



Maryland Teachers & State Employees Supplemental Retirement Plans
2014 Comprehensive Annual Financial Report





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

For the Calendar Year Ended
December 31, 2014

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

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



Government Finance Officers Association

Certificate of
Achievement
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Presented to

**Maryland Teachers & State Employees
Supplemental Retirement Plans**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

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Maryland Supplemental Retirement plans

Introductory Section



MSRP

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

T. Eloise Foster
Chairperson

Sabrina I. Bass
Margaret A. Bury
Nathaniel H. Byrd, III
Thomas P. Hickey
Nancy K. Kopp
Wilson H. Parran
Marcia Zercoe

STAFF

Michael T. Halpin *CRC® CRA®*
*Secretary to the Board
Executive Director*

Debra L. Roberts *MBA CRC®*
CPA
Director of Finance

Richard A. Arthur
Technology & Operations Director

Louis A. Holcomb, Jr. *CRC®*
Director of Participant Services



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Or 1-800-735-2258*

Fax: 410-659-0349

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

Call About the Plans
or to Enroll
1-800-545-4730
or Enroll on-line at
www.MarylandDC.com

A letter from Chairperson T. Eloise Foster

On behalf of the Maryland Supplemental Retirement Plans' Board of Trustees, I am pleased to present our Comprehensive Annual Financial Report for the year ended December 31, 2014. This is our fifth year preparing the report in an expanded format. We believe the additional content provides our participants and other interested parties with sufficient information to demonstrate that the Plans are clearly worthy of their confidence. By year's end, more than 34,000 State employees were actively participating and voluntarily contributed over \$153.5 million to the Plans. We believe the opportunity offered by the Plans, including diversified and effective investments, is an invitation to long-term success for our participants.

In 2014, assets values increased 5% from the previous year, ending the calendar year with \$3.38 billion in net participant assets. The increase in assets values are the combined result of investment earnings and a surge of new participants, 33% increase from the prior year—the biggest since 2008—and an overall increase in participant contributions. The participant contributions of \$153.5 million increased from prior year of \$143.3 million. New enrollments now average over 300 new participants each month. These positive changes in 2014 are part of our “Get back in the Game” outreach campaign through on-location events, and our new and improved “Step-by-Step” enrollment forms which are being provided to all new hires at orientation. Our efforts to provide effective outreach tools are showing steady growth of participation and the Plans assets.

During the year, the Plans' asset investment returns have continued to grow and remain strong. Our plans purpose to help employees build a sound financial future is clearly exhibited through our work with Nationwide financial representatives providing seminars throughout the State at various locations. Increased participation is also attributable to the assistance of State agency benefit coordinators, as they ensure distribution of enrollment forms, coordinate seminars, and allow easy access to participants for one-on-one counseling sessions, and workshops. Many seminars have been redesigned to ensure flexibility that allows employees to attend during lunch breaks and other times convenient to them. Participants are grateful for the seminars and show their appreciation by spreading the news of the seminars to colleagues at other locations. Last year, we provided nearly 250 individual seminars with 4,200 participants in attendance. The survey results consistently show the value of the seminars to the participants, with many asking for additional one-on-one consultations with our financial counselors.

On January 3, 2015, MSRP received the “**Certificate of Achievement for Excellence in Financial Reporting**” from the Government Finance Officers Association for the December 31, 2013 comprehensive annual financial report. MRSP has received four previous awards and we will continue to pursue this award each year as we encourage all State employees to prepare for their retirement with the Maryland Supplemental Retirement Plans.

Sincerely,

T. Eloise Foster, Chairperson



MSRP

Letter of Transmittal

June 15, 2015

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

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Chairperson

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• • •

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Honorable Chairperson and Members of the Board of Trustees:

It is our pleasure to present the 2014 Comprehensive Annual Financial Report of the Maryland Teachers and State Employees Supplemental Retirement Plans (the “Plans”). The Plans consist of four separate defined contribution plans: 401(k), 457, 403(b) and 401(a). Together, the Plans constitute fiduciary funds of the State of Maryland, administered by the Maryland Teachers and State Employees Supplemental Retirement Plans Board of Trustees (the “Board”).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatement.

SB & Company, LLC, a firm of licensed certified public accountants, have issued an unmodified (“clean”) opinion on the Plans financial statements for the calendar year ended December 31, 2014. The independent public accountants’ report is located at the front of the financial section of this report.

For financial reporting purposes, the Plans use Governmental Accounting Standards Board (GASB) Statement No. 25 *Financial Reporting for Defined Benefit Pension Plans, and Note Disclosures for Defined Contribution Plans*, GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. In addition to this letter of transmittal, additional narrative, overview and analysis can be found in the Management Discussion and Analysis beginning on page 16.

The Plans are authorized and established by legislation as indicated in the notes to the basic financial statements. Summaries of plan provisions are presented as well. The purpose of the Plans is to provide benefits for all State of Maryland employees who have elected to participate. Services provided by the staff are performed to meet that objective. The Plans’ participation rate as of the end of 2014 is 74% of eligible employees, with 43% of eligible employees actively making contributions. New enrollments for the year tallied 3,484 participants, a 33% increase over the prior year. There was also a 10% increase in participants receiving distributions, with 3,939 taking payouts as of December 2014.

Economic Outlook and Condition

During the plan year ended December 31, 2014, the value of plan assets increased by 5% from \$3.21 billion to \$3.38 billion. Investment returns and a 7.1% increase in new contributions during the year were the greatest increments to this increase. A comparative analysis of rates of return of MSRP investments and their benchmarks is presented in the investment section of this report, along with schedules of management fees and information relevant to evaluation of asset quality. For the year ended December 31, 2014, the Plans relied on Galliard Capital Management (Galliard) for oversight of the investment contract pool (ICP); general investment advice, and assistance in selection and ongoing evaluations of investment options is provided by Segal Rogerscasey (Segal).

Revenues and Expenses – Board & Staff

The resources necessary to oversee and manage the Plans are funded by fees collected from MSRP participants. Currently, the Board's share of the participant fee structure is comprised of a 0.05% asset fee and a monthly \$0.50 per account fee on all accounts over \$500 other than the 401(a) Match Plan. The Board reserve balance at the end of December 31, 2014 was \$602,045. The expenses to operate the plans include costs associated with investment consulting, audits, staff and educational activities. The reserve balance exceeds 25% of annual appropriation. As such, the board approved a 3-month fee holiday beginning January 31, 2015. The fee holiday is expected to spend down the reserve balance to the target level approved by the Board.

Major Issues and Initiatives

In late December 2014, MSRP received two checks totaling \$13,600 in payment of court structured settlements. MSRP received additional funds of \$45,000 from various other settlements during the first quarter of 2015 and expects to receive an estimated \$57,000 in the future. At the March 2015 meeting, the Board of Trustees approved that these modest amounts be used to offset Plans expense, reduce participant fees, and thereby be widely distributed for the benefit of all participants.

Investments

The Plans are long-term retirement savings vehicles and are intended as a source of retirement income for voluntary participants. The investment policy is included in the investment section of this report. The following charts show the asset allocation for the Plans as of December 31, 2014 and 2013, respectively. See the investment section of the CAFR for a more detailed analysis and additional information.

Asset Allocation as of December 31, 2014

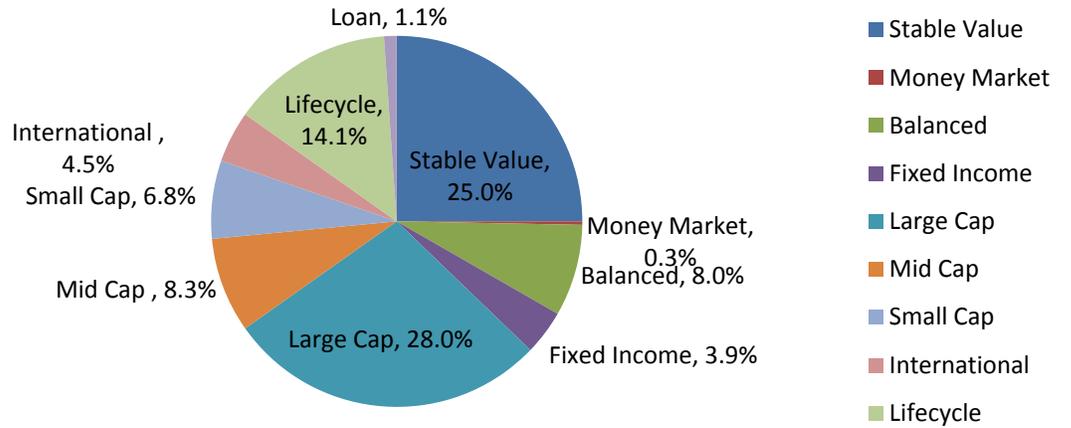
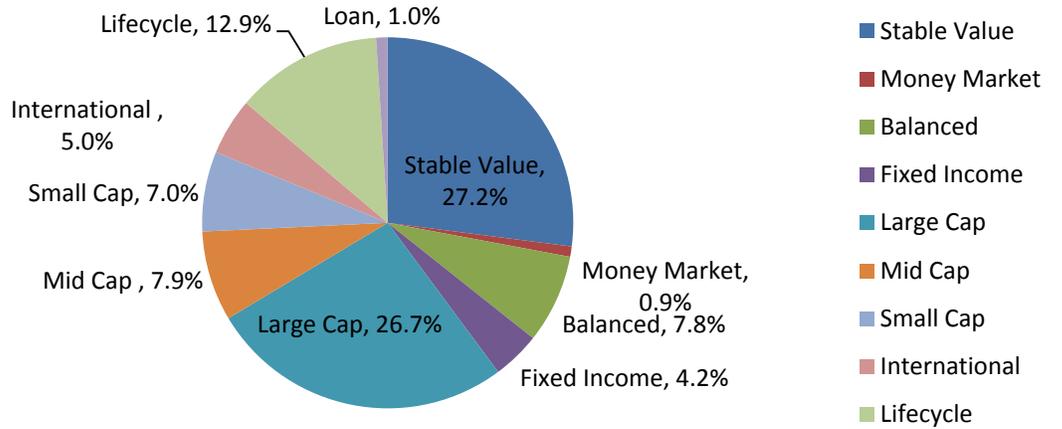


Figure 1: % may be greater than 100% due to rounding

Asset Allocation as of December 31, 2013



Professional Services

The Board arranges contracts for the services of various independent consulting, investments advisory and financial professionals to assist in carrying out its responsibility to manage the Plans. Plan administration services are performed by Nationwide Retirement Solutions. Annual audits of the plans are conducted by the independent firm of SB & Company, LLC. The 403(b) plan custodian of mutual fund records are maintained by Wells Fargo Bank, N.A. Investment advisory and management services for the stable value fund were performed by Galliard Capital Management. Segal Rogerscasey is the investment advisor and general pension consultant for all four Plans. The independent public accountant's report on the basic financial statements is included in the Financial Section of this report. The investment analysis portion of the report, prepared by Segal Rogerscasey, is included in the Investment Section beginning on page 45.

