Maryland Supplemental Retirement Plans

FINANCIAL SECTION

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Report of Independent Public Accountants

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

We have audited the accompanying financial statements of net assets available for plan benefits of the State of Maryland Teachers and State Employees Supplemental Retirement Plan (MSRP) as of December 31, 2008 and 2007 and the related statements of changes in net assets available for plan benefits for the years then ended, These financial statements are the responsibility of MSRP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of MSRP as of December 31, 2008 and 2007 and the changes in net assets available for plan benefits 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. The introductory section, combining statements, investment section, statistical section, and other supplementary information section, as listed in the table of contents, are presented for purposes 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.

SB's Company, LLC

Hunt Valley, Maryland
July 28 2009

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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 Plan (MSRP) financial condition as of December 31, 2008 and 2007, 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 Plan's 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 State Teachers and State Employees Supplemental Retirement Plans (collectively, "the Plan") 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. 39) 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 Plan from participant contributions and investment earnings. They also show the deductions from the Plan for administrative expense and distribution 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 decreased by $598.3 million during the year ended December 31, 2008 from $2.5 billion as of December 31, 2007 to $1.9 billion as of December 31, 2008. Net assets available for plan benefits increased from $2.3 billion as of December 31, 2006 to $2.5 billion as of December 31, 2007. These changes are a result of market conditions (gradual increases in 2007 versus significant decreases in 2008). The diversification of investment options available to participants of the Plan 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.

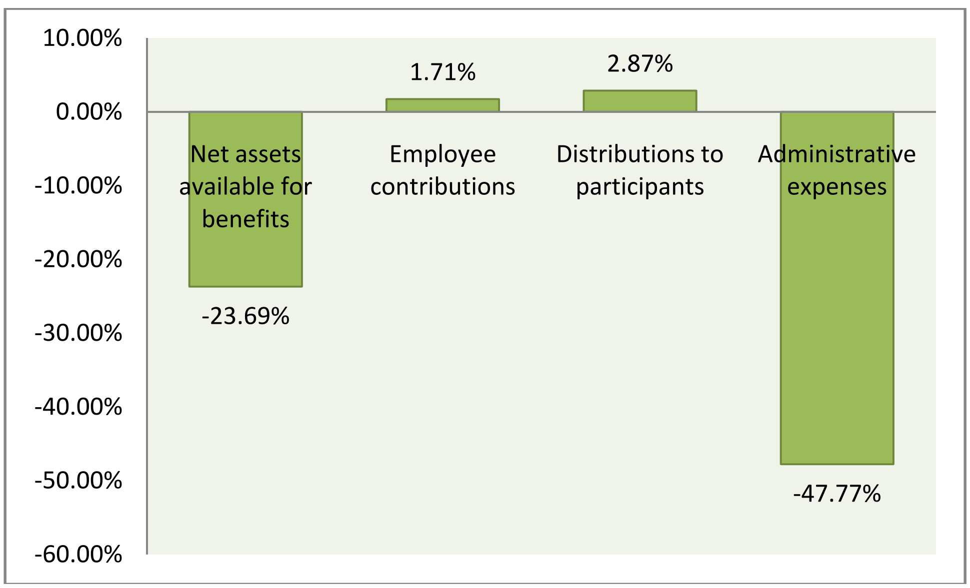
- The Plan had a net investment loss of $615.8 million for the year ended December 31, 2008 and a $124.7 million investment gain as of December 31, 2007. The Plan had net investment gains of $217.7 for the year ended December 31, 2006. The difficult investment markets have contributed to the investment loss for the year ended December 31, 2008.

- Employee contributions increased slightly from $157.2 million for the year ended December 31, 2006 to $164.2 million for the year ended December 31, 2007 to $167.0 million for the year ended December 31, 2008.

- Distributions to participants increased from $142.5 million for the year ended December 31, 2006 to $164.9 million for the year ended December 31, 2007 to $169.6 million for the year ended December 31, 2008. The increase in the year December 31, 2008 occurred despite the downturn in the market as the Plan educated participants to change their individual portfolio makeup to a more stable set of investments. The increase in distributions during the year ended December 31, 2007 may have been the result of increased pension retirement benefits available to state employees.

