

Maryland Supplemental Retirement Plans

INVESTMENT SECTION

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INVESTMENT ADVISOR'S REPORT

For the year ended December 31, 2008

The report below discusses the overall performance of the plan investments for the year ending December 31, 2008. Data for this report was compiled by the Plan's Investment Consultant, Mercer Investment Consulting, Inc. The year ended with an overall decrease in plan assets. The complex and volatile market conditions contributed to a significant decrease in plan assets. The stock market declined throughout the year as a result of ongoing problems in the credit markets and continued investor risk aversion.

Domestic Equity Mutual Funds

Index Performance

Large cap stocks, as measured by the S&P 500 Index, were down by 37% in 2008, the worst year since 1937. Small cap stocks held up better over the year, losing 33.8%. Mid cap stocks posted the weakest performance, declining 41.5% for the year.

Value outperformed growth across all market capitalizations during the year, though the margin was less significant in the large cap space. For the year, losses were least severe for small cap value stocks, which fell 28.9%.

Domestic Equity Funds Performance

The median domestic equity mutual fund declined 38.4% in 2008. For the year, funds invested in value stocks mitigated losses better than growth stock funds. Small cap value funds, down 31.7%, fared best. Mid cap growth funds suffered the largest losses, losing 43.6%.

Fixed Income Mutual Funds

Index Performance

The bond market experienced continued investor risk aversion and increased spread widening through the year. The Barclays Capital Aggregate Bond Index experienced a 5.2% gain for the year. Treasuries, up 13.7% for the year, outperformed all spread sectors as investors' flight to quality drove yields down. The Citigroup High Yield Market Index posted a solid gain in December but remained in negative territory for the year, declining 25.9% respectively. The Citigroup Non-U.S. Bond Index posted a 10.1% gain in 2008.

Fixed Income Funds Performance

The median domestic bond fund fell 2.9% for the year. Long-duration bond funds which were up 5.5% for the same period, offered the best results. High-yield bond funds were down 24.5% during the year. International bond edged up 0.8% for the year, outpacing domestic bond funds.

International Equity Mutual funds

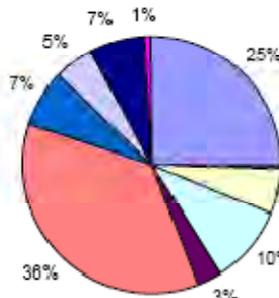
The median international equity fund declined 44.4% for the year. In 2008, funds invested in European stocks lost 47.8%, while Pacific region funds gave up 36.5%. Emerging markets funds underperformed developed markets funds, plummeting 54.6% in 2008.

Management Summary Report

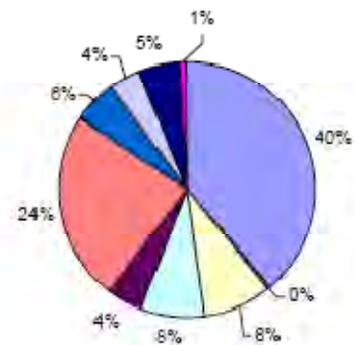
Combined Plans

- Assets total approximately \$1.89 billion for all combined plans as of December 31, 2008. There was a decrease in allocation to equity funds to 39% and an increase in stable value to 39% by year end.
- The 401(a) Plan totaled \$113.0 million on December 31, 2008. The Maryland Investment Contract Pool was the most popular investment option in this Plan with 33.0% of Plans assets which increased 26.2% of assets last quarter, followed by Vanguard Institutional Index PI (11.3%) and Fidelity Puritan (8.5%).
- The 401(k) Plan totaled approximately \$761.0 million as of December 31, 2008. Similar to the 401(a) Plan, the three most popular funds were the Maryland Investment Contract Pool (35.8%), Vanguard Institutional Index PL (8.5%) and Fidelity Puritan (8.3%).
- At quarter end, the 403(b) Plan totaled \$49.5 million. Vanguard Prime Money Market was the most popular investment option in this Plan with 16.4% of Plan assets, followed by Fidelity Puritan (13.5%) and Goldman Sachs Large Cap Value Instl. (9.4%).
- Assets in the 457 Plan totaled \$986.9 million on December 31, 2008. The largest allocation was the Maryland Investment Contract Pool with 43.3% of Plan assets, followed by Nationwide Fixed Annuity (9.5%), and Fidelity Puritan (7.9%).