Awards

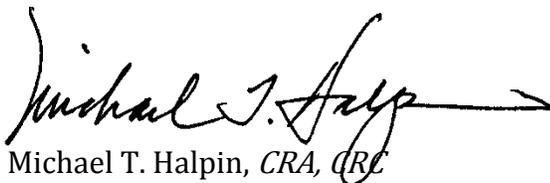
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Maryland Supplemental Retirement Plans for its comprehensive annual financial report for the calendar year ended December 31, 2013. This was the fourth consecutive year that the Maryland Supplemental Retirement Plans has achieved this prestigious award. In order to be awarded a Certificate of Achievement, an agency must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted account principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

Sincerely,



Michael T. Halpin, *CRA, CRC*
Executive Director



Debra L. Roberts, *MBA, CPA, CRC*
Chief Financial Officer

ABOUT THE PLANS

The Maryland Deferred Compensation Program was established for Maryland state employees in 1974 by Executive Order 01.01.1974.19 and under Chapter 433 of the Acts of 1974. Subsequently, the U.S. Congress established the 457 Deferred Compensation Plan for public employees as part of the Internal Revenue Code in 1978. In 1975, enrollment began and a seven-member Board of Trustees administered the plan.

Chapter 741 of the Acts of 1985 brought the 457 Deferred Compensation Plan under the direction of a nine-member Board of Trustees. The statute also gave the Board responsibility and authority for administration of a 403(b) Tax-Deferred Annuity Plan and a 401(k) Savings and Investment Plan. The Maryland 403(b) plan became operational in 1987, and the Maryland 401(k) plan began accepting contributions in 1990, after receipt of a favorable determination letter from the Internal Revenue Service of the U.S. Department of Treasury. These three Plans came to be known as the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP).

Two significant developments occurred during the mid to late 1990s. In 1996 Congress enacted a number of reforms for 457 plans, including the requirement that funds in such plans be held in trust for the exclusive benefit of participating employees. Subsequent legislation (most importantly the Economic Growth and Tax Relief Reconciliation Act, the 2001 comprehensive tax act) gave governmental 457 plans the same rules and benefits that are available in 401(k) plans that are prevalent in the private sector. Then in 1998 the Maryland General Assembly authorized the match program, which makes a dollar for dollar matching contribution for eligible State employees that voluntarily contribute to one of the State sponsored supplemental retirement plans. State matching contributions are provided in the State budget, and capped at \$600 per employee, per year. The State contributions for MSRP participants are paid into a separate qualified plan, the 401(a) plan. The State matching contributions were suspended as part of fiscal year 2010 budget legislation; suspensions have also occurred during the previous time of budget stress (FYE 6/30/2004 and 6/30/2005). In FYE 6/30/2009 the State contribution to the match plan was \$20,224,053. Most State employees (except those in certain specialized retirement systems) are eligible for the match in the year it is effective.

The Members of the Board of Trustees are made fiduciaries by statute and are required to operate the Plans for the exclusive benefit of participating employees. The Board hires the necessary staff, administrators, consultants and accountants that are required for efficient and professional operation of the four Plans and their \$3.38 billion in assets. The Board also submits an annual report about the Plans to the Governor and General Assembly.

All funds for Plan administration are paid by charges against participant accounts, including a direct charge that pays the expenses of Board staff. These charges are reflected on participant statements, and since 1987 the Plan administrator, Nationwide Retirement Solutions, is prohibited by its contract from accepting any additional, indirect compensation or commissions from investment providers.

ABOUT THE BOARD

The Maryland Supplemental Retirement Plans are administered by a nine-member Board of Trustees whose members are appointed by the Governor of Maryland to a staggered four-year term. The Governor selects three members from any of the following departments, agencies or boards: the Department of Budget and Management, the Department of Education, the Comptroller of the Treasury, the State Treasurer's Office, the Maryland State Retirement and Pension Systems or the Maryland Higher Education commission. Three other members are eligible to participate in one or more of the plans, and at least one is eligible for the 403(b) plan. Three additional members represent the general public and are not eligible to participate in the plans. At least one of these members has experience with defined contribution and salary reduction plans.

MSRP Board of Trustees



T. Eloise Foster, *Chairperson*
Secretary, Department of
Budget and Management
State Agency Member



Nancy K. Kopp
Maryland State Treasurer
State Agency Member



Margaret A. Bury
Retirement Administrator, Md.
State Retirement & Pension System
State Agency Member



Sabrina I. Bass
Eligible 403(b) Member



Wilson H. Parran
Eligible Member



Thomas P. Hickey
Eligible Member



Marcia Zercoe
Public Member



Nathaniel H. Byrd, III
Public Member



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

PROFESSIONAL SERVICES

Plan Administration

Nationwide Retirement Solutions, Inc

Independent Investment Consultants

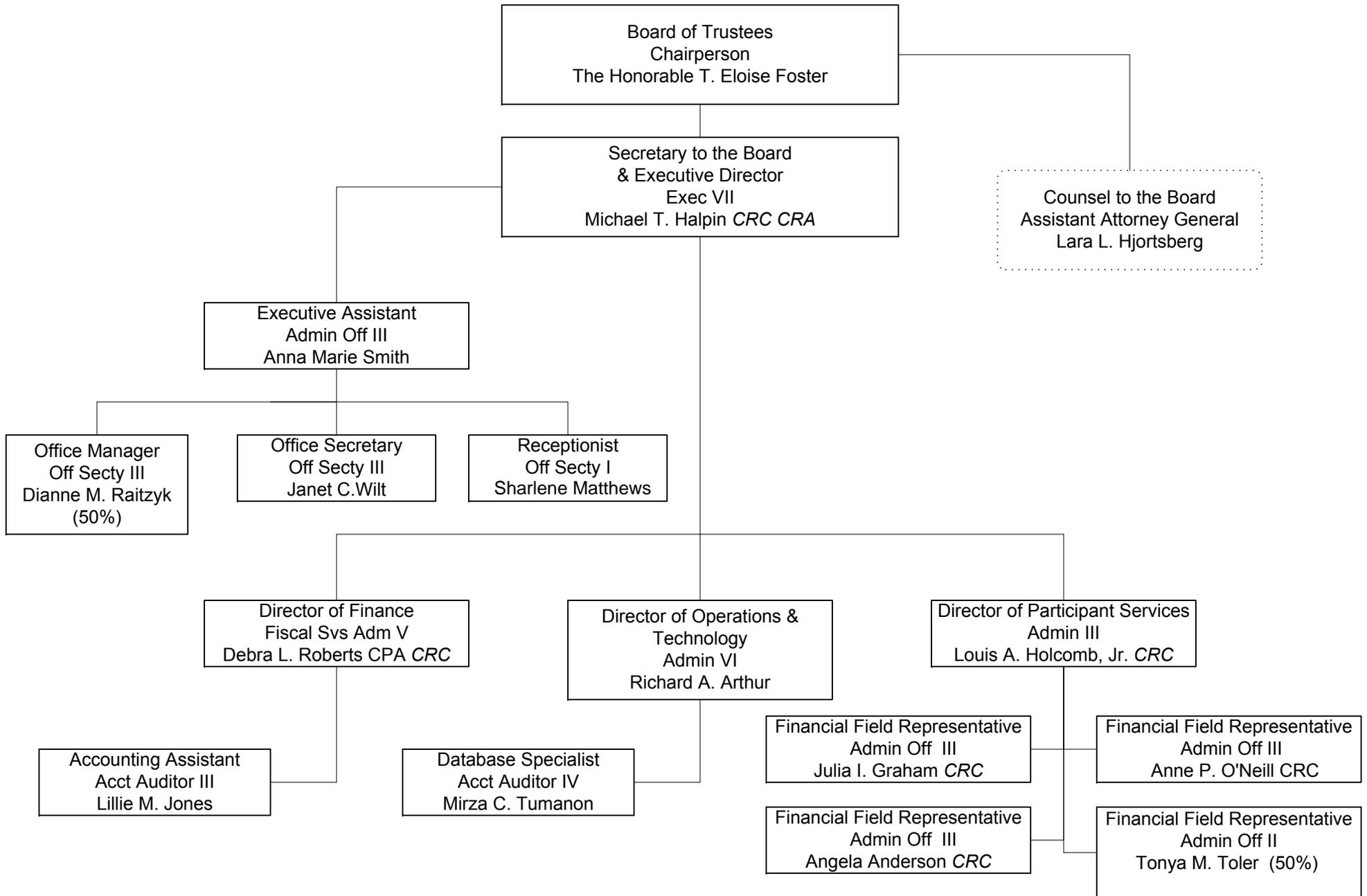
Segal RogersCasey, Inc

Independent Public Accountants

S B& Company, LLC

2014

Maryland Teachers & State Employees Supplemental Retirement Plans



Approved:
July 1, 2014

Maryland Supplemental Retirement Plans

Financial Section

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying basic and combining financial statements of the State of Maryland Teachers and State Employees Supplemental Retirement Plan (MSRP), which comprise the statements of plan net position as of December 31, 2014 and 2013, the related statements of changes in net position available for plan benefits, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic and combining financial statements referred to above present fairly, in all material respects, the respective net position of MSRP, as of December 31, 2014 and 2013, and the respective changes in its net position held in trust for deferred compensation benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MSRP's basic financial statements. The accompanying schedule of administrative expenses, introductory section, investment section, statistical section, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of administrative expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, investment section, statistical section, and other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
June 15, 2015

SB + Company, LLC

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) have prepared this narrative as an explanatory supplement to the audited financial statements of the Plans for the years ended December 31, 2014 and 2013. The financial statements appear at page 20 of this report. This narrative should be read in conjunction with the financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements for the MSRP are prepared in accordance with accounting principles generally accepted in the United States of America as interpreted and applied for governmental defined contributions pension plans by the Governmental Accounting Standards Board (GASB). The statements consist of the comparative Statements of Net Assets Available for Plan Benefits and Statements of Changes in Net Position, together with related note disclosures where necessary or appropriate to explain a particular item or its context. Each Plan—401(k), 403(b), 457 and 401(a)—has a separate, stand-alone financial statement; a combined statement that consolidates the assets and transactions of all Plans appears on page 21.

The Statements of Changes in Net Position are intended to show the major categories of additions to the Plans from participant contributions and investment earnings and 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 provide additional information (e.g. significant accounting policies, types of investment risk) that is essential for a comprehensive understanding of the financial condition of the Plans and the results of their operations.