- Administrative expenses increased from $6.4 million for the year ended December 31, 2006 to $7.0 million for the year ended December 31, 2007 and decreased to $3.6 million for the year ended December 31, 2008. 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. Additionally, the plan entered into a new administrative services agreement with Nationwide Retirement Solutions, Inc., which provided a significantly lower fee - .019% effective January 1, 2008, down from 0.28% for the previous year.

The following chart shows the percentage change from 2007 to 2008 for net assets, employee contributions, distributions to participants and administrative expenses:



The table below gives the net assets available for plan benefits of the Plan as of December 31, 2008, 2007, and 2006:

ASSETS	2008	2007	2006
Investments	$ 1,898,664,551	$ 2,501,745,247	$ 2,363,823,274
Cash surrender value of life insurance contracts	4,087,776	3,590,858	3,690,526
Cash	2,288,377	1,136,148	733,121
Receivables			
Employee Contributions	4,942,669	101,733	97,581
Asset Fees	74,601	104,400	97,144
Loan receivables	17,192,130	18,909,743	16,331,381
Net Assets Available for Plan Benefits	**$ 1,927,250,104**	**$ 2,525,588,129**	**$ 2,384,773,027**

The table below presents the changes in net assets available for plan benefits for the years ended December 31, 2008, 2007 and 2006:

ADDITIONS	**2008**	**2007**	**2006**
Employee contributions	$ 167,049,415	$ 164,233,839	$ 157,201,834
Employer contributions	20,839,626	20,722,388	17,986,400
Mutual fund reimbursements	2,385,355	3,178,679	2,494,464
Change in cash surrender value	521,683	(96,753)	(49,762)
Investment Income:			
Realized and unrealized (losses) gains	(653,279,727)	87,853,034	180,809,084
Interest income	37,477,898	36,884,956	36,976,136
Total additions	(425,005,750)	312,776,143	395,418,156
DEDUCTIONS			
Distributions to participants	169,620,199	164,895,085	142,465,509
Administrative expenses	3,655,978	7,000,105	6,356,481
Life insurance premiums	56,098	65,851	75,497
Total deductions	173,332,275	171,961,041	148,897,487
Net (decrease) increase	(598,338,025)	140,815,102	246,520,669
Net assets available for plan benefits, beginning of year	2,525,588,129	2,384,773,027	2,138,252,358
Net assets available for plan benefits, end of year	$ 1,927,250,104	$ 2,525,588,129	$ 2,384,773,027

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, Chief Financial Officer, Maryland Teachers and State Employees Supplemental Retirement Plans, William Donald Schaefer Tower, Suite 200, 6 Saint Paul Street, Baltimore, Maryland 21202.

Maryland Supplemental Retirement Plans

BASIC FINANCIAL STATEMENTS

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Statements of Net Assets Available for Plan Benefits
As of December 31, 2008 and 2007

	2008	2007
ASSETS		
Investments	**$ 1,898,664,551**	$2,501,745,247
Cash surrender value of life insurance contracts	**4,087,776**	3,590,858
Cash	**2,288,377**	1,136,148
Receivables		
Employee contributions	**4,942,669**	101,733
Asset fees	**74,601**	104,400
Loans receivable	**17,192,130**	18,909,743
Net Assets Available for Plan Benefits	**$ 1,927,250,104**	$2,525,588,129

MARYLAND TEACHERS AND STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS

Statements of Changes in Net Assets Available for Plan Benefits
For the Years Ended December 31, 2008 and 2007

	2008	**2007**
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Employee contributions	**$ 167,049,415**	$ 164,233,839
Employer contributions	**20,839,626**	20,722,388
Mutual fund reimbursements	**2,385,355**	3,178,679
Change in cash surrender value	**521,683**	(96,753)
Investment income:		
Realized and unrealized (losses) gains	**(653,279,727)**	87,853,034
Interest income	**37,477,898**	36,884,956
Total additions	**(425,005,750)**	312,776,143
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Distributions to participants	**169,620,199**	164,895,085
Administrative expenses	**3,655,978**	7,000,105
Life insurance premiums	**56,098**	65,851
Total deductions	**173,332,275**	171,961,041
Net (decrease) increase	**(598,338,025)**	140,815,102
Net assets available for plan benefits, beginning of year	**2,525,588,129**	2,384,773,027
Net Assets Available for Plan Benefits, End of Year	**$ 1,927,250,104**	$ 2,525,588,129

1. 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 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 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). The MSRP has approximately 61,500 participants as of December 31, 2008. MSRP is a fiduciary fund of the State of Maryland.

