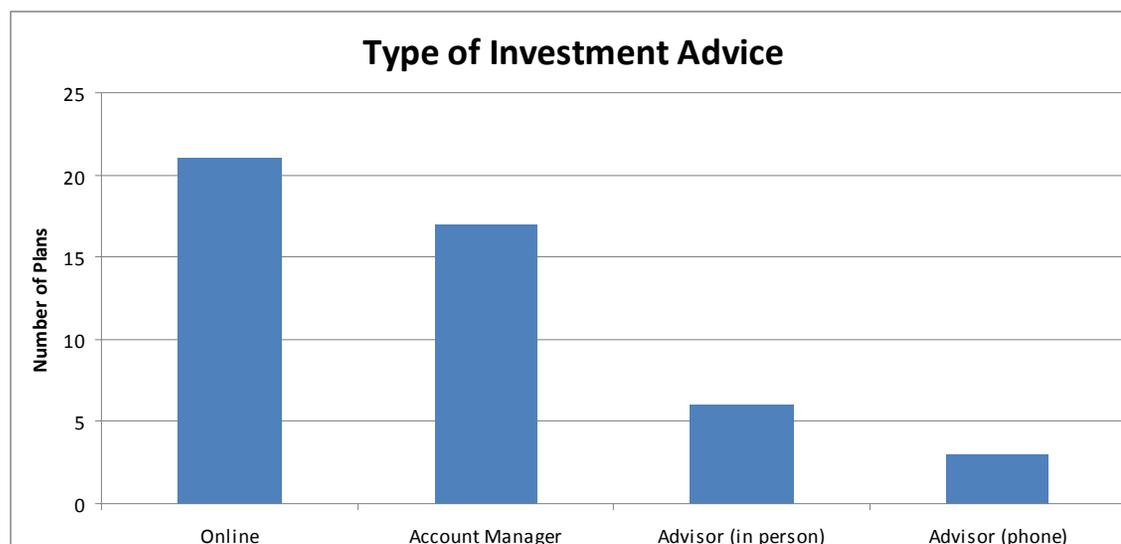


MSRP options highlighted in yellow

MSRP Biennial Investment Option Review

Observations from Customized Survey – Investment Advice

- 22 out of 50 states had at least one recordkeeper that made investment advice services available to participants



Online: Online advisor provides fund recommendations based on personal data

Account Manager: Outside account manager manages 457 account

Advisor (in person): Advisor available in person to discuss recommendations on investment options

Advisor (phone): Advisor available through phone to discuss recommendations on investment options

MSRP Biennial Investment Option Review

Observations from Customized Survey – Conclusions

- MSRP offers a reasonable number of investment options
- If MSRP wishes to consider investment advice services, the next appropriate step may be to discuss capabilities with Nationwide
- The MSRP investment option array is broadly diversified with only a couple areas where additions to the plan should be considered
 - Bond Index
 - Brokerage Window
- The remainder of this study will review the areas identified above in more detail



Biennial Investment Option Review

Investment Categories for Consideration

MSRP Biennial Investment Option Review

Investment Categories for Consideration

- Consider adding options to complement a four tier investment structure:

Tier One – Asset Allocation Funds	
Target Date Portfolios	

Tier Two – Core Option Array (Passively Managed)						
Bond	Large Core	Large Value	Mid Core	Small Value	Small Growth	International

Tier Three – Core Option Array (Actively Managed)					
Stable Value	Bond	Balanced	Large Core	Large Value	Large Growth
Mid Value	Mid Growth	Small Core	International	Socially Responsible	

Tier Four – Self Directed Window	
Mutual Fund Window or Full Brokerage Window	

New options for consideration highlighted in yellow

MSRP Biennial Investment Option Review

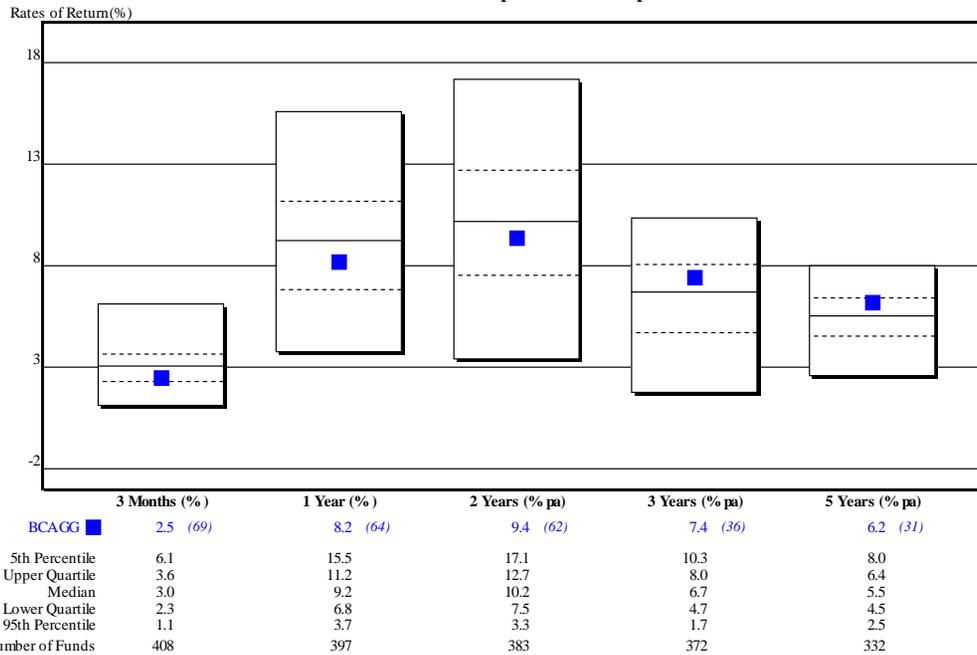
Additions to the Core Options - Passive

- MSRP has added a number of passive funds to complement the active funds that are offered under the Plans
- Mercer recommends that the Board consider rounding out the list of passive funds to allow participants to achieve a fully passive portfolio that can be customized to their unique asset allocation needs
- One passive fund should be added to complete the suite of passive options
 - US investment grade bond fund replicating the Barclays Capital Aggregate Bond Index
- As a low cost provider and current manager of the five passive funds in the plan, Vanguard should be considered as the manager for the passive fund suite

MSRP Biennial Investment Option Review

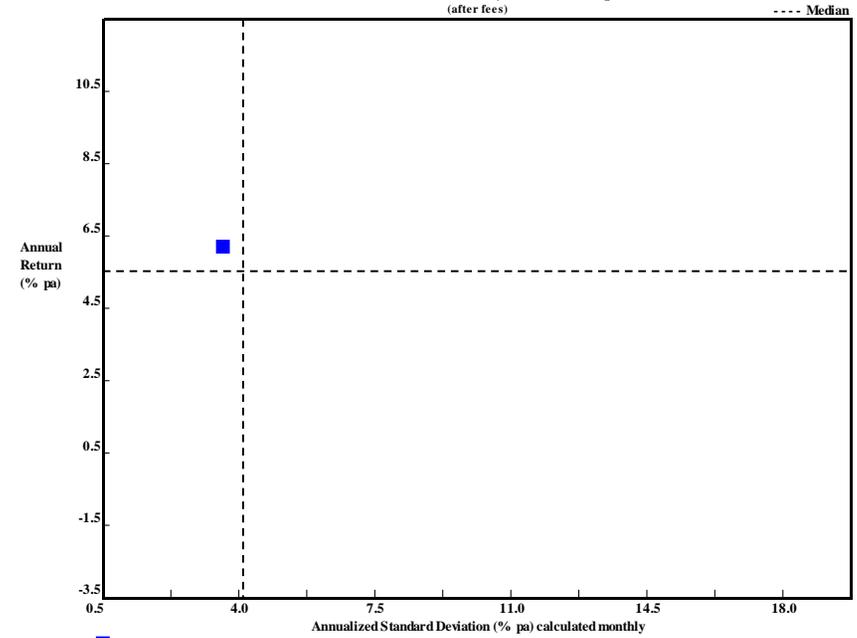
Additions to the Core Options - Passive

Barclays Capital Aggregate Bond Index
 Comparison with the Mercer Mutual Fund US Fixed Core Universe
 Performance after fees for periods ended September 2010



Created on 25 Oct 2010. Data Source: Lipper, Inc.