FINANCIAL HIGHLIGHTS – CONSOLIDATED

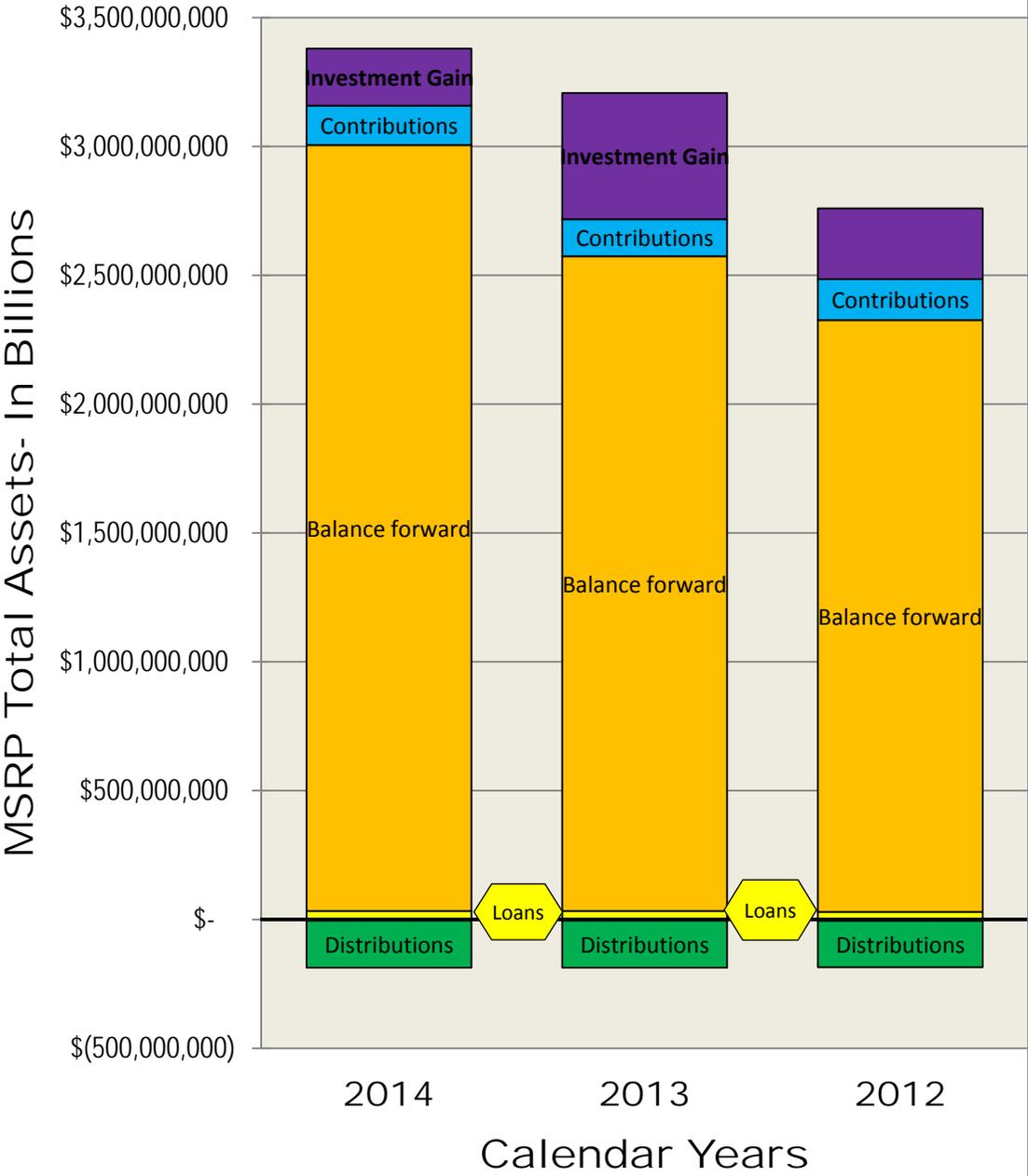
- Net position available for plan benefits increased by \$172.3 million for the year ended December 31, 2014, from \$3.21 billion as of December 31, 2013 to \$3.38 billion as of December 31, 2014. For the year ended December 31, 2013, the net position available for plan benefits increased by \$447.7 million, from \$2.76 billion as of December 31, 2012 to \$3.21 billion as of December 31, 2013. For the year ended December 31, 2012, the net position available for plan benefits increased by \$244.3 million, from \$2.52 billion as of December 31, 2011 to \$2.76 billion as of December 31, 2012. The increase for the calendar years 2014 and 2013 was primarily attributable to strong investment performance throughout the year.

- The Plans had a net investment gain of \$221.2 million and \$490.1 million for the years ended December 31, 2014 and 2013 respectively, and a net investment income of \$273.7 million for the year ended December 31, 2012.
- Employee contributions have increased to \$153.5 million for the year ended December 31, 2014 from \$143.3 million for the year ended December 31, 2013. In previous periods, employee contributions were at higher levels of \$159.5 million for the year ended December 31, 2012 and \$159.3 million in the year ended December 31, 2011. The 7% contribution increase in 2014 coincides with a 33% increase in new enrollments and a 1% increase in contributing participants.
- Employer contributions have been virtually eliminated due to the suspension of the State Match program since June 2009. A small decrease from \$39,564 for the year ended December 31, 2013 to \$28,418 for the year ended December 31, 2014 was due primarily to changed benefit plans at a State agency with an independent personnel system.
- Distributions to participants increased to \$199.5 million for the year ended December 31, 2014 from 182.8 million for the year ended December 31, 2013. Likewise, distributions had increased in 2013 from \$179.9 million for the prior year ended December 31, 2012. The most recent increase in distributions can be associated with increasing retirements as result of rising returns and overall economic confidence.
- Administrative expenses for the Plans are a combination of participant fees paid to the Plan Administrator, Nationwide Retirement Solutions (NRS), and participant fees paid to the Board of Trustees for all other Plan expenses of fiduciary supervision, participant education programs and agency operations. The combined Plan fees for the year ended December 31, 2014 were \$4.9 million, as compared to \$4.7 million for the year ended December 31, 2013. In the preceding year, participant fees totaled \$5.6 million for the year ended December 31, 2012. During each of these years, the participant fees included both an asset fee of 0.14% annually (0.09% to the Plan Administrator and 0.05% to the Board), and a 50¢ per account per month Board fee beginning May 2010 for each account over \$500 in the 401(k), 403(b) and 457 plans. The adoption of the monthly 50¢ per capita fee has successfully stabilized Board administrative income in the past few years.

The chart located on the next page illustrates the change in all MSRP assets from calendar year to calendar year from right to left. This is a summary of all four Plans—the 457, 401(k), 403(b) and 401(a) Match Plan in years 2012, 2013, and 2014. The stacked bar for each year reflects a balance of assets that is increased that year by contributions from participant payroll deductions and transfers. The bar also shows the amounts (negative) paid out in distributions to participants and the amounts of outstanding loans (positive to be paid back by participants). Finally, the top or bottom of each bar indicates the net 12-month investment gain or loss for all Plans as of that year end.

Net Assets Held in trust for Deferred Compensation Benefits			
	2014	2013	2012
ASSETS			
Investments:			
Investment contract pool	\$ 770,989,803	\$ 793,304,687	\$ 788,299,877
Mutual funds	2,481,339,205	2,286,353,229	1,838,211,679
Annuities	85,937,712	90,368,505	94,432,579
Total investments	3,338,266,720	3,170,026,421	2,720,944,135
Cash surrender value of life insurance contracts	3,241,234	3,360,214	3,541,238
Cash	582,734	264,642	1,094,000
Receivables:			
Employee contributions	652,979	635,620	4,581,955
Loans receivable	36,728,807	32,912,030	29,363,151
Other receivable	140,882	133,842	114,767
Net Position Held in Trust for Deferred Compensation Benefits	\$ 3,379,613,356	\$ 3,207,332,769	\$ 2,759,639,246
	2014	2013	2012
ADDITIONS			
Employee contributions	\$ 153,458,164	\$ 143,259,190	\$ 159,502,470
Employer contributions	28,418	39,564	495,460
Variable earnings reimbursements	2,026,395	1,756,620	1,452,326
Investment income:			
Other Addition	-	-	731,568
Variable earnings investment income	202,623,164	467,897,999	249,564,340
Interest income	18,590,728	22,204,917	23,434,438
Total Additions	376,726,869	635,158,290	435,180,602
DEDUCTIONS			
Distributions to participants	199,498,199	182,784,784	179,865,149
Administrative expenses	4,931,985	4,659,702	5,641,852
Life insurance premiums	16,098	20,281	25,146
Total Deductions	204,446,282	187,464,767	185,532,147
Net increase (decrease)	172,280,587	447,693,523	249,648,455
Net assets held in trust for deferred compensation benefits,			
beginning of year	3,207,332,769	2,759,639,246	2,509,990,791
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	\$ 3,379,613,356	\$ 3,207,332,769	\$ 2,759,639,246

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



Maryland Supplemental Retirement Plans

Basic Financial Statements

Maryland Supplemental Retirement Plans

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

**Statements of Plan Net Position
As of December 31, 2014 and 2013**

ASSETS	2014	2013
Investments:		
Investment contract pool	\$ 770,989,803	\$ 793,304,687
Mutual funds	2,481,339,205	2,286,353,229
Annuities	85,937,712	90,368,505
Total investments	<u>3,338,266,720</u>	<u>3,170,026,421</u>
Cash surrender value of life insurance contracts	3,241,234	3,360,214
Cash	582,734	264,642
Receivables:		
Employee contributions	652,979	635,620
Loans receivable	36,728,807	32,912,030
Other receivable	140,882	133,842
Net Position Held in Trust for Deferred Compensation Benefits	<u><u>\$ 3,379,613,356</u></u>	<u><u>\$ 3,207,332,769</u></u>

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

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

**Statement of Combining Net Position Available for Plan Benefits
As of December 31, 2014**

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Investments:					
Investment contract pool	\$ 410,638,394	\$ 327,579,412	\$ 32,771,997	\$ -	\$ 770,989,803
Mutual funds	1,006,159,601	1,241,779,073	147,325,369	86,075,162	2,481,339,205
Annuities	85,937,712	-	-	-	85,937,712
Total Investments	1,502,735,707	1,569,358,485	180,097,366	86,075,162	3,338,266,720
Cash surrender value of life insurance contracts	3,241,234	-	-	-	3,241,234
Cash	582,734	-	-	-	582,734
Receivables:					
Employee contributions	278,621	317,589	-	56,769	652,979
Loans receivable	17,466,343	18,897,449	-	365,015	36,728,807
Other receivable	140,882	-	-	-	140,882
Total Position Available for Benefits	\$ 1,524,445,521	\$ 1,588,573,523	\$ 180,097,366	\$ 86,496,946	\$ 3,379,613,356