Prior Asset Allocation - December 31, 2007



Current Asset Allocation - December 31, 2008



Fund Level Analysis

- **Maryland Investment Contract Pool (ICP):** As the largest investment option in the Supplemental Retirement Plans, this fixed income option had approximately \$728.9 million in assets on December 31, 2008 across three of the four plans. This option outperformed or matched its benchmarks over the trailing one-, three- and five-year periods measured as of December 31, 2008.
- **Nationwide Fixed Annuity:** Only an option in the 457 Plan, the Nationwide Fixed Annuity was valued just over \$92 million on December 31, 2008. This investment option underperformed for the quarter, one-year, and three-year period but outperformed versus its index for the annualized five-year period.
- **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, 2008, the 84-month CD had the largest allocation with \$3.4 million in assets. Each of the remaining GW options had approximately \$290,000 to \$470,000 in assets.
- **Vanguard Prime Money Market:** Also offered only in the 403(b) Plan, this investment option had approximately \$8.1 million invested on December 31, 2008. This fund outperformed the 91-Day T-bill for all trailing time periods measured as of the end of 2008.
- **PIMCO Total Return Fund:** Across the four plans, MSRP had approximately \$67.6 million invested in the PIMCO Total Return Fund. For the quarter, PIMCO outperformed its benchmark and ranked near the top decile of its peer group. Performance over the annualized one-year, three-year and five-year time periods remained strong as PIMCO ranked in or near the top decile versus its peers.
- **Fidelity Puritan:** A popular selection among plan participants with over \$155 million in assets, Fidelity Puritan underperformed its benchmark and ranked in the bottom half of the Mercer Mutual Fund US Balanced Universe for the year. Three and five year results were weak as the fund trailed the index and placed in the bottom half of the peer group.
- **T. Rowe Price Retirement Funds:** The T. Rowe Price lifecycle funds consists of 18 different funds, which vary in asset allocation based on their respective target retirement date. All funds invest in a diversified portfolio of underlying T. Rowe Price mutual funds. All of the funds underperformed their respective indices for the year as active managers struggled to keep pace with the indexes. Due to recent poor performance all funds are below their respective benchmarks for the annualized three-year and five-year periods.
- **Vanguard Institutional Index Plus:** MSRP participants had \$124.7 million invested in this fund. As in past years, this fund consistently tracked the S&P 500 Index in 2008.
- **Legg Mason Value Institutional:** Due to poor performance and outflows MSRP participants had a combined \$86.6 million invested in the fund at year end. Due to significant underperformance for the last four quarters, this fund trailed its benchmark and peer group median for all time periods measured as of December 31, 2008. This

fund has been on watch for performance reasons since the first quarter of 2008. During the fourth quarter, the Board decided to freeze this option to new investments and plans to terminate the fund and map assets in the second quarter of 2009.