Barclays Capital Aggregate Bond Index
 Comparison with the Mercer Mutual Fund US Fixed Core Universe
 Annualized Risk and Return for 5 years ended September 2010
 (after fees)



Created on 25 Oct 2010. Data Source: Lipper, Inc.

MSRP Biennial Investment Option Review

Investment Advice

Education vs. Advice vs. Managed Accounts

Investment Education

Participant can access general information on investments and guidance for asset allocation, which may include assistance with calculating savings requirements.

Investment Advice

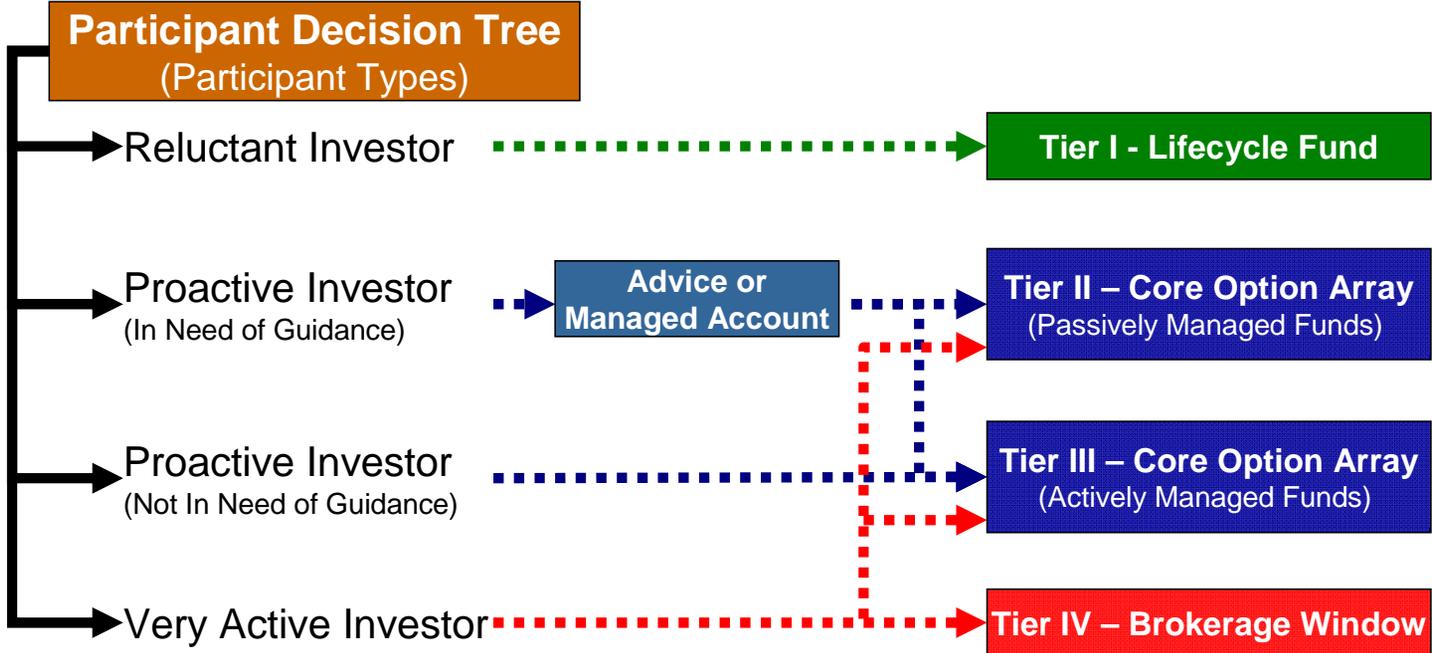
Participant requests and receives specific investment selection advice; typically, a one-time event. The participant is responsible for keeping the advice current, i.e., continually initiating requests for advice and implementing changes.

Managed Accounts

Participant engages plan sponsor selected investment advisor to implement the advice provided; the advisor rebalances or re-optimizes the participant's account regularly.

MSRP Biennial Investment Option Review

Investment Advice



	Investment Education	Lifecycle Fund	Advice	Managed Account
Advantages	<ul style="list-style-type: none"> Core service No incremental cost 	<ul style="list-style-type: none"> Allocation for target retirement date Automatic rebalancing No incremental cost 	<ul style="list-style-type: none"> Allocation for target retirement date Can customize for outside assets 	<ul style="list-style-type: none"> Allocation for target retirement date Can customize for outside assets Automatic rebalancing
Disadvantages	<ul style="list-style-type: none"> Least tailored 	<ul style="list-style-type: none"> Basic tailoring 	<ul style="list-style-type: none"> Additional cost No rebalancing 	<ul style="list-style-type: none"> Additional cost (greater than advice)

MSRP Biennial Investment Option Review

Addition of Tier Four – Self Directed Brokerage Option

- Mercer experience with plans offering Self Directed Brokerage Options (SDBO) include the following characteristics
 - Even though stocks and other investments are generally made available at the request of participants, participation in the SDBO typically remains low
 - Among plans with SDBO options, many plans previously offering only mutual funds moved on to add securities
 - Because there is more risk and volatility with stocks and other options, some participants will likely experience significant losses
 - Based on appropriate disclosures, experience is that participants generally do not fault the plan for their losses
 - Among participants using SDBO, experience is that approximately half will utilize stocks and other securities

MSRP Biennial Investment Option Review

Addition of Tier Four – Self Directed Brokerage Option

- If MSRP is interested in offering a SDBO, implementation would include:
 - Determine what options will be made available (mutual funds only or open to stock and bonds, etc.)
 - Scope out the offering (fees, investment limitations, impact with stable value wrap providers, etc.)
 - Contract with SDBO provider (Nationwide partners with Schwab)
 - System updates for SDBO connectivity
 - Develop a communications strategy
 - Announce enhancements on website
 - Include in quarterly newsletter
 - Training for service center and field representatives
 - Implementation timeline

MSRP Biennial Investment Option Review

Other Design Considerations

- Roth 457 - The Small Business Jobs Act of 2010, which passed the Senate and House, and was signed into law by President Obama on September 27th, contains two provisions affecting Roth accounts within retirement plans:
 - The Act adds governmental section 457(b) eligible deferred compensation plans to the definition of “applicable retirement plans” that can offer a qualified Roth contribution program beginning in 2011. Prior to the passage, Roth elective deferral accounts were only available in 401(k) and 403(b) plans
 - The Act allows pre-tax amounts that are otherwise eligible for distribution from a 401(k), 403(b) or governmental 457(b) plan to be converted to Roth accounts within the plan

MSRP Biennial Investment Option Review

Other Design Considerations

- Investment vehicle types – 457 plans in CA, NC, OR, PA, UT, VA and WA, as well as the City of New York and County of Los Angeles utilize custom branded investment portfolios

Vehicle	Pros	Cons
Mutual Fund	<ul style="list-style-type: none"> Provides diversification for options with small asset bases Fund or family may have name recognition with participants Prospectus and fund information provided by manager Easy to administer Many participants are familiar with mutual funds as investment vehicles 	<ul style="list-style-type: none"> Highest expenses, although many funds now have lower cost institutional funds or shares Generally weaker net-of-fees performance Plan sponsor has no control over fund policies or practices Hold cash for unpredictable redemptions: long-term drag on return Difficult to drop a popular fund from plan
Commingled Fund	<ul style="list-style-type: none"> Lowest cost vehicle for options with less than \$50 million and comparable fees to separate accounts for larger asset bases Include custody costs Provide diversification for options with small asset bases 	<ul style="list-style-type: none"> Offerings are more limited than mutual funds or separate accounts Plan sponsor has no control over fund policies or practices
Separate Account	<ul style="list-style-type: none"> Plan sponsor has control over investment policies and practices Low management fees Forces greater fee transparencies 	<ul style="list-style-type: none"> Most difficult and expensive to administer for trustee Requires paying custody cost separately and as such may increase the cost of managing the Plan Requires more coordination between trustee, manager, and recordkeeper in a daily valuation environment Need for customized disclosure materials such as fund fact sheets

Biennial Investment Option Review

Stable Value

MSRP – Stable Value Overview

What is Stable Value?