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

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

**Statement of Combining Net Position Available for Plan Benefits
As of December 31, 2013**

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Investments:					
Investment contract pool	\$ 427,306,290	\$ 331,493,906	\$ 34,504,491	\$ -	\$ 793,304,687
Mutual funds	928,873,336	1,135,800,036	139,202,903	82,476,954	2,286,353,229
Annuities	90,368,505	-	-	-	90,368,505
Total Investments	1,446,548,131	1,467,293,942	173,707,394	82,476,954	3,170,026,421
Cash surrender value of life insurance contracts	3,360,214	-	-	-	3,360,214
Cash	264,642	-	-	-	264,642
Receivables:					
Employee contributions	252,426	328,832	-	54,362	635,620
Loans receivable	14,822,023	17,676,057	-	413,950	32,912,030
Other receivable	133,842	-	-	-	133,842
Total Position Available for Benefits	\$ 1,465,381,278	\$ 1,485,298,831	\$ 173,707,394	\$ 82,945,266	\$ 3,207,332,769

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

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

**Statements of Changes in Plan Net Position
For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ADDITIONS TO NET POSITION ATTRIBUTED TO:		
Employee contributions	\$ 153,458,164	\$ 143,259,190
Employer contributions	28,418	39,564
Variable earnings reimbursements	2,026,395	1,756,620
Investment income:		
Variable earnings investment income	202,623,164	467,897,999
Interest income	18,590,728	22,204,917
Total Additions	<u>376,726,869</u>	<u>635,158,290</u>
DEDUCTIONS TO NET POSITION ATTRIBUTED TO:		
Distributions to participants	199,498,199	182,784,784
Administrative expenses	4,931,985	4,659,702
Life insurance premiums	16,098	20,281
Total Deductions	<u>204,446,282</u>	<u>187,464,767</u>
Net increase	172,280,587	447,693,523
Net position held in trust for deferred compensation benefits, beginning of year	<u>3,207,332,769</u>	<u>2,759,639,246</u>
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	<u>\$ 3,379,613,356</u>	<u>\$ 3,207,332,769</u>

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

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

**Statement of Combining Changes in Net Position Available for Plan Benefits
For the Year Ended December 31, 2014**

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions to Net Position Attributed to:					
Employee contributions	\$ 60,837,390	\$ 89,859,775	\$ -	\$ 2,760,999	\$ 153,458,164
Employer contributions	-	-	28,418	-	28,418
Variable earnings reimbursements	877,045	972,448	116,072	60,830	2,026,395
Investment income:					
Variable earnings investment income	82,560,799	99,949,007	13,396,767	6,716,591	202,623,164
Interest income	11,654,349	6,208,196	556,590	171,593	18,590,728
Total Additions	155,929,583	196,989,426	14,097,847	9,710,013	376,726,869
Deductions to Net Position Attributed to:					
Distributions to participants	94,808,702	91,201,808	7,460,646	6,027,043	199,498,199
Administrative expenses	2,040,540	2,512,926	247,229	131,290	4,931,985
Life insurance premiums	16,098	-	-	-	16,098
Total Deductions	96,865,340	93,714,734	7,707,875	6,158,333	204,446,282
Net increase	59,064,243	103,274,692	6,389,972	3,551,680	172,280,587
Net position held in trust for deferred compensation benefits, beginning of year	1,465,381,278	1,485,298,831	173,707,394	82,945,266	3,207,332,769
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	\$ 1,524,445,521	\$ 1,588,573,523	\$ 180,097,366	\$ 86,496,946	\$ 3,379,613,356

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

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

**Statement of Combining Changes in Net Position Available for Plan Benefits
For the Year Ended December 31, 2013**

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions to Net Position Attributed to:					
Employee contributions	\$ 58,119,214	\$ 82,602,393	\$ -	\$ 2,537,583	\$ 143,259,190
Employer contributions	-	-	39,564	-	39,564
Variable earnings reimbursements	770,557	829,575	103,938	52,550	1,756,620
Investment income:					
Variable earnings investment income	190,664,117	231,534,683	30,739,238	14,959,961	467,897,999
Interest income	13,998,931	7,314,167	709,290	182,529	22,204,917
Total Additions	<u>263,552,819</u>	<u>322,280,818</u>	<u>31,592,030</u>	<u>17,732,623</u>	<u>635,158,290</u>
Deductions to Net Position Attributed to:					
Distributions to participants	90,898,692	79,068,751	7,240,428	5,576,913	182,784,784
Administrative expenses	2,570,413	1,820,523	172,242	96,524	4,659,702
Life insurance premiums	20,281	-	-	-	20,281
Total Deductions	<u>93,489,386</u>	<u>80,889,274</u>	<u>7,412,670</u>	<u>5,673,437</u>	<u>187,464,767</u>
Net increase	170,063,433	241,391,544	24,179,360	12,059,186	447,693,523
Net position held in trust for deferred compensation benefits, beginning of year	<u>1,295,317,845</u>	<u>1,243,907,287</u>	<u>149,528,034</u>	<u>70,886,080</u>	<u>2,759,639,246</u>
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	<u>\$ 1,465,381,278</u>	<u>\$ 1,485,298,831</u>	<u>\$ 173,707,394</u>	<u>\$ 82,945,266</u>	<u>\$ 3,207,332,769</u>

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

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maryland Teachers and State Employees Supplemental Retirement Plans (the “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: The Deferred Compensation Plan under Internal Revenue Code (the “Code” or “IRC”) Section 457; Savings and Investment Plan under IRC Section 401(k); the Match Plan under IRC Section 401(a); and the Tax Sheltered Annuity Plan under IRC Section 403(b) (each a “Plan” and collectively, the “Plans”). MSRP had 58,033 participants as of December 31, 2014. 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 pursuant to statute effective on July 1, 1985, and is designed to be a tax-qualified 401(k) profit sharing plan.

The State Match Plan and Trust (the “401(a) Match Plan”) was established by the State pursuant to Title 32 of the State Personnel & Pensions Article of the Maryland Code and is designed to be a tax-qualified 401(a) defined contribution matching plan.

The State Tax Sheltered Annuity Plan (the “403(b) Plan”) was established by the Board of Trustees pursuant to Title 35 of the State Personnel & Pensions Article of the Maryland Code.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Contributions are recognized as additions when due pursuant to formal commitments as well as statutory and contractual commitments. Benefits are recognized when due and payable under plan provisions.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Risks and Uncertainties

MSRP invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net 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 ("IRC"), MSRP limits the amount of an individual's annual contributions to an amount not to exceed the lesser of \$17,500, or 100% of their annual compensation, as defined by the IRC. Additional "catch-up" contributions are available for those age 50 and over across all Plans. In addition, participants who contribute to the 457 Plan may under certain circumstances contribute additional sums in the three years prior to retirement. The limits are subject to an annual cost of living adjustment. Amounts contributed by employees are deferred for Federal and State income tax purposes until benefits are paid to the employees. Contributions of \$4.6 million were made to the Roth accounts by approximately 2,632 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2014. Contributions of \$3.4 million were made to the Roth accounts by approximately 1,938 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2013.

Under Title 32 of the State Personnel & Pension Article, the State contributes to each participant's 401(a) Match Plan account an amount equal to the participant's contributions to one of the Plans during the same plan year. The statutory ceiling for these amounts is \$600 per participant for each State fiscal year. Contributions are credited to the investment option selected by the employee/plan participant. For the period July 1, 2009 through the year ended December 31, 2014, the State suspended the match contribution pursuant to budget amendments.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Participant Accounts

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

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

- The investment contract pool (The "ICP"). The ICP is a book value/constant principal investment fund that periodically adjusts the rates paid to participants in order to account for the income, gains and losses of the portfolio. It is made up of a collection of book value investments: a money market fund, guaranteed investment contracts written by insurance companies, and synthetic guaranteed investment contracts written by insurance companies and other financial institutions. This option is not available in the 403(b) plan.
- Mutual funds

Payment of Benefits

Employees investing in MSRP may withdraw the value of their accounts in accordance with IRC rules and the terms of the respective plan. Distributions are generally available upon termination of employment, or financial hardship. Additionally, employees are eligible to collect distributions from the 401(k) and 403(b) Plans upon attainment of age 59 ½.

Employees eligible to receive benefits may select various payout options, which include lump sum, periodic or annuity payments. Purchased annuity payout options are offered by Nationwide Life Insurance Company and Metropolitan Life Insurance Company.

At retirement or termination of employment, employees investing in life insurance contracts, which are closed to additional participants, may continue to make premium payments directly to the insurance carrier, or they may receive the cash surrender value of the policies. At the time of death of an employee, the face value of the insurance contract is payable to the beneficiary.

Amounts in participant's account are paid to the designated beneficiary at the employee's death.

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

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2014 and 2013

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

Investment Valuation and Income Recognition

The Investment Contract Pool (ICP) investment option – The ICP is shown in the statements under the category of investments, and is valued at contract value. The ICP is managed by Galliard Capital Management under a management agreement with the Board of Trustees. Interest rates are reset monthly.

During 1997, a master trust was established to hold the investment contract pool/assets underlying this investment option. Under the Master Trust arrangement, assets of participants who participate in the 457 Plan, the 401(k) Plan, and/or the 401(a) Match Plan are combined and held in the Master Trust. Each Plan has an undivided but measurable interest in the assets held by the Master Trust. The practice is permitted by IRC Rev. Rul. 81-100 and Rev. Rul. 2011-1. Mutual fund assets held in the 403(b) Plan are held in a master custodial account as required by IRC 403(b)(7).

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

Mutual fund investment options - Mutual fund investments are presented at fair value based on net assets value as reported by the investment carrier. All purchases and sales of investments are recorded on a trade-date basis.

Earnings are accrued to an individual participant's account based upon the investment performance of the specific options selected.