- **Neuberger Berman Partners:** This fund, over all four plans, totaled \$64.6 million as of December 31, 2008. Over the year this fund placed in the bottom decile of its peer group and 15.0 percentage points below its benchmark. A significant overweight to the financial sector had a negative impact on relative performance in 2008.
- **Goldman Sachs Large Cap Value Fund:** This fund was added during the third quarter of 2007 and made up \$107.4 million of the assets in the Plans as of December 31, 2008. . During the year, the fund trailed its index by 20 basis points and placed in near the peer group median. For the three-year and five-year periods the fund outperformed its benchmark and placed in the top half of its peer group.
- **Vanguard Value Index Fund:** MSRP participants had \$3.4 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:** This fund had \$68.7 million invested across the four plans as of December 31, 2008. As the active large cap growth option, this fund trailed its benchmark for the year but outperformed its peers for the one-, three-, and five-year periods.
- **Dreyfus Mid Cap Index:** This fund did an adequate job of tracking the S&P 500 Index. While the gross expense ratio is higher than the average institutional expense ratio for similar funds, consideration of the 0.30% reimbursement to participant accounts via the Mutual Fund Savings Program provides a net expense ratio that is below the market average. MSRP participants have approximately \$71.1 million invested in this fund.
- **Lord Abbett Mid Cap Value:** This fund, which has \$25.2 million MSRP assets, trailed its benchmark and universe median for the one; three and five-year periods ended December 31, 2008. This fund was placed on the “watch list” in August 2005 and for most of 2007 it had exhibited short term improvement while at the same time meeting several of the contingencies outlined in the Investment Policy. Progress made in 2007 did not continue for most of 2008. Due to its recent struggles and the departure of key portfolio staff, the Board decided to replace this fund with the T. Rowe Price Mid Cap Value Fund.
- **Van Kampen Mid Cap Growth:** For 2008, the fund trailed its index and ranked in the bottom quartile of its peer group. Longer term results were stronger as the fund exceeded both measures for the five-year period. As of the end of the year, MSRP had \$9.0 million invested in this fund.
- **T. Rowe Price Small-Cap Stock:** For the year, the fund outperformed its index and placed in the top third of its peer group universe. The fund exceeded the universe median, but trailed its benchmark for the three-and five-year periods. This fund was put on watch in the first quarter of 2008 and will be monitored closely for continued improvement. As of the end of December, this fund had \$52.9 million in MSRP assets.

- **Vanguard Small Cap Value Index:** During all time periods measured, the fund tracked its index within 10 basis points. The passive style slightly underperformed the median actively managed fund in the one and three year periods but exceeded the median in the five year period ended December 31, 2008. MSRP had only \$3.9 million invested in this fund.
- **Vanguard Small Cap Growth Index:** For all time periods measured, the fund tracked its index within 20 basis points. This passive style generally outperformed the median fund in the small growth segment for all annualized periods measured. Currently, the fund has \$17.9 million in MSRP assets.
- **American Funds EuroPacific Growth:** The fund ranked in the top quartile of its peer group and outperformed both benchmarks for the year. Longer term performance was also strong. This actively managed fund has outperformed the index and ranked in the top quartile of its peer group for all periods measured. MSRP participants had \$91.8 million invested in this fund at year end.
- **Vanguard Total International Stock Index Fund:** Although designed to match the benchmark, this fund exceeded its benchmark for the trailing one-year period measured due to a pricing error that many managers perceived with the benchmark pricing. As a result, this fund exceeds its benchmark index for the one-year, three-year and five year periods. MSRP participants have \$6.7 million in this fund.

INVESTMENT POLICY AND OBJECTIVES

I. Introduction

The Board of Trustees of the Maryland Teachers' and State Employee's Supplemental Retirement Plans has adopted this Statement of Investment Policy 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 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 of 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.

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

II. Investment Categories

The Plans have chosen to offer the following investment categories:

CATEGORY

CONSERVATIVE:	Money Market Funds Fixed Investment Options Bond Funds
MODERATE:	Balanced Funds
MODERATE TO AGGRESSIVE:	Lifecycle Funds
AGGRESSIVE:	Domestic Large Cap Funds
MORE AGGRESSIVE:	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.

The Plans' investment options can be placed in broadly defined investment categories (Conservative, Moderate, or Aggressive) depending on the type of option. The objective of each investment category is as follows:

- Aggressive: to seek significant capital appreciation over the long-term
- Moderate: to seek combination of long-term growth of capital and current income
- Conservative: to seek significant current income

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.