- Stable Value – Investment in which contractual terms provide for a guaranteed return of principal at a specified rate of interest
 - Fixed Annuities
 - Traditional Guaranteed Investment Contracts (GICs)
 - Synthetic Guaranteed Investment Contracts (GICs)
- Key feature of stable value investments is accounting treatment
 - Contract Value or Book Value – hold asset at cost plus accrued interest adjusted for contributions or withdrawals; eliminate market value fluctuation
- Stable Value Investments offer the following benefits to investors:
 - The liquidity and stability of money market investments with higher yields
 - Higher yields achieved by investing in securities with longer durations
 - Lower the return volatility due to smoothing of price fluctuations in the underlying bond portfolio
 - Provide access to an investment option that is not readily available outside of a defined contribution plan
 - Plan participants can transfer into and out of stable value products on a daily basis at book value
- Stable Value is typically found to be one of the most popular investment options
 - Based on Mercer’s 457 Plan Survey recently completed, 93% of these plans offer a stable value fund while 39% offer a money market fund

MSRP – Stable Value Overview

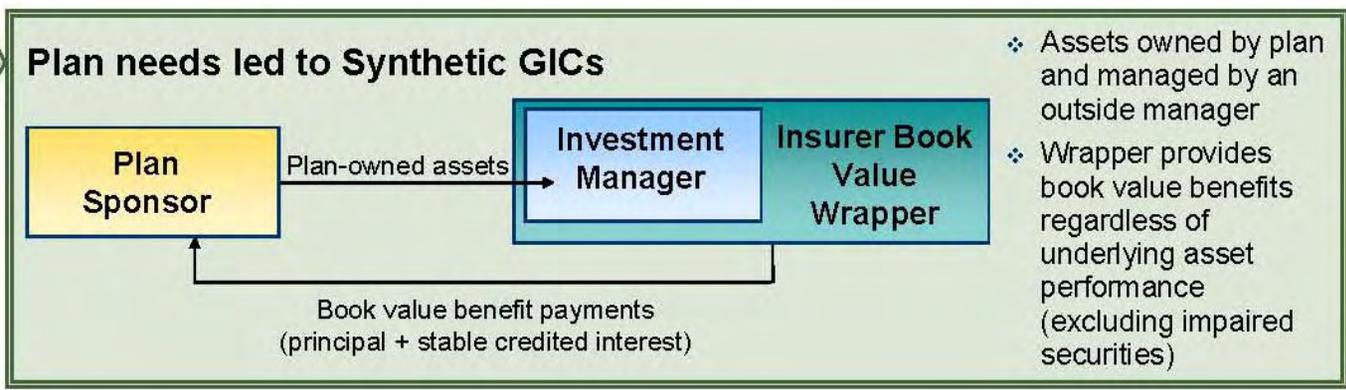
Evolution of Stable Value



General Account stands behind the Stable Value Fund; supported by the underlying investment strategy of the insurance company's general account



Separate Account Stable Value products may act like a General Account product while receiving the benefit of Separate Account insulation. Use fixed income strategies similar to those found in a Synthetic GIC



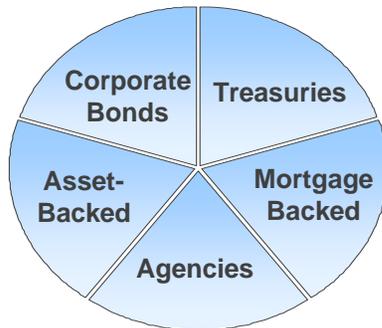
Synthetic Stable Value products separate the investment component from the wrap agreement leading to additional diversification and flexibility

Source: Galliard, AEGON

MSRP – Stable Value Overview

Synthetic GIC Stable Value Investment

Fixed-Income Portfolio Investment Component



- Fixed income portfolio can be run by one or multiple different investment managers
- Fund crediting rate is a direct result of underlying fixed income performance
- Fixed income guidelines can vary by manager and can be customized in a separate account to be conservative or more aggressive
- The fixed income portfolio is generally structured along the yield curve with allocations to short term, intermediate term and core fixed income to meet cash flow needs

Wrap Agreement(s) Contractual Component



- Wrap Agreements are provided by a number of different insurance companies or banks
- These agreements provide book value liquidity defined as invested principal plus accumulated earnings
- The wrap providers define the interest rate crediting process
- The wrap agreements also provide a guarantee of principal defined as a crediting rate never less than 0%

Synthetic GIC Stable Value

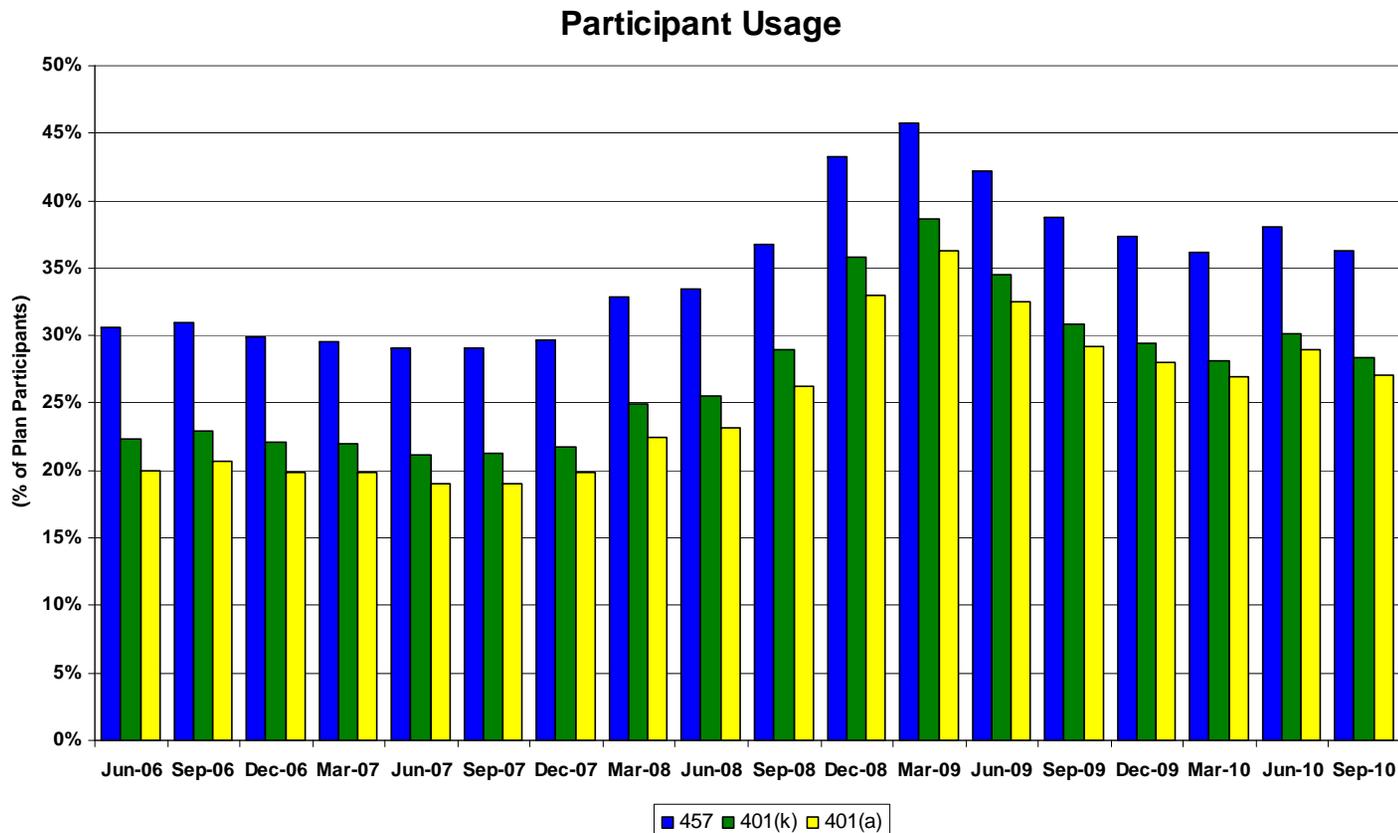


- Plan Sponsor owns the assets backing their investment
- Stated fees are charged to participants
- Fund owns underlying assets and purchases an insurance policy ("wrap")
- Fund earns return on invested assets