Annuity Reserves - Assets held for annuity payout reserves are valued at the actuarially determined present value of estimated future distributions.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Surrender Value

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

Mutual Fund Reimbursements

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

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

**Notes to the Financial Statements
December 31, 2014 and 2013**

2. INVESTMENTS AND INVESTMENT INCOME

Part 1: 457 Plan

Investments held including a discontinued group annuity contract and annuity reserves held by Nationwide Life and Metropolitan Life, as of December 31, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
Fixed Investments - Investment Contract Pool	\$ 410,638,394	\$ 427,306,290
Vanguard Institutional Index Fund - Institutional Plus	160,032,261	143,546,106
Fidelity(R) Puritan Fund	125,283,860	116,071,655
Goldman Sachs Large Cap Value Fund - Institutional Shares	79,995,839	74,004,843
Vanguard Mid Cap Index Fund - Institutional Plus Shares	72,614,355	65,183,654
American Funds - Euro Pacific Growth Fund	57,959,557	58,438,648
T Rowe Price Small-Cap Stock Fund, Inc.	55,476,939	56,018,158
American Funds - Growth Fund of America	54,352,524	54,745,447
American Century Equity Growth Fund - Institutional Class	54,187,576	49,940,644
PIMCO Total Return Fund - Institutional Shares	44,327,614	48,484,674
T Rowe Price Retirement 2020 Fund	39,830,311	34,208,293
T Rowe Price Mid Cap Value Fund, Inc.	31,366,537	27,989,945
T Rowe Price Retirement 2030 Fund	28,558,939	24,665,374
T Rowe Price Retirement 2015 Fund	27,830,723	24,609,871
T Rowe Price Retirement 2025 Fund	27,197,910	23,315,927
Vanguard Small Cap Growth Index - Institutional Shares	20,162,007	20,661,303
T Rowe Price Retirement 2035 Fund	18,040,443	15,210,787
T Rowe Price Retirement 2040 Fund	15,979,511	12,782,150
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	11,436,417	12,602,022
T Rowe Price Retirement 2010 Fund	11,212,039	10,236,322
Vanguard Value Index Fund - Institutional Shares	11,160,388	8,412,539
Vanguard Small Cap Value Index Fund - Institutional Shares	10,595,005	7,779,483
Vanguard Total International Stock Index Fund - Institutional Shares	9,244,537	7,608,985
T Rowe Price Retirement 2045 Fund	9,028,885	7,446,563
Parnassus Equity Income Fund - Institutional Shares	7,908,060	7,102,397
T Rowe Price Retirement 2050 Fund	6,283,271	4,983,498
T Rowe Price Retirement Income Fund	5,755,586	4,415,727
T Rowe Price Retirement 2005 Fund	4,647,905	3,548,033
Vanguard Total Bond Market Index Fund - Institutional Shares	3,284,509	3,460,419
T Rowe Price Retirement 2055 Fund	2,398,507	1,399,869
T Rowe Price Retirement 2060 Fund	7,586	-
Total Mutual Funds	1,006,159,601	928,873,336
Discontinued investment options - Nationwide Fixed Annuities	70,262,956	73,155,745
Nationwide Life annuity payout reserves	11,221,851	12,418,353
Metropolitan Life annuity payout reserves	4,452,905	4,794,407
Total Annuities	85,937,712	90,368,505
Total Investments	\$ 1,502,735,707	\$ 1,446,548,131

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

**Notes to the Financial Statements
December 31, 2014 and 2013**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 2: 401(k) Plan

Investments held as of December 31, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
Fixed Investments - Investment Contract Pool	\$ 327,579,412	\$ 331,493,906
Vanguard Institutional Index Fund - Institutional Plus	233,383,065	208,829,766
Fidelity(R) Puritan Fund	119,373,033	109,099,984
Vanguard Mid Cap Index Fund - Institutional Plus Shares	85,434,518	74,633,482
American Funds - Growth Fund of America	85,064,028	78,811,960
T. Rowe Price Small-Cap Stock Fund, Inc.	77,409,128	76,109,971
EuroPacific Growth Fund® -Class R6	68,775,537	71,423,673
Goldman Sachs Large Cap Value Fund - Institutional Shares	68,745,610	63,647,992
T Rowe Price Retirement 2020 Fund	63,541,831	55,496,327
PIMCO Total Return Fund - Institutional Shares	60,465,699	64,236,913
American Century Equity Growth Fund - Institutional Class	59,589,613	53,361,432
T Rowe Price Retirement 2025 Fund	48,732,551	40,039,657
T Rowe Price Retirement 2015 Fund	38,101,697	35,843,594
T Rowe Price Mid Cap Value Fund, Inc.	35,847,598	31,442,283
T Rowe Price Retirement 2030 Fund	33,980,055	28,573,564
Vanguard Small Cap Growth Index - Institutional Shares	31,732,896	32,593,411
T Rowe Price Retirement 2035 Fund	17,284,987	15,360,761
T Rowe Price Retirement 2010 Fund	15,698,626	14,426,759
T Rowe Price Retirement 2040 Fund	13,936,624	11,304,718
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	13,894,354	15,026,026
Vanguard Value Index Fund - Institutional Shares	12,668,933	9,086,026
Vanguard Small Cap Value Index Fund - Institutional Shares	12,184,920	10,102,611
Parnassus Equity Income Fund - Institutional Shares	10,316,184	7,657,889
Vanguard Total Bond Market Index Fund - Institutional Shares	9,235,181	5,189,451
Vanguard Total International Stock Index Fund - Institutional Shares	8,538,865	8,664,589
T Rowe Price Retirement 2045 Fund	5,446,117	4,520,734
T Rowe Price Retirement Income Fund	4,700,409	4,361,967
T Rowe Price Retirement 2005 Fund	3,016,894	2,806,316
T Rowe Price Retirement 2050 Fund	3,001,847	1,933,571
T Rowe Price Retirement 2055 Fund	1,612,657	1,214,609
T Rowe Price Retirement 2060 Fund	65,616	-
Total Mutual Funds	1,241,779,073	1,135,800,036
Total Investments	\$ 1,569,358,485	\$ 1,467,293,942

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

**Notes to the Financial Statements
December 31, 2014 and 2013**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 3: 401(a) Plan

Investments held as of December 31, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
Fixed Investments - Investment Contract Pool	\$ 32,771,997	\$ 34,504,491
Vanguard Institutional Index Fund - Institutional Plus	39,256,031	36,158,668
Fidelity(R) Puritan Fund	15,399,732	14,382,522
Vanguard Mid Cap Index Fund - Institutional Plus Shares	11,408,936	10,368,020
Goldman Sachs Large Cap Value Fund - Institutional Shares	10,349,801	9,669,592
American Century Equity Growth Fund - Institutional Class	9,618,539	8,796,976
T. Rowe Price Small-Cap Stock Fund, Inc.	9,508,746	9,359,728
American Funds - Growth Fund of America	9,069,336	8,632,109
EuroPacific Growth Fund® -Class R6	6,196,399	6,724,416
T Rowe Price Retirement 2020 Fund	4,952,685	4,611,784
PIMCO Total Return Fund - Institutional Shares	4,606,863	4,859,252
T Rowe Price Retirement 2025 Fund	4,245,384	3,913,886
T Rowe Price Retirement 2030 Fund	3,870,088	3,565,278
Vanguard Small Cap Growth Index - Institutional Shares	3,330,371	3,456,038
T Rowe Price Retirement 2015 Fund	2,918,743	2,892,850
T Rowe Price Mid Cap Value Fund, Inc.	2,684,384	2,454,265
T Rowe Price Retirement 2035 Fund	2,481,829	2,351,672
T Rowe Price Retirement 2040 Fund	1,866,233	1,738,951
T Rowe Price Retirement 2010 Fund	1,008,158	980,021
T Rowe Price Retirement 2045 Fund	898,152	874,510
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	869,293	932,225
Vanguard Small Cap Value Index Fund - Institutional Shares	554,312	499,918
Parnassus Equity Income Fund - Institutional Shares	457,832	354,074
Vanguard Value Index Fund - Institutional Shares	406,593	323,706
T Rowe Price Retirement 2050 Fund	382,361	372,122
Vanguard Total International Stock Index Fund - Institutional Shares	303,488	329,393
Vanguard Total Bond Market Index Fund - Institutional Shares	256,666	184,332
T Rowe Price Retirement Income Fund	195,256	182,484
T Rowe Price Retirement 2005 Fund	134,894	155,808
T Rowe Price Retirement 2055 Fund	89,180	78,303
T Rowe Price Retirement 2060 Fund	5,084	-
Total Mutual Funds	147,325,369	139,202,903
Total Investments	\$ 180,097,366	\$ 173,707,394

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

**Notes to the Financial Statements
December 31, 2014 and 2013**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 4: 403(b) Plan

Investments held as of December 31, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
Vanguard Institutional Index Fund - Institutional Plus	\$ 13,923,605	\$ 12,701,515
Vanguard Mid-Cap Index Fund - Institutional Plus Shares	9,153,241	8,410,076
Fidelity(R) Puritan Fund	8,846,761	8,838,740
Goldman Sachs Large Cap Value Fund - Institutional Shares	7,222,381	6,633,540
Vanguard Prime Money Market Fund - Institutional Shares	5,647,021	5,627,727
EuroPacific Growth Fund® -Class R6	4,164,722	4,539,192
American Century Equity Growth Fund - Institutional Class	3,884,059	3,601,710
American Funds - Growth Fund of America	3,848,645	3,718,997
PIMCO Total Return Fund - Institutional Shares	3,742,242	4,796,145
Great West Life Assurance Company	3,669,143	4,018,630
T. Rowe Price Small-Cap Stock Fund, Inc.	3,519,460	3,431,928
T Rowe Price Mid Cap Value Fund, Inc.	2,044,616	1,394,976
T Rowe Price Retirement 2015 Fund	1,969,678	1,959,657
Vanguard Small Cap Growth Index - Institutional Shares	1,964,276	2,119,220
Vanguard Total Bond Market Index Fund - Institutional Shares	1,452,400	750,367
T Rowe Price Retirement 2020 Fund	1,408,265	1,156,053
Vanguard Small Cap Value Index Fund - Institutional Shares	1,297,610	1,214,067
T Rowe Price Retirement 2025 Fund	1,213,061	743,522
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	1,041,253	1,180,761
Vanguard Value Index Fund - Institutional Shares	1,034,915	388,795
Vanguard Total International Stock Index Fund - Institutional Shares	993,221	1,494,857
T Rowe Price Retirement 2040 Fund	879,096	234,949
T Rowe Price Retirement 2010 Fund	742,956	928,268
T Rowe Price Retirement 2005 Fund	574,917	880,467
T Rowe Price Retirement 2030 Fund	522,750	699,580
T Rowe Price Retirement Income Fund	461,698	382,236
T Rowe Price Retirement 2035 Fund	327,391	218,693
Parnassus Equity Income Fund - Institutional Shares	325,933	268,895
T Rowe Price Retirement 2045 Fund	139,098	91,297
T Rowe Price Retirement 2050 Fund	56,719	48,649
T Rowe Price Retirement 2055 Fund	4,029	3,445
Total Mutual Funds	\$ 86,075,162	\$ 82,476,954

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

**Notes to the Financial Statements
December 31, 2014 and 2013**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 5: MSRP – All Plans Summary