The State of Maryland (the State) 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 of Trustees (the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2. 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

The 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 or governmental agencies of the State may contribute to the 457 Plan, 401(k) Plan, or the 403(b) Plan through payroll deductions. In accordance with the Internal Revenue Code, the MSRP limits the amount of an individual's annual contributions to an amount not to exceed the lesser of $15,500, or approximately 100% of their annual gross salary (as defined) for the year. Individuals age 50 or over may make an additional "Catch-up" contribution effective for tax years after December 31, 2001. This limit is 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 401(a) Plan provisions, the State contributes to each participant's 401(a) account an amount equal to each participant's contributions to the State's Supplemental Retirement Plans during the same plan year. The State has implemented a statutory ceiling for amounts contributed to the 401(a) Plan for each participant to be $600. A participant may receive more than $600 in matching contributions during the MSRP's fiscal year, but may not exceed the maximum $600 contribution for any State fiscal year. Contributions are credited by the applicable investment selected by the employee/plan participant upon receipt from the State.

2. 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 by the applicable investment carrier 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 contingent on employee contributions to the 457 Plan, the 401(k) Plan, or the 403(b) Plan.

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

- An investment contract pool consists of a money market fund, guarantee investment contracts written by insurance companies and synthetic guaranteed investment contracts written by various insurance companies and other financial institutions.
- Mutual Fund investments.
- A group annuity contract underwritten by Great-West Life Assurance Company (Great-West) and formerly offered to participants in the 403(b) Plan. This investment option is no longer available for new contributions in MSRP.
- Fixed annuities underwritten by Nationwide Life which is available as an option in the 457 Plan, but is closed to new contributors since 1986.

Payment of Benefits

Employees investing in MSRP may withdraw the value of their accounts in accordance with the IRC, which is generally upon termination of employment from the State, because of financial hardship, if approved by the Board, or in order to satisfy minimum distribution requirements. Additionally, employees are eligible to receive benefits under the 401(k) and 403(b) plans upon attainment of age 59 ½.

Employees eligible to receive benefits subject to Internal Revenue Service regulations 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At death, with certain exceptions, any amount due under the participant's account is paid to the beneficiary or the estate.

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

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 the Board, but may not exceed the maximum ratio permitted by all applicable laws.

All loans must be repaid on a periodic basis, not less than quarterly, over a period not to exceed five years, with the exception of loans used to acquire, construct, reconstruct or substantially rehabilitate a dwelling that is to be used as a principal residence. Such loans shall provide for repayment over a period not to exceed fifteen years.

Investment Valuation and Income Recognition

Fixed earnings investments, represented by investment contract pools are valued at contract value. The investment contract pool is managed by Deutsche Asset Management under a management agreement. It consists of book value instruments such as investment contracts, pooled funds and separate account insurance and/or bank investment contracts. New contracts are awarded periodically based upon a competitive bid process.

During 1997, a Master Trust was established to hold the investment contract pools 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. Interest rates are reset quarterly based on the estimated yield for the quarter. Effective 1/1/09 the manager shifted to a monthly reset of the interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Valuation and Income Recognition (continued)

The investment contract pools are 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 assets value as provided by the investment carrier. All purchases and sales of investments are recorded on a trade-date basis.

Earnings are accrued to individual participant's accounts 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.

Cash Surrender Value

Participants have made premium payments on life insurance contracts 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.