MSRP – Stable Value Overview

Current Stable Value Fund

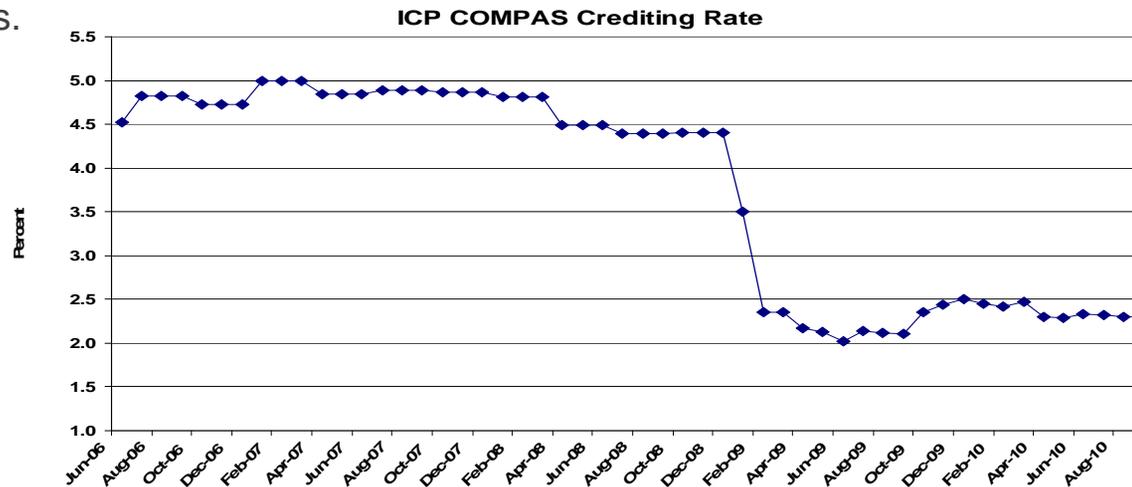
- MSRP currently offers a Stable Value Fund to plan participants
 - Managed by Deutsche Bank, although they do not manage any underlying assets
 - Diversified by 7 wrap providers
 - Invested in a diversified fixed income portfolio
 - Most popular investment option (held approximately \$749 million of plan assets at 9/30/2010)



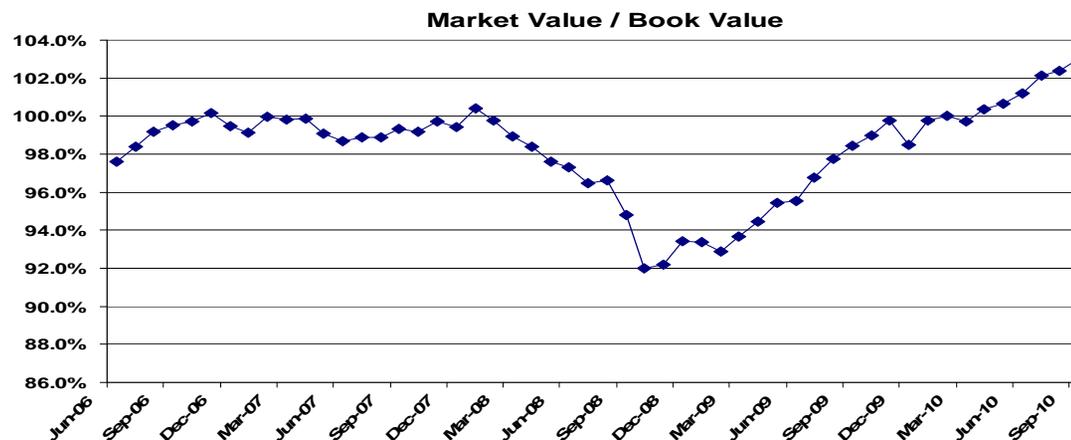
MSRP – Stable Value Overview

Current Stable Value Fund

- The crediting rate for the stable value fund has ranged between 5.0 - 2.0% over the past 3 years. The annualized third quarter 2010 crediting rate is 2.30%. The rate did drop significantly in early 2009 due to underlying fixed income performance in 2008 but still offers a premium to alternative investments.



- The fund's market value/book value ratio has typically been above 98% and never dipped below 92%

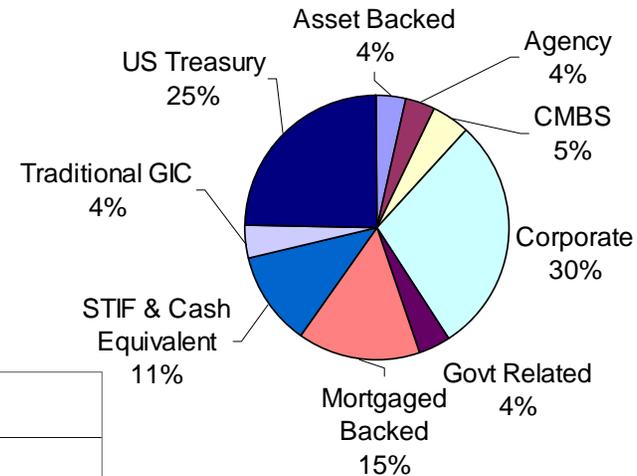


MSRP – Stable Value Overview

Current Stable Value Fund

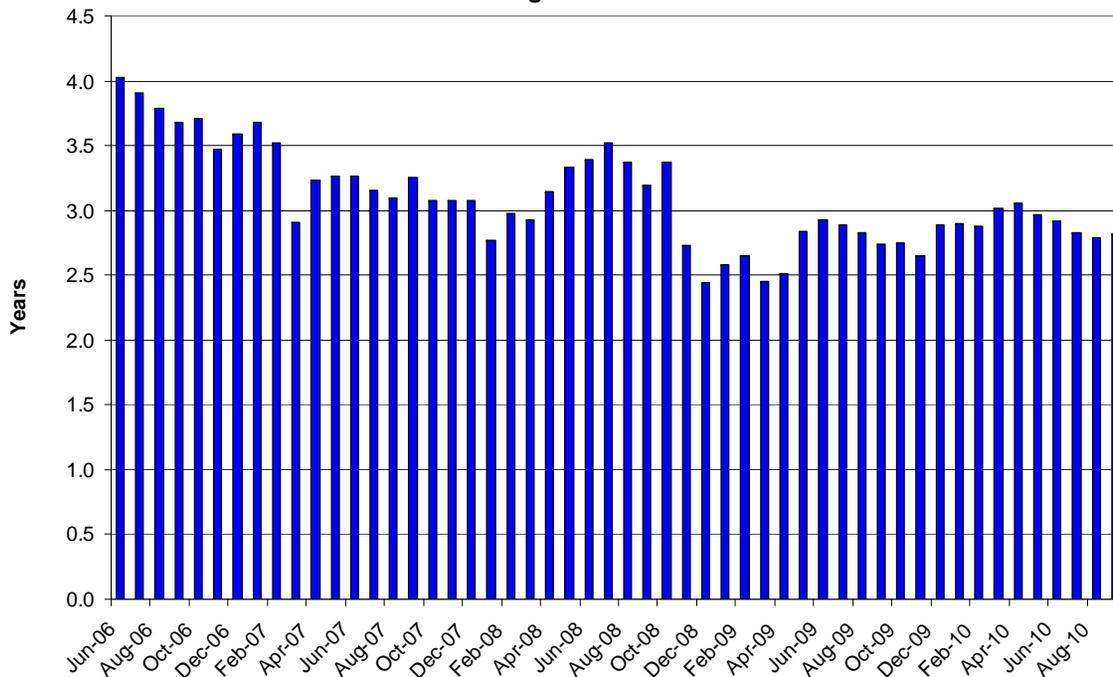
- Since June 2006 the funds duration has remained below 4 years and trending shorter.
 - As of the end of the third quarter the portfolio's duration was 2.8 years

Sector Allocation



- The portfolio is diversified across all fixed income sectors
 - As of the end of the third quarter 11% of the assets were invested in STIF or cash and equivalent securities for fund liquidity