Investment Performance

(total returns on a calendar year basis ended December 31, 2008)

Maryland Teachers & State Employees
Supplemental Retirement Plans

As of December 31 2008

	End Balance	3 Months	1 Year	3 Years	5 Years	10 Years
Stable Value						
Maryland Investment Contract Pool	\$728,895,675	1.11%	4.66%	4.78%	4.55%	NA
Citigroup TBill + 100 bp Premium		0.50%	2.81%	4.79%	4.12%	4.33%
iMoneyNet All Taxable+100bps		0.62%	3.13%	4.73%	3.92%	4.05%
Mercer Stable Value Median		1.13%	4.52%	4.82%	4.65%	5.31%
Mercer Stable Value Rank		61	41	61	61	NA
Money Market						
Vanguard Prime Money Market	\$8,125,558	0.68%	2.92%	4.36%	3.52%	3.65%
Citigroup 3-Month T-Bill		0.25%	1.80%	3.75%	3.10%	3.30%
Mercer Mutual Fund US Fixed Ultra Short Median		-2.18%	-2.11%	2.10%	2.10%	3.54%
Mercer Mutual Fund US Fixed Ultra Short Rank		15	20	18	10	34
Domestic Fixed						
PIMCO Total Return Instl	\$67,553,596	4.97%	4.82%	5.94%	5.16%	6.23%
Barclays Capital US Aggregate		4.57%	5.24%	5.51%	4.65%	5.63%
Mercer Mutual Fund US Fixed Core Median		0.84%	-2.10%	2.54%	2.76%	4.43%
Mercer Mutual Fund US Fixed Core Rank		11	13	5	1	2
Nationwide Fixed Annuity						
Nationwide Fixed Annuity	\$92,123,170	1.11%	4.50%	4.61%	4.80%	NA
ML Treasury 1-3 Yr		2.69%	6.61%	5.95%	4.06%	4.71%
Mercer Mutual Fund US Fixed Short Median		-0.47%	-1.61%	2.70%	2.17%	3.63%
Mercer Mutual Fund US Fixed Short Rank		31	5	8	0	NA
Balanced						
Fidelity Puritan	\$155,827,435	-15.49%	-29.16%	-4.78%	-0.25%	2.00%
S&P 500 60% / 40% BC Aggregate		-11.86%	-22.06%	-2.75%	0.71%	1.68%
Mercer Mutual Fund US Balanced Median		-13.40%	-25.25%	-4.01%	0.20%	1.85%
Mercer Mutual Fund US Balanced Rank		68	74	63	61	47
Lifecycle						
T. Rowe Price Retirement 2005	\$2,994,407	-12.01%	-22.24%	-2.57%	NA	NA
T. Rowe Price Retirement 2005 Index		-9.76%	-19.11%	-1.31%	NA	NA
T. Rowe Price Retirement 2010						