Notes to the Financial Statements
December 31, 2008 and 2007

3. 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, 2008 and 2007, are as follows:

ASSETS	2008	2007
Fixed earnings investments – Investment Contract Pool	$ **728,895,676**	$ 624,400,457
Mutual fund investments:		
Fidelity® Puritan Fund	**155,827,435**	243,818,311
Goldman Sachs Large cap Value Fund – Institutional Shares	**107,442,333**	197,145,780
Vanguard Institutional Index Fund – Institutional Plus	**124,657,449**	215,881,701
EuroPacific Growth Fund ® - Class A	**91,812,938**	165,396,732
Legg Mason Value Trust – Institutional Class	**86,602,179**	227,659,639
Dreyfus Midcap Index Fund, Inc.	**71,119,080**	120,552,746
Neuberger Berman Equity Fund ® - Partners Fund	**64,589,090**	140,808,656
The Growth Fund of America ®, Inc. – Class A	**68,712,343**	108,030,716
PIMCO Total Return Fund – Institutional Shares	**67,553,596**	49,090,071
T. Rowe Price Small-Cap Stock Fund, Inc.	**52,887,199**	84,859,620
Lord Abbott Mid-Cap Value Fund – Class A	**25,180,638**	48,028,172
Vanguard Small Cap Growth Index – Institutional Shares	**17,927,943**	29,278,997
T. Rowe Price Retirement 2020 fund	**17,401,249**	16,043,334
T. Rowe Price Retirement 2015 Fund	**15,929,290**	17,207,896
T. Rowe Price Retirement 2010 Fund	**11,486,674**	11,551,561
Van Kampen Mid Cap Growth Fund – Class A	**9,090,799**	13,018,595
T. Rowe Price Retirement 2025 Fund	**11,373,148**	10,105,965
Vanguard Prime Money Market Fund - Institutional Shares	**8,125,558**	6,289,790
T. Rowe Price Retirement 2030 Fund	**9,202,659**	7,544,144
Vanguard Total International Stock Index Fund – Investor Shares	**6,660,331**	10,323,905
Great West Life Assurance Company	**4,650,406**	4,125,137
Vanguard Small Cap Value Index – Investor Shares	**3,867,619**	4,139,320
T. Rowe Price Retirement 2035 Fund	**4,783,742**	4,692,637
Vanguard Value Index Fund – Investor Shares	**3,351,214**	3,186,760
T. Rowe Price Retirement 2040 Fund	**3,544,004**	2,929,191
T. Rowe Price Retirement 2005 Fund	**2,994,407**	3,314,687
T. Rowe Price Retirement Income Fund	**1,698,252**	1,140,921
T. Rowe Price Retirement 2045 Fund	**1,443,220**	838,148
T. Rowe Price Retirement 2050 Fund	**591,752**	440,248
T. Rowe Price Retirement 2055 Fund	**352,293**	440,844
	1,779,754,516	2,372,284,681
Discontinued investment options – Nationwide Fixed Annuities	**92,123,170**	99,924,947
Nationwide Life annuity payout reserves	**20,467,404**	22,854,159
Metropolitan Life annuity payout reserves	**6,319,461**	6,681,460
Total Investments	$ **1,898,664,551**	$ 2,501,745,247

3. INVESTMENTS AND INVESTMENT INCOME (continued)

The Nationwide Life fixed annuities reflect investments made under a fixed group annuity contracts 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 4.52% as of December 31, 2008 and ranged from 4.39% to 4.81% during the year ended December 31, 2008. The blended gross interest rate was 4.87% as of December 31, 2007 and ranged from 4.85% to 4.99% during the year ended December 31, 2007. The contract value at December 31, 2008 was $728,895,676. The fair market value as of December 31, 2008 was $683,084,752 and the wrapper value was $1,953,244.

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 4.51% as of December 31, 2008 and ranged from 4.5% to 4.55%, and was 4.55% as of December 31, 2007 and ranged from 4.55% to 4.65% for the year then ended.

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 at 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 4.33% and 4.53% in 2008 and 2007, 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 Government Accounting Standards Board 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.

3. 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 of 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, 2008 and 2007 are as follows:

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

3. INVESTMENTS AND INVESTMENT INCOME (continued)

	December 31, 2007	
	Valuation	**Weighted Average Maturity**
Investment Contract Pool	$624,400,457	3.58 years
Mutual Fund:		
PIMCO Total Return Fund – Institutional shares	$ 49,090,071	6.41 years
Great-West Fixed Investment Fund	$ 4,125,137	6.35 years
Mutual Fund:		
Vanguard Prime Money Market Fund – Institutional Shares	$ 6,289,790	0.17 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 investments in the contract pool have an average reported credit rating of AA+ throughout the year ended December 31, 2008 and 2007. 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 of Maryland in accordance with the formal deposit policy for custodial credit risk of the State.