Average Duration

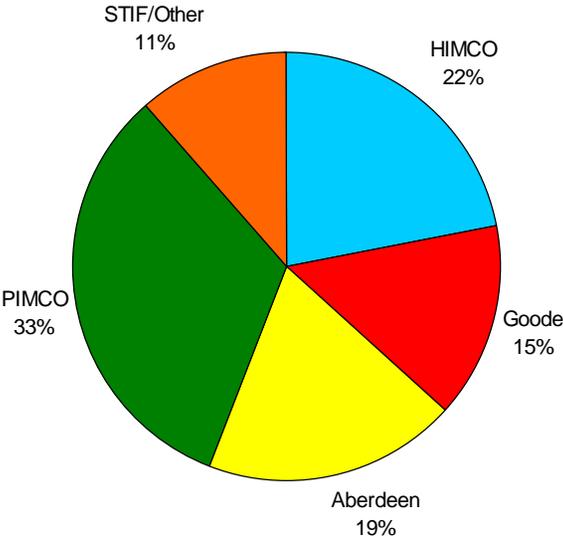


MSRP – Stable Value Overview

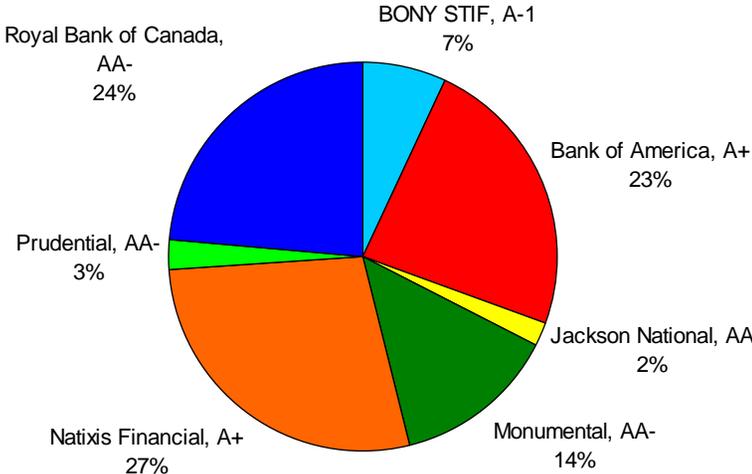
Current Stable Value Fund

- The portfolio has 4 underlying investment managers and a cash position

Investment Manager Allocation



Wrapper Allocation



Ratings information from S&P

- The portfolio has 7 wrap providers
 - As of the end of the third quarter all of these providers had an A rating or better

Stable Value Best Practices

- Organization & Experience
 - Examine the firm’s commitment to the stable value business
 - Size of assets, depth of staff, specialization in different areas, internal fixed income management capabilities or depth of knowledge and scale in external managers
- Stable value fund structure
 - Separate/commingled accounts preferred over general accounts: Eliminate liquidity risks and reduce credit/default risks. General account assets are subject to the claims of general creditors, whereas separate account assets are not. Moreover, if the insurer becomes insolvent, the claims of policyholders have seniority over those of the general creditors. (Traditional GICs are considered policyholders and will have seniority over holders in the general account).
 - Advantage of diversification of underlying investment managers (multi-manager framework) as well as multiple providers of the wrap agreements
 - Better yields (crediting rate) with separate accounts than with commingled funds
- Investment Performance
 - Performance should be considered; however, different stable value products are difficult to compare given the different risks the products undertake. For example, different cash flow streams, durations, credit quality of fixed income securities, sector bias, etc. However, more conservative investment guidelines recently imposed by wrap providers should lead to lower dispersion in performance
- Fees
 - Fees evaluated on a total cost basis, reflecting fees paid to manager and recordkeeper (revenue sharing), and wrap fees



Stable Value

Current Environment

- Mercer still believes stable value is the right option for participants as the low risk option within a DC plan.
 - Participants can not access stable value outside of the plan
- While wrap capacity is limited currently, we believe more providers will come to market over time.
- Fees have gone up over the last couple of years but we think the premium of stable value over money market out ways the increase in fees. We also believe that over time these fees will come down.
- Mercer has not seen a trend of Plan Sponsors abandoning stable value but some have decided to make a change.
- Mercer recommends MSRP proceed with issuing an RFP for a stable value provider.
 - Mercer also recommends MSRP consider allowing the stable value manager to invest a portion of the assets. This lowers the over all fees and may increase the number of bidders.



Appendix

Complete Survey

Appendix Glossary

Book Value -amortized cost of the securities owned by a SVF fund, plus cash, plus accrued interest less the investment management fee

Cash Buffer – cash allocation in a SVF

Duration and Average Maturity – a time measure of a bond’s interest rate sensitivity, based on the weighted average of the time periods over which a bond’s cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond’s price. A bond’s duration will typically be shorter than its maturity, with the exception of zero coupon bonds as maturity and duration are equal.

Equity Wash – may be applicable when there are competing fixed options, i.e., SVF monies are “washed” in an equity fund or a bond fund with an average maturity of three years or more for 90 days, typically, before participants may direct SVF monies to a competing fixed option.

Fund Custodian - company holding the assets, may establish the share price or valuation.

Fund Manager - investment manager can be an individual (supported by portfolio analysts) or a team management structure.

GICs – Guaranteed Investment Contracts (traditional GICS); also

Synthetic GICS which are wrap contracts issued by banks and insurance companies; allow for book value withdrawals for qualifying participant activity.

Management Expense – fee to manage the fund; is transparent with a separate account or pooled fund.

Market Value - closing market price for each security in a SVF.

Market Value Adjustment (MVA) – an interest rate adjustment formula that can cause actual crediting rates to increase or decrease in response to market conditions (a provision generally found in general account products).

Source: NAGDCA, NAGDACAST, Stable Value Fund Selection and Monitoring By: Julie Klassen, ChFC, REBC, Regional Director, Market Development and Kent Morris, CFP, Vice President, Great-West Retirement Service

Appendix

Glossary

“Put” Option – Typically, a 12 month notification provision is utilized in pooled or commingled stable value fund products to protect the remaining investors in the fund as well as the wrap issuer's. A put provision seeks to benefit from any positive impact of withdrawals and to minimize any negative impact. Any gains from the sale of the underlying bonds in a falling rate environment remain in the fund. Conversely, any losses from the sale of underlying bonds in a rising rate environment, i.e., when interest rates rise above the yield on the fund and the market value of the underlying bonds fall below the book value of the fund, the remaining investors absorb the loss to the fund via a slight reduction in the fund's yield. As such, the pooled funds require 12 months notice that the plan wants to withdraw from the fund. The fund then has up to 12 months to pay out the funds or the fund can pay anytime sooner. During this period the plan continues to earn the return on the fund without penalty and participants are still able to transfer and withdraw their balances daily at book value.

Quality Distribution – set by rating agencies of underlying securities consistent with the Investment Guidelines.

Revenue sharing or Administrative Reimbursement Revenue – determined by the fund, the Plan Sponsor and/or the TPA.

Sector and Duration Distribution - portfolio can be comprised of government securities (GNMA, FNMA, FHLMC, etc.), United States Treasury Securities including Treasury Bills, Notes, Bonds, and Strips, United States Agency securities, Mortgage Backed Securities (MBS), Collateralized Mortgage Obligations (CMOs), Asset Backed Securities (ABS), Guaranteed Interest Contracts (GICs), bank instruments or FDIC options, corporate securities and cash. Emerging market debt and junk bonds are not typically permitted in SVFs in the Government Market.

Trading Agreements - a recordkeeping agreement.

Valuation Frequency - forward rate setting or unitization (like a money market fund).

Weighted Average Quality - typically AAA or AA in Government Markets.

Wrapper or Book Value Liquidity Guarantees – a guarantee of book value payments at the participant level.