T. Rowe Price Retirement 2010	\$11,486,674	-14.78%	-26.72%	-4.10%	0.81%	NA
T. Rowe Price Retirement 2010 Index		-12.14%	-23.19%	-2.63%	1.49%	NA
T. Rowe Price Retirement 2015						
T. Rowe Price Retirement 2015	\$15,929,290	-17.19%	-30.22%	-5.39%	NA	NA
T. Rowe Price Retirement 2015 Index		-14.28%	-26.60%	-3.82%	NA	NA
T. Rowe Price Retirement 2020						
T. Rowe Price Retirement 2020	\$17,401,249	-19.28%	-33.48%	-6.62%	-0.32%	NA
T. Rowe Price Retirement 2020 Index		-16.30%	-29.72%	-4.95%	0.38%	NA
T. Rowe Price Retirement 2025						
T. Rowe Price Retirement 2025	\$11,373,148	-20.89%	-35.91%	-7.55%	NA	NA
T. Rowe Price Retirement 2025 Index		-17.93%	-32.26%	-5.88%	NA	NA
T. Rowe Price Retirement 2030						
T. Rowe Price Retirement 2030	\$9,202,659	-22.19%	-37.80%	-8.28%	-0.97%	NA
T. Rowe Price Retirement 2030 Index		-19.22%	-34.16%	-6.53%	-0.24%	NA
T. Rowe Price Retirement 2035						
T. Rowe Price Retirement 2035	\$4,783,742	-22.96%	-38.88%	-8.80%	NA	NA
T. Rowe Price Retirement 2035 Index		-20.11%	-35.36%	-7.08%	NA	NA
T. Rowe Price Retirement 2040						
T. Rowe Price Retirement 2040	\$3,544,004	-22.95%	-38.85%	-8.78%	-1.31%	NA
T. Rowe Price Retirement 2040 Index		-20.11%	-35.36%	-7.08%	-0.58%	NA
T. Rowe Price Retirement 2045						
T. Rowe Price Retirement 2045	\$1,443,220	-22.98%	-38.83%	-8.78%	NA	NA
T. Rowe Price Retirement 2045 Index		-20.11%	-35.36%	-7.08%	NA	NA
T. Rowe Price Retirement 2050						
T. Rowe Price Retirement 2050	\$591,752	-22.91%	-38.80%	NA	NA	NA
T. Rowe Price Retirement 2050 Index		-20.11%	-35.36%	NA	NA	NA
T. Rowe Price Retirement 2055						
T. Rowe Price Retirement 2055	\$352,293	-23.02%	-38.88%	NA	NA	NA
T. Rowe Price Retirement 2055 Index		-20.11%	-35.36%	NA	NA	NA
T. Rowe Price Retirement Income						
T. Rowe Price Retirement Income	\$1,698,252	-10.00%	-18.39%	-1.63%	1.45%	NA
T. Rowe Price Retirement Income Index		-7.95%	-15.45%	-0.49%	2.02%	NA