Investments held including a discontinued group annuity contract and annuity reserves held by Nationwide Life and Metropolitan Life, as of December 31, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
Fixed Investments - Investment Contract Pool	\$ 770,989,803	\$ 793,304,687
Vanguard Institutional Index Fund - Institutional Plus	446,594,962	401,236,055
Fidelity(R) Puritan Fund	268,903,386	248,392,901
PIMCO Total Return Fund - Institutional Shares	113,142,418	122,376,984
Goldman Sachs Large Cap Value Fund - Institutional Shares	166,313,631	153,955,967
Vanguard Mid Cap Index Fund - Institutional Shares	85,434,518	74,633,482
American Funds - Growth Fund of America	152,334,533	145,908,513
T Rowe Price Small-Cap Stock Fund, Inc.	145,914,273	144,919,785
EuroPacific Growth Fund® -Class R6	79,136,658	82,687,281
American Funds - Euro Pacific Growth Fund	57,959,557	58,438,648
T Rowe Price Retirement 2020 Fund	109,733,092	95,472,457
T Rowe Price Mid Cap Value Fund, Inc.	71,943,135	63,281,469
T Rowe Price Retirement 2015 Fund	70,820,841	65,305,972
Vanguard Small Cap Growth Index - Institutional Shares	57,189,550	58,829,972
T Rowe Price Retirement 2025 Fund	81,388,906	68,012,992
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	27,241,317	29,741,034
T Rowe Price Retirement 2030 Fund	66,931,832	57,503,796
T Rowe Price Retirement 2010 Fund	28,661,779	26,571,370
T Rowe Price Retirement 2035 Fund	38,134,650	33,141,913
Vanguard Total International Stock Index Fund - Investor Shares	9,244,537	7,608,985
T Rowe Price Retirement 2040 Fund	32,661,464	26,060,768
Vanguard Small Cap Value Index Fund - Institutional Shares	24,631,847	19,596,079
T Rowe Price Retirement 2005 Fund	8,374,610	7,390,624
Vanguard Value Index Fund - Institutional Shares	25,270,829	18,211,066
Vanguard Prime Money Market Fund - Institutional Shares	5,647,021	5,627,727
T Rowe Price Retirement Income Fund	11,112,949	9,342,414
T Rowe Price Retirement 2045 Fund	15,512,252	12,933,104
Great West Life Assurance Company	3,669,143	4,018,630
T Rowe Price Retirement 2050 Fund	9,724,198	7,337,840
T Rowe Price Retirement 2055 Fund	4,104,373	2,696,226
T Rowe Price Retirement 2060 Fund	78,286	-
Vanguard Total International Stock Index Fund - Institutional Shares	9,835,574	10,488,839
Vanguard Mid-Cap Index Fund - Institutional Plus Shares	93,176,532	83,961,750
Vanguard Total Bond Market Index Fund - Institutional Shares	14,228,756	9,584,569
Parnassus Equity Income Fund - Institutional Shares	19,008,009	15,383,255
American Century Equity Growth Fund - Institutional Class	127,279,787	115,700,762
Total Mutual Funds	2,481,339,205	2,286,353,229
Discontinued investment options - Nationwide Fixed Annuities	70,262,956	73,155,745
Nationwide Life annuity payout reserves	11,221,851	12,418,353
Metropolitan Life annuity payout reserves	4,452,905	4,794,407
Total Annuities	85,937,712	90,368,505
Total Investments	\$ 3,338,266,720	\$ 3,170,026,421

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2014 and 2013

2. INVESTMENTS AND INVESTMENT INCOME (continued)

ICP interest income in the 457, 401(k) and 401(a) Plans is recorded based upon a blended rate of the contractual interest of all investment contracts in force during the period. These amounts are credited to the participants' accounts prior to charges for administrative expenses charged by Nationwide Retirement Solutions, the administrator of the Plans ("NRS"), and the Board. The blended gross interest rate was 1.70% as of December 31, 2014, and ranged from 1.57% to 1.86% during the year ended December 31, 2014. The blended gross interest rate was 1.73% as of December 31, 2013, and ranged from 1.73% to 2.34% during the year ended December 31, 2013. The contract value as of December 31, 2014 and 2013, was \$770,989,803 and \$793,304,687, respectively. The fair market value as of December 31, 2014 and 2013, was \$783,614,211 and \$800,455,213, respectively, and the wrapper value was \$12,193,667 and \$123,481, respectively.

The Nationwide Life fixed annuities in the 457 Plan reflect investments made under a fixed group annuity contract with Nationwide Life. That contract has been closed to new contributions since January 1, 1987.

Interest income on investments in Nationwide Life fixed annuities and annuity payout reserves are recorded as earned on an accrual basis. Beginning in 1982, based upon the date of contribution, Nationwide Life initiated a plan for paying different rates to specific pools of money. The gross interest rate paid on fixed annuity contributions was 3.6% as of December 31, 2014, and was 3.83% as of December 31, 2013.

The 403(b) Plan includes a closed fixed earnings investment with the Great-West Fixed Investment Fund and is valued at contract value, which represents costs plus interest credited at guaranteed rates (subject to quarterly market adjustments, as reported by Great-West as of December 31). These amounts are credited to the participants' accounts prior to charges for administration expenses charged by NRS and the Board. The gross interest rate paid on contributions to this investment was 4.0% in both 2014 and 2013. This option is not open for new contributions or exchanges.

Mutual fund investment income consists of dividends earned and realized and unrealized gains and losses attributable to the underlying investments.

MSRP discloses investment risks below, in accordance with GASB Statement No. 40, which defines these risks as follows:

Interest Rate Risk. Interest risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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

**Notes to the Financial Statements
December 31, 2014 and 2013**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to an investment in a single issuer.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either (a) the counterparty, or (b) the counterparty's trust department or agent but not in MSRP's name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

Average Maturities. The investments and weighted average maturities as of December 31, 2014 and 2013, were as follows:

	December 31, 2014	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 770,989,803	3.5 years
Variable earnings:		
PIMCO Total Return Fund – Institutional Shares	113,142,418	5.2 years
Great-West Fixed Investment Fund	3,669,143	3.2 years
Variable earnings:		
Vanguard® Prime Money Market Fund – Institutional Shares	5,647,021	0.15 years

Note: The ICP is only available in the 457, 401(k) and 401(a) Match Plans. The Great-West Fixed Investment Fund and the Vanguard Prime Money Market Fund are only available in the 403(b) Plan.

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

**Notes to the Financial Statements
December 31, 2014 and 2013**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

	December 31, 2013	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 793,304,687	3.1 years
Variable earnings:		
PIMCO Total Return Fund – Institutional Shares	122,376,984	6.1 years
Great-West Fixed Investment Fund	4,018,630	3.5 years
Variable earnings:		
Vanguard® Prime Money Market Fund – Institutional Shares	5,627,727	0.15 years

Note: The ICP is only available in the 457, 401(k) and 401(a) Match Plans. The Great-West Fixed Investment Fund and the Vanguard Prime Money Market Fund are only available in the 403(b) Plan.

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

The ICP had a reported credit rating of AA for the years ended December 31, 2014 and 2013. Mutual Funds are not rated.

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

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

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2014 and 2013

3. LIFE INSURANCE

In the 457 Plan, the amount of life insurance in force with Unum Life was approximately \$7,095,091 and \$7,491,457 as of December 31, 2014 and 2013, respectively. Participants in the 457 Plan contributed \$16,097 and \$20,221 towards premiums for life insurance contracts offered by Unum Life during the years ended December 31, 2014 and 2013, respectively. At the time of retirement or termination of employment from the State, these participants have the option of continuing to make the life insurance premium payments or to receive the cash surrender value of the policy. This option is no longer available to new participants, and only participants with policies may continue to make contributions to this option.

4. ADMINISTRATIVE EXPENSES

The Board has appointed NRS, as the administrator under an administrative services contract. NRS is a subsidiary of Nationwide Financial Services, Inc., the owner of Nationwide Life and provider of certain 457 Plan fixed annuities that are no longer available to new participants or for exchanges from other plan investments.

The current contract with NRS to provide administrative services to MSRP under Board authority became effective January 1, 2013. Under the agreement, NRS provides administrative services, such as account statements, monitoring financial transactions, participant relations, and general management. Fees were charged by NRS at an annual rate of 0.09% in both 2014 and 2013, against the mutual fund, ICP and fixed annuity assets.

During 2014 and 2013, 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 participants' accounts. During 2014 and 2013, an additional fee of \$0.50 per month was charged for each account with a balance greater than \$500 in the 457, 401(k), and 403(b) Plans. The fee will be used to stabilize revenue for Board operations. The annual cap on participant charges was \$2,000 for 2014 and 2013.

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

The cash balance in the accompanying financial statements as of December 31, 2014 and 2013, represents charges assessed by the Board from all Plans and held as pooled cash by the Maryland State Treasurer in excess of expenses paid on behalf of the Board. By State law, this amount does not revert to the general fund of the State but constitutes a dedicated fund or reserve for use by the Plans, pursuant to the usual State appropriation process.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2014 and 2013

4. ADMINISTRATIVE EXPENSES (continued)

The cash reserve balance was \$602,046 and \$264,642 as of December 31, 2014 and 2013, respectively. In addition, the appropriate funds and cash reserves are carried on the 457 Plan financial statements as a matter of historical practice, arising from the period prior to 1990 when the 457 Plan was the only Plan operated by the Board and all 457 Plan assets, including the cash reserves that were general non-trust funds of the State.

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 IRC and, therefore, the amounts contributed by the State on behalf of the employees participating in Plans are not subject to Federal income tax withholding nor are they includable in taxable income until actually paid or otherwise made available to the participant, the participant's beneficiary, or the participant's estate.

6. RELATED PARTIES

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

7. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

MSRP has adopted the provisions of Governmental Accounting Standards Board (GASB) issued Statement No. 67, entitled *Financial Reporting for Pension Plans*. The adoption of this standard did not have a material effect on these statements.

As of the year ended December 31, 2014, GASB issued Statement No. 68, entitled *Accounting and Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. MSRP is analyzing the effects of these pronouncements and plans to adopt them as applicable by its effective date.

ADDITIONAL INFORMATION

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

**Schedule of Administrative Expenses
For the Years Ended December 31, 2014 and 2013**

	2014	2013
Plan Administrator		
Third party administrator fees	3,126,104	3,306,363
Plan sponsor *		
Salaries, wages, and fringe benefits	1,093,162	1,117,340
Technical and special fees	5,965	889
Communications	26,243	9,433
Travel	20,513	16,257
Contractual Services	291,526	299,345
Supplies and materials	12,142	4,500
Equipment and furnishings	354	15,883
Fixed Charges	138,688	134,222
Plan Sponsor Expenses	1,588,593	1,597,869
Reserve (Deduction) Addition	267,288	(244,530)
Plan Sponsor Total	1,855,881	1,353,339
Total Administrative Expenses	\$ 4,981,985	\$ 4,659,702

*See Note 4 for more information.

Maryland supplemental retirement plans

Investment Section

INVESTMENT ADVISORS' REPORT

For the year ended December 31, 2014

Prepared by Segal Rogerscasey

The report below discusses the overall performance of the Plan's investments for the year ended December 31, 2014, as well as the 2014 market environment.