Source: NAGDCA, NAGDCAST, Stable Value Fund Selection and Monitoring By: Julie Klassen, ChFC, REBC, Regional Director, Market Development and Kent Morris, CFP, Vice President, Great-West Retirement Service



Appendix

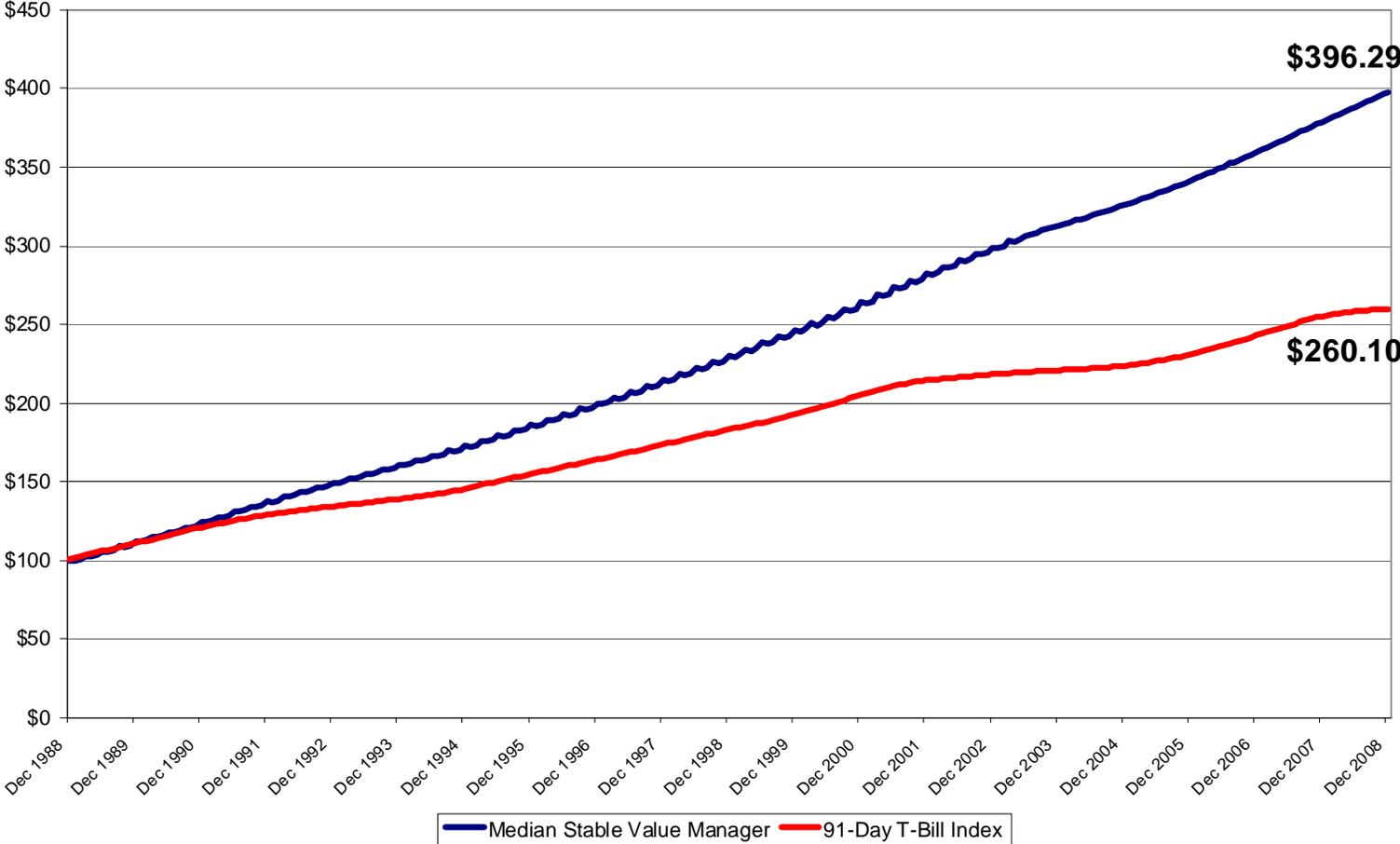
Money Market

- A mutual fund that invests in low-risk securities
- Can invest in numerous securities, for example
 - U.S. Treasuries, Agency debt, Commercial Paper, CDs, Repos
- Attempt to keep NAV at a constant \$1.00 per share – only the yield goes up and down.
 - A money market’s per share NAV may fall below \$1.00 if the underlying investments perform poorly. While investor losses in money markets have been rare, they are possible. This is sometimes referred to as “breaking the buck”
- Factors that would likely contribute to a money market fund “breaking the buck”:
 - If enough of the assets in the underlying investment pool declined in value or became worthless
 - A rush on redemptions by investors.
- Treasury’s Temporary Guarantee Program for Money Market Funds
 - Provides coverage to shareholders for amounts that they held in participating money market funds as of the close of business on September 19, 2008
- Money Markets have experienced significant cash in-flows over the past year; particularly treasury funds (many of which have closed to new money)

Appendix

Stable Value vs. Money Market

Growth of \$100 Over 20 Years



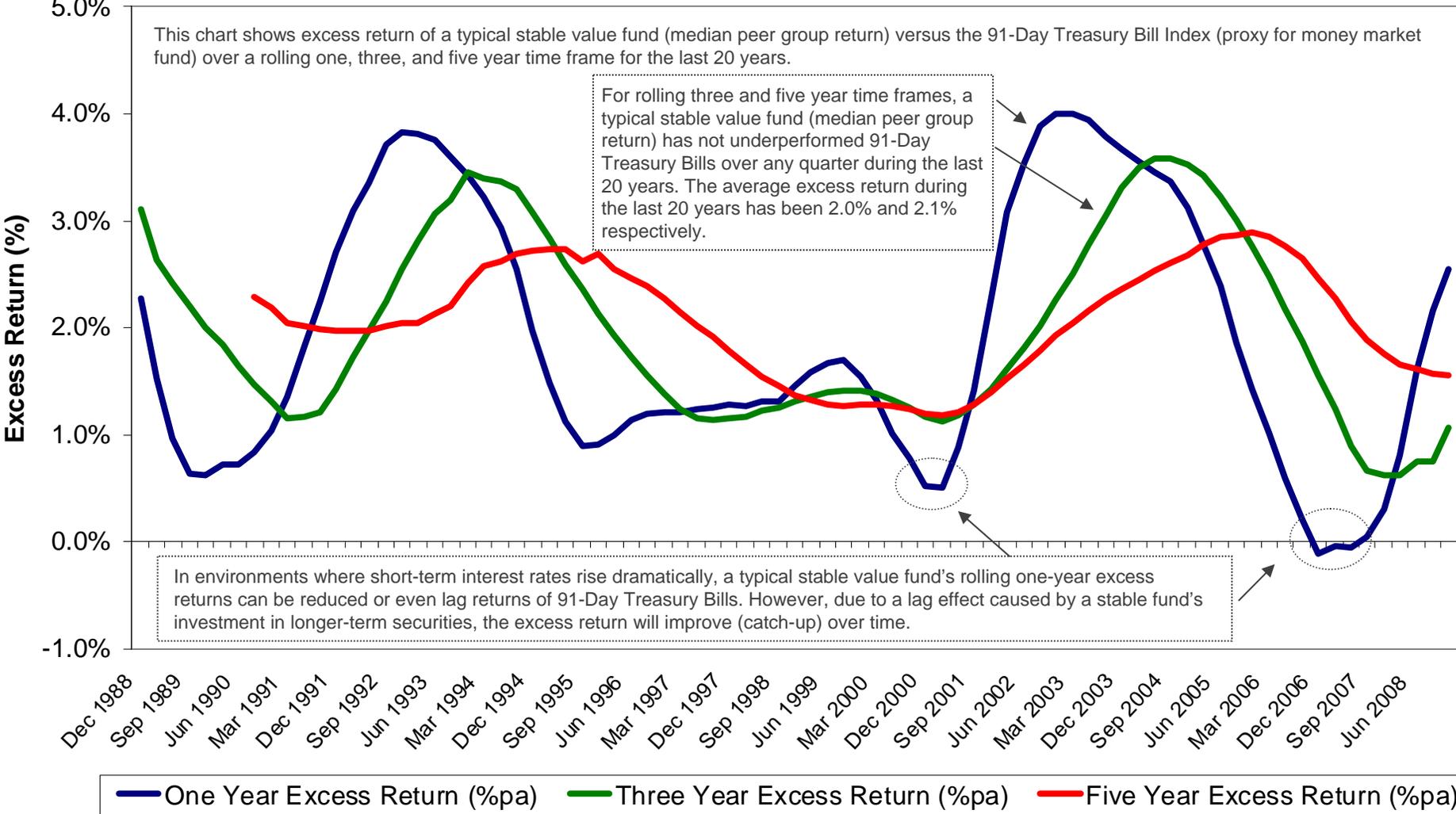
The chart to the left depicts the growth of a \$100 investment made from 12/1/1988 through 12/31/2008 (last 20 years).

