



MSRP

MUTUAL FUND SAVINGS PROGRAM

*Helping to make the
Maryland Supplemental Retirement Plans
affordable and more productive for all State employees.*

The Board of Trustees for the Maryland Supplemental Retirement Plans, through successful negotiations, has developed an original and effective Mutual Fund Savings Program for their supplemental retirement plan participants. The program is designed to reimburse participants for part of the fund's annual operating expenses. This benefit of the Maryland Supplemental Retirement Plans is not typically offered by other retirement savings programs.

At the Board's direction, all available reimbursements—we call them **mutual fund savings**—are used to buy additional shares in the applicable funds upon receipt. These shares are then distributed proportionally to participants' accounts. In calendar year 2014, six mutual funds and all of the target date retirement funds in the MSRP returned over \$1.9 million back to participant accounts. All other investment options in the MSRP are already in "institutional-priced" share classes which deliver the highest earnings per share available. Over \$30 million have been returned to MSRP participants since 1995, when the Mutual Fund Savings Program began. MSRP participants can look for their reimbursements on the front page of their account statement under the heading "Mutual Fund Savings".

The Mutual Fund Savings Program is part of the continuous effort by the Board of Trustees to make the Maryland Supplemental Retirement Plans affordable and viable for all Maryland State Employees.



Maryland Teachers & State Employees Supplemental Retirement Plans

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FREQUENTLY ASKED QUESTIONS

Who pays reimbursements?

Reimbursements are paid by the sponsors and distributors of the mutual funds used in this and similar programs -- T. Rowe Price, Fidelity, etc.

Why do they pay them?

Reimbursements are paid when a service provider, like Nationwide, performs administrative details that would otherwise be done by the fund sponsor. This normally includes, at a minimum, preparation of a statement, distribution of a prospectus, and general service to the investor.

Who gets them?

Mutual funds do not pay reimbursements to individual investors. They do pay reimbursements (or similar allowances) to Trustees, brokers and plan administrators. Those persons then decide whether to keep the reimbursements or distribute them.

Who gets reimbursements in the Maryland Plans for State employees?

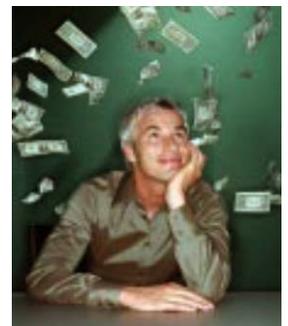
You do. The Board restricts its administrator from retaining reimbursements from any fund, so that the administrator will have no incentive to favor one fund over another. When the Board began its reimbursement program, it decided that the refunds should be passed through directly to investors in the particular fund that pays the reimbursement. The calculation and distribution is done any time there are reimbursements available for distribution. The precise amount shows up on your statement under the heading "***Mutual Fund Savings.***"

How much are they?

Reimbursements are a good example of how small percentages can add up to big dollars. Since 1995 over \$30 million has been collected from mutual funds and redistributed to participants. The precise amount varies from fund-to-fund; there is no standard reimbursement amount, and the precise refund is negotiated by the Board and the mutual fund. A typical reimbursement may be between 10 and 20 basis points a year (0.1% to 0.2%). For example, if you have \$50,000 in a mutual fund that pays a 10 basis point reimbursement, your savings would be about \$50 a year. Not all funds pay reimbursements; if you want to know the reimbursement for a particular fund, please refer to the chart on the back of this publication.

How do reimbursements affect investment decisions?

Reimbursements are best viewed as part of your investment return/investment expense ratio. A participant in the MSRP gets an investment return, and pays his/her share of expenses necessary to earn that return. Reimbursements reduce those expenses. For some funds, reimbursements pay most of the administration expense for Nationwide and the Board; other options (ex.: American Funds, Vanguard Funds, Investment Contract Pool) do not pay reimbursements but have very low expense ratios. Standard financial planning advice looks at both elements—expected return and investment expense—in choosing one investment option over another. This is particularly true if you are estimating total expenses, or comparing expenses inside the plan to expenses for a different retirement option, such as an IRA account.



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