Asset Class	Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Equities	MSCI World (Net of dividends)	1.01	4.94	4.94	15.47	10.20	6.03
	Russell 3000	5.24	12.56	12.56	20.51	15.63	7.94
	MSCI EAFE (Net of dividends)	-3.57	-4.90	-4.90	11.06	5.33	4.43
	MSCI EM (Net of dividends)	-4.50	-2.19	-2.19	4.04	1.78	8.43
Fixed Income	Barclays Capital Aggregate	1.79	5.97	5.97	2.66	4.45	4.71
	Citigroup Non-U.S. WGBI (Unhedged)	-2.91	-2.68	-2.68	-1.94	0.85	2.64
Other	Commodity Splice*	-19.89	-25.04	-25.04	-11.15	-6.04	-3.33
	NCREIF NPI	3.04	11.82	11.82	11.11	12.14	8.38
	Thomson Reuters Private Equity**	4.47	8.18	23.63	14.52	17.67	12.98
	HFRI Fund of Funds Composite	0.79	3.19	3.19	5.62	3.26	3.02

*Commodity Splice, a Segal Rogerscasey index, blends the Bloomberg Commodity Index (50%) and the S&P GSCI Index (50%), rebalanced monthly.

**Performance reported as of Q2 2014 because Q3 2014 and Q4 2014 performance data is not yet available.

Sources: eVestment Alliance, Hueler Analytics, Thomson One and Hedge Fund Research, Inc.

A rally in Q4 led to full year numbers that were better than long-term averages might lead one to expect. The Russell 3000 Index posted a 1.0 percent return in Q4 and ended 2014 up 12.6 percent. Granted, 2014 represented a significant slowdown when compared to the prior two years, but all were very helpful in regaining losses sustained during the financial crisis. In Q4, the leader was Utilities, while the laggard was Energy. Although companies charged with producing commodities suffered, the resultant price drop in consumables used to produce goods, heat homes, and power automobiles was a boon for a number of stocks as well as consumers. The MSCI EAFE Index (-3.6 percent) declined amid persistent economic weakness in Europe and falling oil prices. Stagnant European GDP growth data and re-emerging concerns about a possible Eurozone breakup caused investor sentiment to drop in the latter part of Q4. In addition, investors were disappointed following the European Central Bank's (ECB) December meeting that no additional measures to boost growth were announced. The MSCI Emerging Markets (EM) Index (-4.5 percent) continued to slide in Q4. The sharp decline in emerging markets was driven by the rapid fall of commodity prices, particularly oil, which triggered the worst economic crisis in Russia since its default in 1998. Currency had a material impact on Q4 performance, as the MSCI EM Index was flat in local currency terms.

Most sectors of the bond market posted positive results in Q4 despite the mixed showing of option-adjusted spreads. The mortgage market experienced a slight spread contraction, as gross mortgage-backed security issuance fell throughout the year. By contrast, weak global growth outside of the U.S. along with heavy supply caused corporate spreads to widen across all sectors.



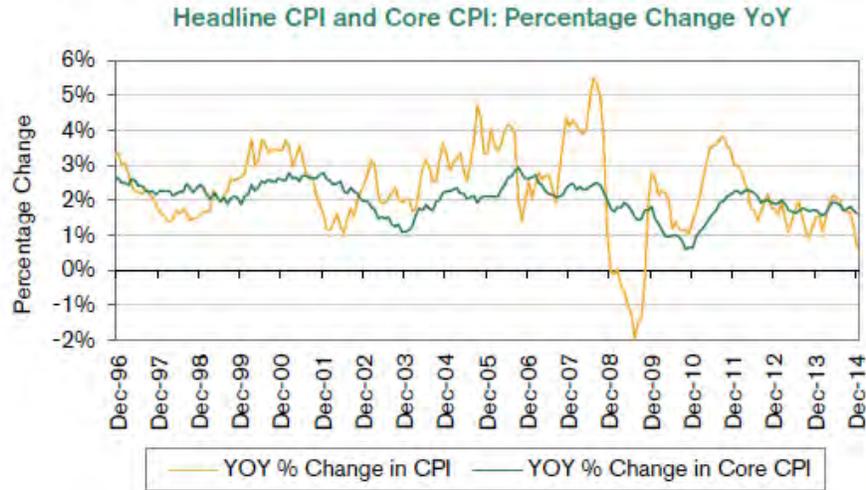
Real GDP grew at an annualized rate of 2.6 percent in Q4. The graph above shows annualized GDP growth, along with the year-over-year (YoY) rolling percentage change in GDP. Positive contributors for the quarter included consumption, fixed residential and nonresidential investment, and inventories. Net exports and government were detractors from GDP growth. Lower oil prices and a strong U.S. dollar (USD) aided consumer spending. Continued USD strength may hamper exports in the future.



Sources: Segal Rogerscasey using data from the Federal Reserve Board, the European Central Bank and the Bank of Japan

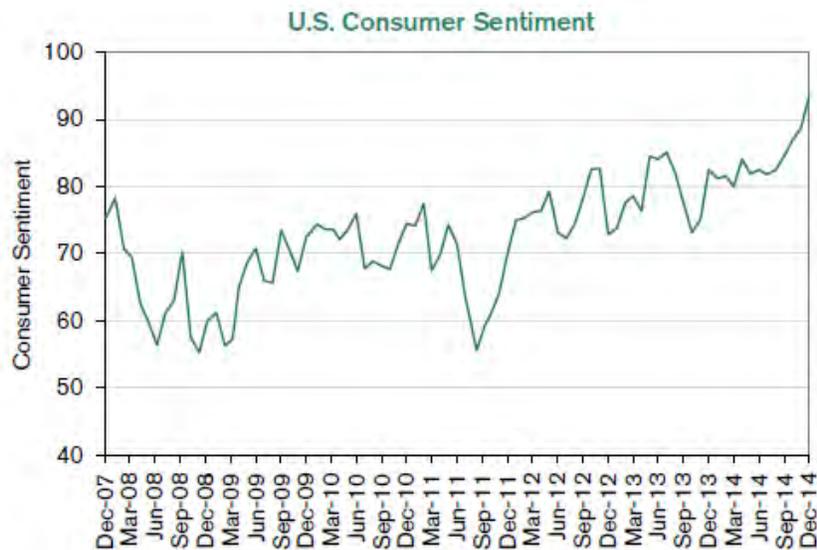
At its December meeting, the Federal Open Market Committee (FOMC) stated that it expects inflation to gradually rise to 2 percent with continued labor market improvement and energy price normalization from recent low levels. The Federal Funds Rate will remain between 0.0 and 0.25 percent toward the objectives of maximum employment and price stability. In an effort to maintain accommodative financial conditions, the FOMC will continue to reinvest principal payments from its agency debt and agency mortgage-backed securities holdings and

roll over maturing Treasury securities at auction. The European Central Bank (ECB) continued on course in December, holding its target refinancing rate at 0.05 percent, as well as its marginal lending rate at 0.30 and deposit rate at -0.20. The Eurozone continued to grapple with weak recovery, high levels of unemployment, and very low inflation. The Bank of Japan (BoJ) maintained its quantitative and qualitative easing policy in December, with the goal of increasing the monetary base by approximately 80 trillion yen on an annual basis.



Source: Bureau of Labor Statistics

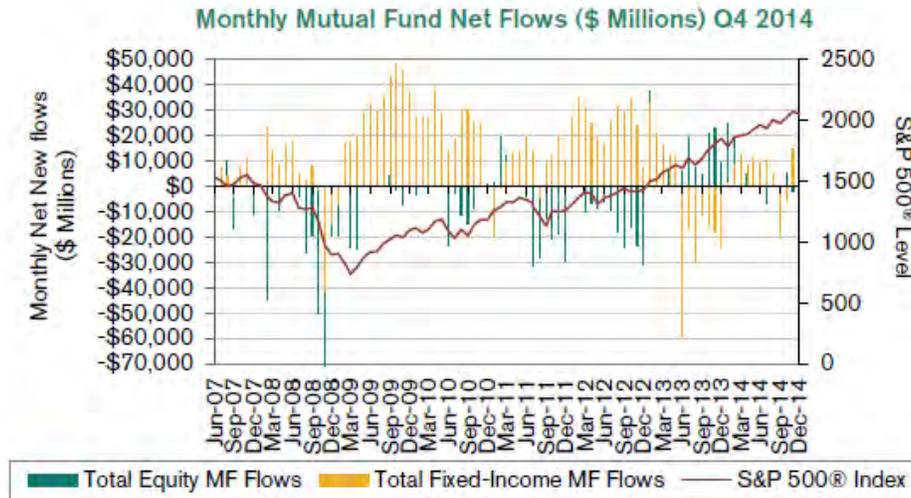
The headline seasonally adjusted Consumer Price Index (CPI)* was down 0.62 percent in Q4, and advanced 0.66 percent on a YoY basis. Seasonally adjusted Core CPI, which excludes both food and energy prices, rose 0.28 percent in Q4, bringing YoY Core CPI to 1.61 percent. On an unadjusted 12 months basis ending December 2014, the energy component fell the most at -10.60 percent. Commodities less food and energy commodities was also slightly negative. Services less energy services and food were positive.



Source: Moody's Economy.com using data from the Thomson Reuters/University of Michigan Consumer Sentiment Index

The University of Michigan Index of U.S. Consumer Sentiment is an economic indicator that measures individuals' confidence in the stability of their incomes as well as the state of the economy. The Consumer Sentiment Index rose from 84.6 in September 2014 to 93.6 in December, its strongest level since January 2007. Views on both present conditions and expectations increased from Q3. Healthier household financial conditions and greater economic optimism combined with lower gasoline prices and increased job growth helped propel the

advance in sentiment. Inflation expectations declined on a one-year basis and on a five-year basis remained unchanged from Q3.



Source: Investment Company Institute <http://www.ici.org>

The above graph shows net flows into equity and fixed-income mutual funds. In Q4, mutual funds experienced net outflows of approximately \$19.8 billion, a significant slowdown from Q3. Both equity and fixed income mutual funds had net outflows to end the quarter, which were primarily driven by negative flows in December. Treasury rates trended lower in the first two months of Q4; in December, short rates increased following an indication by the Fed that interest rates may rise in the latter half of 2015. The Treasury curve flattened significantly, as the 10-year Treasury note ended Q4 at 2.2 percent, 32 bps lower than Q3. Equity mutual funds experienced approximately \$14.1 billion in outflows during Q4, driven by domestic mutual fund outflows of \$20.9 billion. International mutual funds experienced \$6.8 billion in inflows. Hybrid mutual funds experienced outflows of \$7.2 billion.