	End Balance	3 Months	1 Year	3 Years	5 Years	10 Years
Domestic Equity						
Vanguard Institutional Index Instl PI	\$124,657,449	-21.90%	-36.94%	-8.32%	-2.16%	-1.32%
S&P 500		-21.94%	-37.00%	-8.36%	-2.19%	-1.38%
Vanguard Value Index	\$3,351,214	-20.44%	-35.97%	-7.84%	-0.69%	0.62%
Vanguard Spliced Value Index		-20.48%	-35.99%	-7.76%	-0.57%	0.72%
Goldman Sachs Large Cap Value Inst	\$107,442,333	-21.66%	-37.00%	-8.02%	-0.26%	NA
Russell 1000 Value		-22.18%	-36.85%	-8.32%	-0.79%	1.36%
Mercer Mutual Fund US Equity Large Cap Value Median		-21.36%	-36.34%	-8.42%	-1.41%	1.08%
Mercer Mutual Fund US Equity Large Cap Value Rank		54	58	43	28	NA
Legg Mason Value Instl	\$86,602,179	-28.83%	-54.60%	-22.94%	-11.25%	-3.25%
S&P 500		-21.94%	-37.00%	-8.36%	-2.19%	-1.38%
Mercer Mutual Fund US Equity Large Cap Core Median		-22.03%	-37.35%	-8.76%	-2.04%	-0.69%
Mercer Mutual Fund US Equity Large Cap Core Rank		95	99	99	99	91
Neuberger Berman Partners Inst	\$64,589,090	-32.75%	-51.88%	NA	NA	NA
S&P 500		-21.94%	-37.00%	-8.36%	-2.19%	-1.38%
Mercer Mutual Fund US Equity Large Cap Core Median		-22.03%	-37.35%	-8.76%	-2.04%	-0.69%
Mercer Mutual Fund US Equity Large Cap Core Rank		98	98	NA	NA	NA
American Funds Growth Fund of Amer A	\$68,712,343	-23.11%	-39.06%	-9.14%	-0.83%	3.17%
Russell 1000 Growth		-22.79%	-38.44%	-9.11%	-3.42%	-4.27%
Mercer Mutual Fund US Equity Large Cap Growth Median		-23.13%	-40.45%	-9.95%	-3.22%	-2.07%
Mercer Mutual Fund US Equity Large Cap Growth Rank		49	39	40	15	4
Dreyfus MidCap Index	\$71,119,080	-25.61%	-36.45%	-9.10%	-0.49%	3.96%
S&P 400 MidCap		-25.55%	-36.23%	-8.76%	-0.08%	4.46%
Lord Abbett Mid-Cap Value A	\$25,180,638	-21.13%	-39.44%	-11.89%	-1.70%	5.97%
Russell Midcap Value		-27.19%	-38.44%	-9.98%	0.33%	4.44%
Mercer Mutual Fund US Equity Mid Cap Value Median		-23.38%	-35.90%	-8.95%	-0.04%	5.18%
Mercer Mutual Fund US Equity Mid Cap Value Rank		30	74	85	75	36
T. Rowe Price Mid-Cap Value	\$0	-23.75%	-34.58%	-7.50%	0.56%	6.76%
Russell Midcap Value		-27.19%	-38.44%	-9.98%	0.33%	4.44%
Mercer Mutual Fund US Equity Mid Cap Value Median		-23.38%	-35.90%	-8.95%	-0.04%	5.18%
Mercer Mutual Fund US Equity Mid Cap Value Rank		60	36	26	37	26
Van Kampen Mid Cap Growth A	\$9,090,799	-27.57%	-48.39%	-11.70%	-0.41%	1.53%
Russell Midcap Growth		-27.36%	-44.33%	-11.79%	-2.33%	-0.19%
Mercer Mutual Fund US Equity Mid Cap Growth Median		-26.11%	-43.56%	-10.22%	-1.66%	1.31%
Mercer Mutual Fund US Equity Mid Cap Growth Rank		70	82	69	29	48
Vanguard Small Cap Growth Index Instl	\$17,927,943	-27.92%	-39.92%	-9.57%	-1.32%	NA
Vanguard Spliced Small Cap Growth Index		-28.00%	-40.10%	-9.70%	-1.45%	2.96%
Vanguard Small Cap Value Index	\$3,867,619	-25.57%	-32.06%	-9.03%	-0.27%	5.22%
Vanguard Spliced Small Cap Value Index		-25.56%	-32.12%	-8.96%	-0.16%	4.94%
T. Rowe Price Small-Cap Stock	\$52,887,199	-23.83%	-33.36%	-9.61%	-0.99%	4.42%
Russell 2000		-26.12%	-33.79%	-8.29%	-0.93%	3.02%
Mercer Mutual Fund US Equity Small Cap Core Median		-26.12%	-36.22%	-10.27%	-1.42%	4.93%
Mercer Mutual Fund US Equity Small Cap Core Rank		20	30	45	43	60
International Equity						
American Funds EuroPacific Gr A	\$91,812,938	-19.28%	-40.52%	-4.82%	4.57%	4.98%
MSCI EAFE		-19.90%	-43.06%	-6.92%	2.10%	1.18%
MSCI AC Wld ex US		-22.29%	-45.24%	-6.57%	3.00%	2.27%
Mercer Mutual Fund Intl Equity Median		-21.40%	-44.38%	-7.66%	1.82%	2.34%
Mercer Mutual Fund Intl Equity Rank		27	18	18	14	24
Vanguard Total Intl Stock Index	\$6,660,331	-21.03%	-44.11%	-6.49%	2.69%	1.76%
Vanguard Total International Composite Index		-21.48%	-45.51%	-7.13%	2.26%	NA