4. LIFE INSURANCE

The amount of life insurance in force with Unum Life was approximately $10,159,874 and $12,315,560 as of December 31, 2008 and 2007, respectively. Participants in the Plan contributed $56,098 and $65,851 towards premiums for life insurance contracts offered by Unum during the years ended December 31, 2008 and 2007, 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.

5. 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% in 2008 (and 0.23% in 2007 under the prior agreement) against the mutual fund, investment contract pool and fixed annuity assets.

During 2008 and 2007, an additional charge of 0.05% was imposed by MSRP for its expenses (staff, auditor, consultants, education and other administrative expenses). The fees are collected directly from participant's accounts. The annual cap on participant charges was $2,000 for 2008 and 2007.

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

The cash balance in the accompanying financial statements as of December 2008 and 2007 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 457 Plan, pursuant to the usual State appropriation process to be held for administrative expenses in the nature of a reserve fund. The cash reserve balance was $321,054and $698,632 as of December 31, 2008 and 2007, respectively. The remaining balance represents the unallocated portion of Executive Life Rehabilitation distribution for the investment contract pool. These amounts were allocated to participants in March 2009.

6. TAX STATUS

In the opinion of the State's legal counsel, the Plans are exempt from income taxes under the applicable section of the 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.

7. RELATED PARTIES

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

COMBINING STATEMENTS

Maryland Supplemental Retirement Plans
Combining Statement of Net Assets Available for Plan Benefits
As of 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
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	$ 1,003,253,264	$ 760,995,733	$ 113,353,821	$ 49,647,286	$ 1,927,250,104

Maryland Supplemental Retirement Plans
Combining Statement of 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
Mutual fund 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:					
Realized and unrealized losses	(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	(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 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 Supplemental Retirement Plans
Combining Statement of Net Assets Available for Plan Benefits
As of December 31, 2007

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k)	Match Plan and Trust Plan Section 401(a) Plan	Tax Sheltered Annuity Plan Section 403(b)	Total
Investments	$ 1,279,578,209	$ 1,004,883,408	$ 143,044,977	$ 74,238,653	$ 2,501,745,247
Cash surrender value of life insurance contracts	3,590,858	-	-	-	3,590,858
Cash	1,136,148	-	-	-	1,136,148
Receivables:					
Employee receivable	41,773	57,232	-	2,728	101,733
Asset fees	104,400	-	-	-	104,400
Loans receivable	9,006,867	9,746,492	-	156,384	18,909,743
Total Assets	1,293,458,255	1,014,687,132	143,044,977	74,397,765	2,525,588,129
Assets available for plan benefits	$ 1,293,458,255	$ 1,014,687,132	$ 143,044,977	$ 74,397,765	$ 2,525,588,129

Maryland Supplemental Retirement Plans
Combining Statement of Changes in Net Assets Available for Plan Benefits
For the year ended December 31, 2007

	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	$ 66,712,955	$ 94,729,303	$ -	$ 2,791,581	$ 164,233,839
Employer contributions	-	-	20,722,388	-	20,722,388
Mutual Fund reimbursements	1,510,268	1,325,748	175,209	167,454	3,178,679
Change in cash surrender value	(96,753)	-	-	-	(96,753)
Investment income:					
Realized and unrealized gains	41,553,442	37,962,452	4,488,320	3,848,820	87,853,034
Interest income	24,627,451	10,814,169	1,235,961	207,375	36,884,956
Total additions/(reductions)	134,307,363	144,831,672	26,621,878	7,015,230	312,776,143
Deductions:					
Distribution to participants	96,221,412	56,946,200	4,754,283	6,973,190	164,895,085
Administrative expenses	3,577,699	2,836,711	370,113	215,582	7,000,105
Life insurance premiums	65,851	-	-		65,851
Total deductions	99,864,962	59,782,911	5,124,396	7,188,772	171,961,041
Net increase/(decrease)	34,442,401	85,048,761	21,497,482	(173,542)	140,815,102
Assets available for plan benefits:					
Beginning of period	1,259,015,854	929,638,371	121,547,495	74,571,307	2,384,773,027
End of period	$ 1,293,458,255	$ 1,014,687,132	$ 143,044,977	$ 74,397,765	$2,525,588,129

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