A participant who invested in a typical stable value fund (achieved the median return from this peer group) would have earned \$136.19 in excess wealth compared to a participant that invested in 91-Day Treasury Bills (proxy for a money market fund).

Note: Returns and wealth accumulation are shown gross of any investment management fees.

Appendix Stable Value vs. Money Market

Excess Return: Median Stable Value Manager vs. 91-Day Treasury Bill Index





Appendix

Stable Value vs. Money Market

- Pros

- Typically provides a 100 to 150 basis point yield premium, over time, relative to money market funds.
- Provides participant liquidity at book value.
- Potentially increases the return on the Plan's low risk investment fund.
- Provides access to an investment product that is not readily available to Plan participants outside of a defined contribution plan.

- Cons

- Increased complexity in terms of portfolio structure relative to a money market fund.
- Fund may lag interest rate movement, especially in a rapidly rising short-term rate environment.
- Restrictions on transfers to money market.
- Exposure to market value fluctuation, if nonperformance by contractual guarantor; i.e., counterparty risk.

- Recommendation: Mercer recommends stable value over a money market. Stable value funds remain a sound investment option for defined contribution plans based on the yield advantage relative to money market funds, with a similar liquidity structure and conservative investment philosophy.

October, 2010

Investment Option Survey State-Sponsored 457 Plans

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

About This Survey

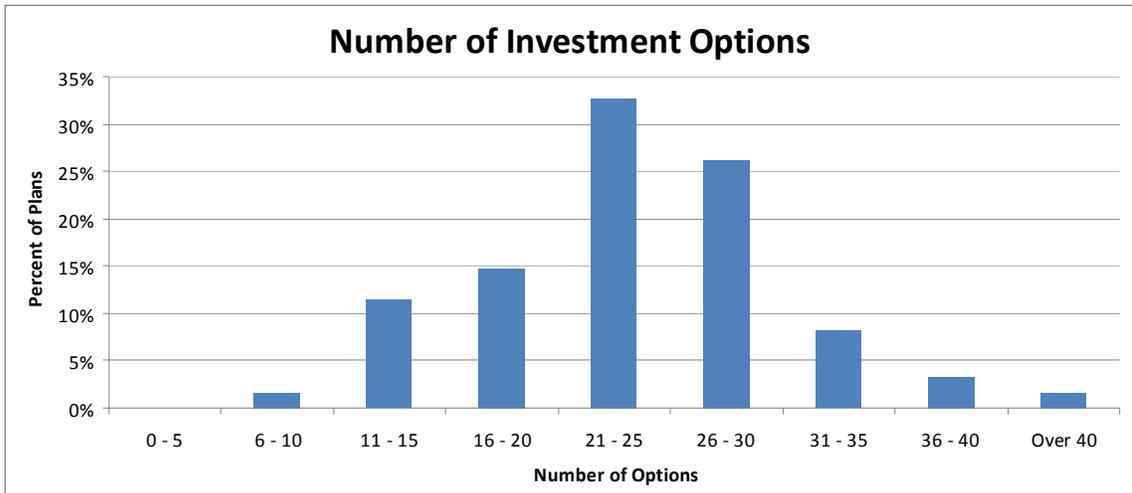
Statistics and data included in this survey were gathered from the websites of State-Sponsored 457 Programs. A significant portion of data was collected by Financial Integrity Resources Management, LLC and additional data was also collected by Mercer.

The data included in this survey was gathered in August, 2010. While Mercer believes the information in this document to be accurate, the data has not been verified by the plan sponsors. In addition, plan information may have changed since being gathered.

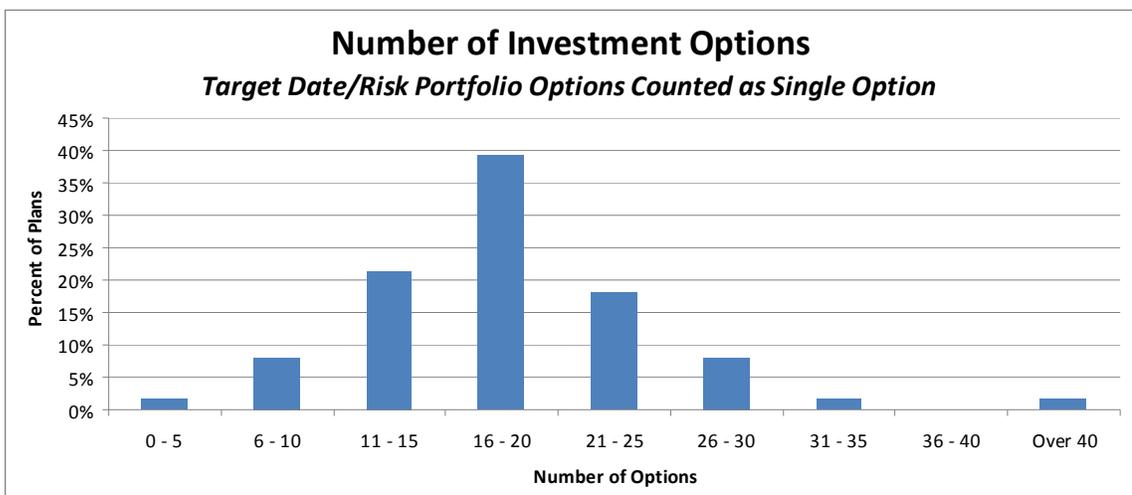
Number of Investment Options

When considering the number of investment options to offer, plan sponsors often weigh the benefits of providing a diverse investment line-up against the potential for overwhelming participants with too many investment alternatives.

The chart below demonstrates that 74% of State plans provide between 16 and 30 investment options, with only 13% having more than 30 options.