INVESTMENT EXPENSES

All investments except for the Investment Contract Pool (ICP) are mutual fund investments. The ICP represents approximately 39% of the assets in the 457, 401(K) and 401(a) Plans¹. The following represents the investment costs associated with the Investment Contract Pool. These fund management and custody costs are deducted from cash flow or the interest earned on the underlying investment.

Investment Contract Pool – weighted average fees for 2008 0.32%

The MSRP Board of Trustees has developed an original and effective Reimbursement Program for their supplemental retirement plan participants. The MSRP Mutual Fund Reimbursement Program is designed to refund participants part of the annual operating expenses (“expense ratio”) of certain mutual funds. Mutual fund operating expenses are disclosed in each fund prospectus. Those expenses are deducted by the mutual fund manager before stating gains/losses or the daily net asset value (NAV). This MSRP Mutual Fund Reimbursement Program is not typically offered by other retirement savings or investment programs.

At the Board’s direction, reimbursements are used to buy additional shares in the applicable fund on a regular basis. These shares are then distributed to participants’ accounts on a quarterly schedule. In 2008, the mutual funds in the MSRP Mutual Fund Reimbursement Program refunded nearly \$2.4 million back to participant accounts, over \$21.5 million has been returned to MSRP participants since 1995, when the MSRP Mutual Fund Reimbursement Program began. State participants can look for reimbursements on their quarterly account statement under the heading “Mutual Fund Savings”.

The MSRP Mutual Fund Reimbursement 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.

¹ Not available in the 403(b) Plan

Schedule of investment expenses

(for the year ended December 31, 2008)

The following schedules represent the fund expenses by mutual fund as of December 30, 2008. These expenses are netted against the realized and unrealized gains (losses) and reported as part of the investment valuation process. Also listed are Mutual Fund Reimbursements for certain funds that return part of their operating expenses to the MSRP Board of Trustees.

Traditional Spectrum of Funds

Mutual Fund Name	Ticker Symbol	Expense Ratio	Mutual Fund Reimbursement
Fidelity Puritan Fund	FPURX	0.60%	0.25%
Legg Mason Value Trust – Institutional Class	LMNVX	0.69%	Average 0.06%
Neuberger Berman Partners Fund – Inst'l Class	NBPIX	0.66%	0.10%
Vanguard Institutional Index Fund – Inst'l Plus	VIIIIX	0.025%	none
Growth Fund of America – Class A	AGTHX	0.64%	0.25%
Goldman Sachs Large Cap Value Fund – Inst'l Class	GSLIX	0.79%	0.15%
Vanguard Value Index Fund – Investor Class	VIVAX	0.20%	none
Dreyfus Midcap Index Fund	PESPX	0.50%	0.30%
Van Kampen MidCap Growth Fund – Class A	VGRAX	1.21%	0.40%
Lord Abbett Mid-Cap Value Fund – Class A	LAVLX	1.10%	0.40%
Vanguard Small-Cap Growth Index Fund – Inst'l Shares	VSGIX	0.07%	none
T. Rowe Price Small Cap Stock Fund	OTCFX	0.89%	0.10%
Vanguard Small-Cap Value Index Fund – Inv Shares	VISVX	0.22%	none
EuroPacific Growth Fund – Class A	AEPGX	0.79%	0.25%
Vanguard Total International Stock Index Fund	VGTSX	0.27%	none
PIMCO Total Return Fund – Institutional Class	PTTRX	0.52%	none
Vanguard Prime Money Market Fd - Inst'l Class*	VMRXX	0.08%	none

Targeted Retirement Funds

Mutual Fund Name	Ticker Symbol	Expense Ratio	Mutual Fund Savings Agreement
T.Rowe Price Retirement Income Fund	TRRIX	0.55%	0.10%
T.Rowe Price 2005 Retirement Fund	TRRFX	0.58%	
T.Rowe Price 2010 Retirement Fund	TRRAX	0.61%	
T.Rowe Price 2015 Retirement Fund	TRRGX	0.65%	
T.Rowe Price 2020 Retirement Fund	TRRBX	0.68%	
T.Rowe Price 2025 Retirement Fund	TRRHX	0.70%	
T.Rowe Price 2030 Retirement Fund	TRRCX	0.72%	
T.Rowe Price 2035 Retirement Fund	TRRJX	0.73%	
T.Rowe Price 2040 Retirement Fund	TRRDY	0.73%	
T.Rowe Price 2045 Retirement Fund	TRRKX	0.73%	
T.Rowe Price 2050 Retirement Fund	TRRMX	0.73%	
T.Rowe Price 2055 Retirement Fund	TRRNX	0.73%	

*only for the 403(b) Plan; Not available in the 457, 401(k) and 401(a) Plans