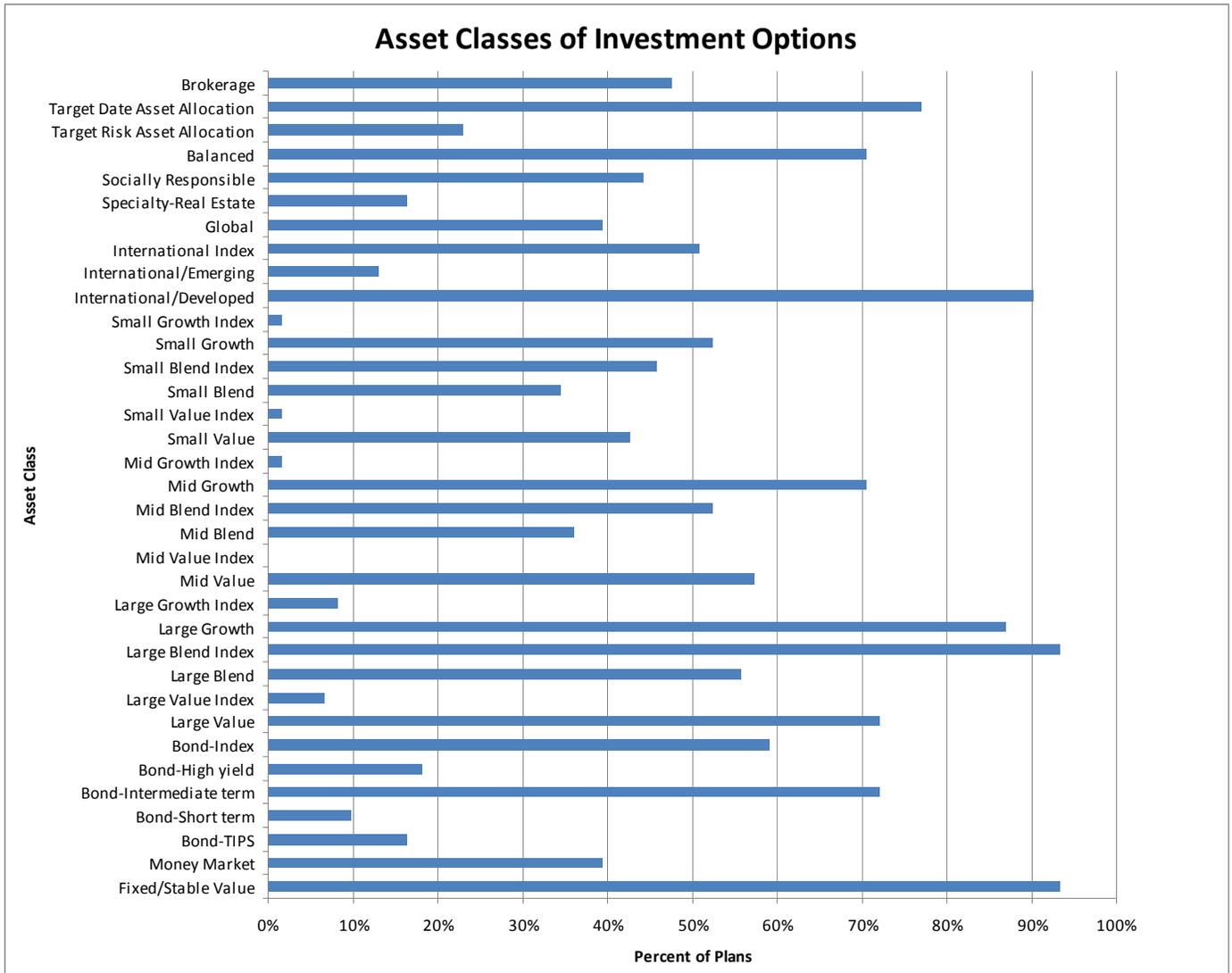


When counting the number of investment options, many plans consider target date (or target risk) portfolios as a single option, even though they may include 10 or more funds. If target date or target risk portfolios are counted as a single option, the chart below demonstrates that 79% of State plans provide between 11 and 25 investment options, with only 12% having more than 25 options.



Types of Investment Options

Most 457 plans offer participants access to funds that invest in US equity, bond, and international investments. The chart below indicates the prevalence of more specific fund categories among State 457 programs:



The four most prevalent investment option categories were:

- Large cap growth
- Large cap blend index
- International/developed
- Fixed/stable value

Investment Advice

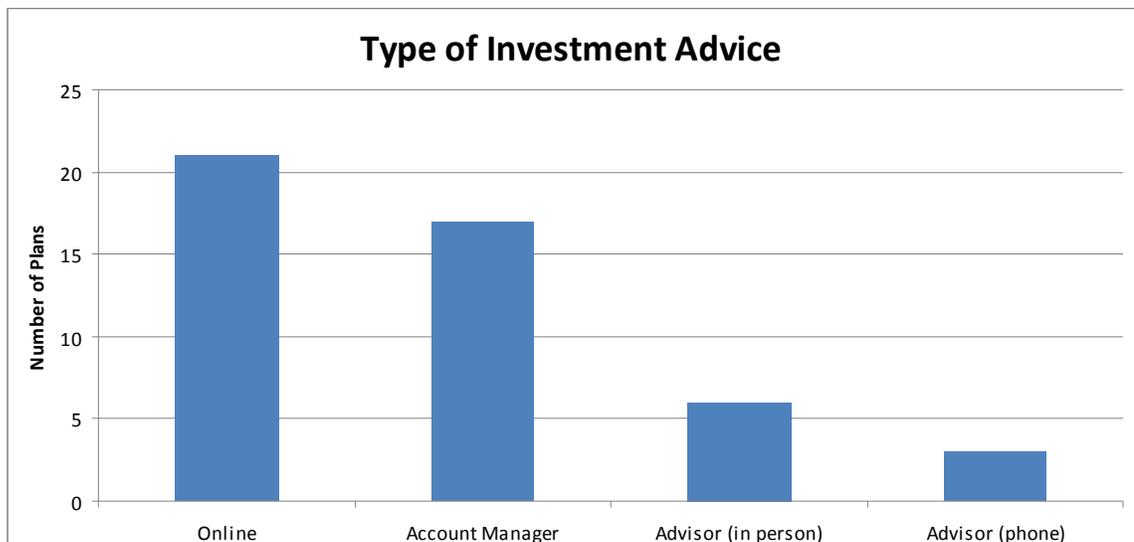
Investment advice has grown in popularity among defined contribution plans. Data collected reflects that 22 out of 50 States had at least one recordkeeper that made investment advice services available to participants. As part of the data collection process, the method of delivery for advice was recorded as well, using the following advice delivery methods:

Online: Online advisor provides fund recommendations based on personal data

Account Manager: Outside account manager manages 457 account

Advisor (in person): Advisor available in person to discuss recommendations on investment options

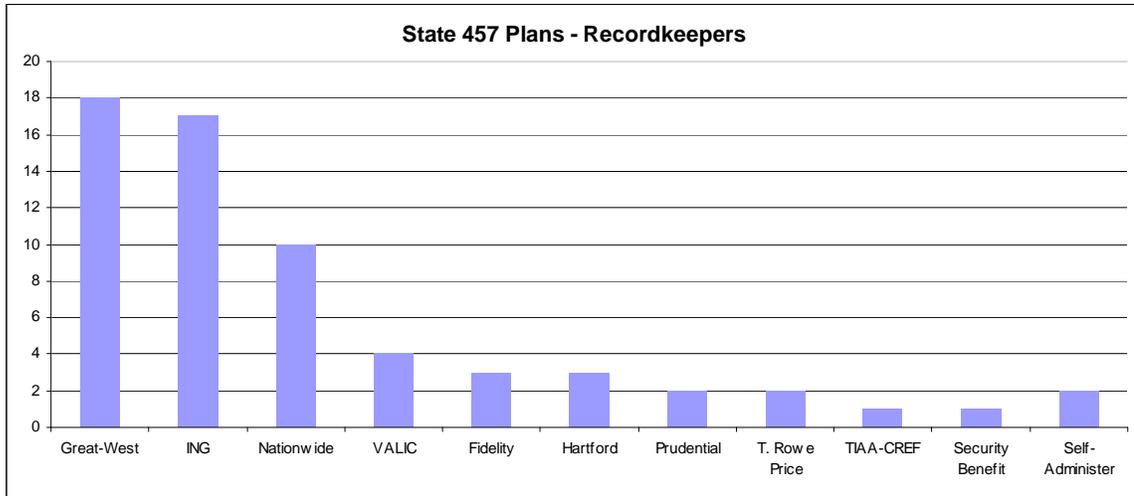
Advisor (phone): Advisor available through phone to discuss recommendations on investment options



While the most common delivery method for advice is online, some companies provide access to advisors in person and over the phone. Account management is also commonly offered in addition to advice services.

Recordkeeping Companies

Recordkeeping services for State 457 plans continue to be dominated by Great-West, ING, and Nationwide.



Single vs. Multiple Recordkeepers

45 out of 50 State 457 programs have a single recordkeeper for the 457 plan. Five States use multiple recordkeeping companies, allowing employees to choose the company with which they wish to invest:

Florida: Great-West, Nationwide, ING, T. Rowe Price, VALIC

Iowa: Hartford, ING, Security Benefit, TIAA-CREF, VALIC

Nevada: Hartford, ING

Maine: Hartford, ING, VALIC

Rhode Island: Fidelity, ING, VALIC

Market Trends

A similar survey was conducted in 2008. The following trends are observed when considering information gathered in 2008 versus 2010.

Number of investment options increased slightly – the average number of investment options per plan increased from 17 in 2008 to 18 in 2010 (when counting target-date/target-risk options as a single fund).

Number of plans with target-date funds increased – in 2008 there were 30 state-sponsored plans offering target date funds and in 2010 that number increased to 39 plans. Plans adding target-date funds include Alabama, Alaska, Arizona, Florida, Missouri, Nebraska, New Hampshire, Oklahoma, and Rhode Island.

Recordkeeping for State 457 Plans Continues to be Dominated by Three Companies – Great-West, ING, and Nationwide combined provide recordkeeping services for 43 State 457 plans. In 2008 ING provided recordkeeping for the most plans with 18, but in 2010 Great-West had the most State 457 plans with 18. New contracts for Great-West in the last two years include Alabama, New Hampshire, Texas and Washington.