Equity Indices	Quarter	1 Year	3 Year	5 Year	10 Year
S&P 500 ®	10.5	32.4	16.2	17.9	7.4
Russell 3000	10.1	33.6	16.2	18.7	7.9
Russell 1000	10.2	33.1	16.3	18.6	7.8
Russell 1000 Growth	10.4	33.5	16.5	20.4	7.8
Russell 1000 Value	10.0	32.5	16.1	16.7	7.6
Russell 2000	8.7	38.8	15.7	20.1	9.1
Russell 2000 Growth	8.2	43.3	16.8	22.6	9.4
Russell 2000 Value	9.3	34.5	14.5	17.6	8.6
MSCI EAFE (net)*	5.7	22.8	8.2	12.4	6.9
MSCI ACWI ex-U.S. (net)*	4.8	15.8	5.6	13.3	8.0
MSCI EM (net)*	1.8	-2.6	-2.1	14.8	11.2

Sources: Standard & Poor's, Russell Investments and Morgan Stanley Capital International

A rally in Q4 led to full year numbers, shown in the table above, that were better than long-term averages might lead one to expect. Granted, 2014 represented a significant slowdown when compared to the prior two

years, but all were very helpful in regaining losses sustained during the financial crisis.

Normally in a move as positive as Q4, one might expect cyclical sectors to lead the way and defensive stocks to trail, but Q4's leader in the S&P 500 was Utilities (13.2 percent), while the laggard was Energy (-10.7 percent). Although companies charged with producing commodities suffered, the resultant price drop in consumables used to produce goods, heat homes, and power automobiles was a boon for a number of stocks as well as consumers.

Small caps had a tremendous quarter, but poor returns in the first nine months of 2014 led to a year end result that was positive but disappointing. That said, the longer term figures show small caps trailed large caps only slightly over three years and were slightly ahead over five and ten years.

The MSCI EAFE Index (-3.6 percent) declined amid persistent economic weakness in Europe and falling oil prices. Stagnant European GDP growth data and re-emerging concerns about a possible Eurozone breakup caused investor sentiment to drop in the latter part of Q4. In addition, investors were disappointed following the ECB's December meeting that no additional measures to boost growth were announced. The MSCI Pacific ex-Japan Index (-1.5 percent) fell slightly less than other regions due to positive returns in New Zealand (2.5 percent) and Hong Kong (3.1 percent).

All sectors fell except Consumer Discretionary (2.8 percent). Consumer spending increased as lower oil prices translated into higher discretionary income. Not surprisingly, Energy was the worst performing sector, both in Q4 (-19.8 percent) and all of 2014 (-21.9 percent). OPEC's decision not to limit crude output has created an oversupply and lower demand scenario.

The MSCI Emerging Markets (EM) Index (-4.5 percent) continued to slide in Q4, largely due to weak December performance (-4.6 percent). The sharp decline in emerging markets was driven by the rapid fall of commodity prices, particularly oil, which triggered the worst economic crisis in Russia since its default in 1998. Currency had a material impact on Q4 performance, as the MSCI EM Index was flat in local currency terms.

supply causing corporate spreads to widen across all sectors. Industrials lagged financials and utilities, as falling oil prices adversely impacted energy-related sectors. Widening was most pronounced in the high yield market where spreads ticked up 59 bps, contributing to a 1.0 percent drawdown for Q4.

The U.S. Treasury Curve flattened during Q4. The yield gap between 2-year and 10-year Treasuries fell from 1.91 percent to 1.51 percent. At the short end of the curve, yields rose in response to the anticipated Federal Funds rate hike in 2015. At the long end of the curve, yields fell due to declining energy prices and weak global growth.

Fixed-Income Indices	Quarter	1 Year	3 Year	5 Year	10 Year
BarCap Aggregate	-0.1	-2.0	3.3	4.4	4.6
BarCap Govt/Credit	-0.0	-2.4	3.6	4.4	4.5
BarCap Intermediate Govt/Credit	-0.0	-0.9	2.9	4.0	4.1
BarCap L/T Govt/Credit	-0.1	-8.8	6.7	6.4	6.4
BarCap Government	-0.7	-2.6	2.7	2.3	4.1
BarCap Credit	0.9	-2.0	5.1	7.9	5.2
BarCap Mortgage	-0.4	-1.4	2.4	3.7	4.6
BofA ML US High Yield Master II	3.5	7.4	9.0	18.7	8.5
Citigroup Non-U.S. WGBI (Unhedged)	-0.7	-4.0	0.8	2.4	4.2
Citigroup 3-Month T-Bill	0.0	0.1	0.1	0.1	1.6
Hueler Stable Value	0.4	1.8	2.3	2.6	3.6

Sources: Barclays Capital, Citigroup and Hueler Analytics

Most sectors of the bond market posted positive results in Q4 despite the mixed showing of option-adjusted spreads. The mortgage market experienced a slight spread contraction, as gross mortgage-backed security issuance fell throughout the year. By contrast, weak global growth outside of the U.S. along with heavy

Plan Summary Report

For period ended December 31, 2014
Prepared by Segal Rogerscasey

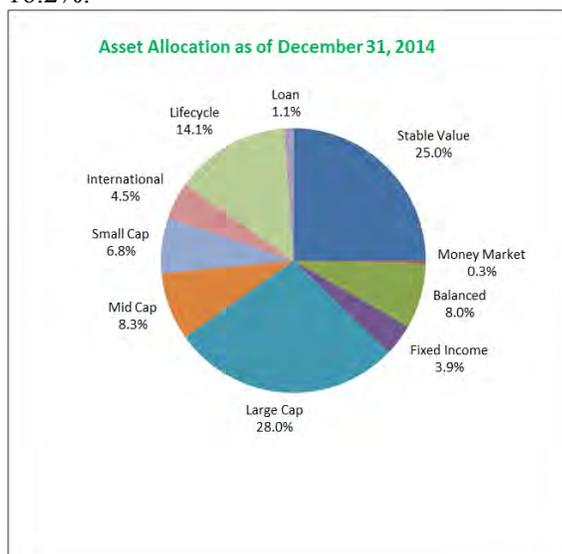
Assets of the Maryland Teachers and State Employees Supplemental Retirement Plans (the Plans) totaled \$3.359 billion as of December 31, 2014. This reflected an increase of approximately \$172 million from the prior calendar year-end. During 2014, the Plans received \$181.9 million in contributions and paid \$226.9 million in distributions to participants, which accounted for a \$45.0 million decrease in Plan assets that was offset by investment performance. In terms of overall asset allocation, the assets were invested as follows: 25.0% stable value, 28.0% large cap equity, 14.1% lifecycle, 8.3% mid cap equity, 8.0% balanced, 6.8% small cap equity, 4.5% international equity, 3.9% fixed income, 0.3% money market, and the remaining 1.1% was in loans. The single most popular investment option was the Investment Contract Pool, which comprised 23% of Plan assets.

The 401(k) Plan comprised the largest portion of the Plans at 47.3%, with \$1.588 billion in assets as of December 31, 2014. As of year-end, participants' assets were invested 20.6% stable value, 45.8% domestic equity, 15.7% lifecycle, 7.5% balanced, 4.4% fixed income, 4.9% international equity, and 1.2% loans. The largest single fund allocation was the Investment Contract Pool with 20.6% of participant assets.

The assets of the 457 Plan were valued at \$1.505 billion as of December 31, 2014, which comprised 44.8% of the Plans. As of year-end, participants' assets were invested 32.0% stable value, 38.2% domestic equity, 12.9% lifecycle, 8.3% balanced, 3.3% fixed income, 4.1% international equity, and 1.2% loans. The largest allocation was to the Investment Contract Pool with 27.3% of participant assets.

As of December 31, 2014, the 401(a) Plan was valued at \$180 million, which accounted for 5.4% of the Plans. Unlike the 457 and 401(k) Plans, the passively-managed, Vanguard Institutional Index Fund exceeded the popularity of the Investment Contract Pool with 21.8% of participant assets. As of year-end, participants' assets were invested 18.2% stable value, 54.1% domestic equity, 12.8% lifecycle, 8.6% balanced, 2.7% fixed income, and 3.6% international equity.

The 403(b) Plan comprised the smallest portion of the overall Plans, with \$86 million in assets, which accounted for 2.6% of the Plans. As of year-end, participants' assets were invested 57.2% domestic equity, 10.6% money market, 10.3% balanced, 6.0% fixed income, 9.6% lifecycle, 6.0% international equity, and 0.4% in loans. The single largest option in the 403(b) Plan, by participant assets, was the Vanguard Institutional Index Fund at 16.2%.



Top 5 Holdings	% of Total
Investment Contract Pool	23%
Vanguard Instl Index	13%
Fidelity Puritan	8%
Vanguard MidCap Index Inst	5%
Goldman Sachs Large Cap Value	5%
Subtotal	55%

Investment Categories	Market Value	% of Plan
Stable Value	\$ 850,360,811	25%
Active Core Options	\$ 1,230,513,180	37%
Passive Options	\$ 766,721,930	23%
LifeCycle Funds	\$ 474,768,155	14%
Loan	\$ 36,673,113	1%
Total Assets	\$ 3,359,037,189	100%

Summary of the Investment Policy Statement

Objectives of the Plans

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

A Statement of Investment Policy has been adopted by the Plan's Board of Trustees and serves the following purposes:

- To ensure that a broad range of investment options are offered to Plan participants;
- To establish an investment program that will allow Plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances;
- To define the investment categories offered by the Plans;
- To establish investment objectives and guidelines for each investment category offered within the Plans;
- To establish benchmarks and performance standards for each investment category and to evaluate each option's performance against appropriate benchmarks and standards;
- To establish a procedure for reporting and monitoring of the various funds;
- To define the procedures for investment fund evaluation and formal fund review; and
- To set guidelines and procedures for withdrawal of an investment option which, in the Board's opinion, does not, or will not, fulfill the Plans' objectives for which it was selected and replace the option with an appropriate substitute.

The Investment Policy Statement is intended to be dynamic and should be reviewed periodically and revised when appropriate.

Investment Categories

The Plan has chosen to offer the following categories of investments:

- Money Market Funds
- Fixed Investment Funds
- Bond Funds
- Balanced Funds
- Domestic Large Cap Equity Funds
- Domestic Mid Cap Equity Funds
- Domestic Small Cap Equity Funds
- International Equity Funds
- LifeCycle Funds

Within each category of investment, more than one investment option may be offered. For many of the categories, both actively managed and passively managed funds are available. Additionally, there may be multiple styles (e.g., value, growth, blend) offered. Each investment option offered under the Plan shall:

- Operate in full accordance with its current published prospectus or “fact sheet”;
- Have its performance results measured against the applicable performance standards described in the Statement of Investment Policy 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 in the Statement of Investment Policy. From time-to-time, investment options/categories may be added to the current core line-up.

Investment Option Analysis

Please refer to Exhibit A for more detailed results and mutual fund fees.

Stable Value/ Money Market

Investment Contract Pool (ICP): As the largest option on the Plan, this stable value option was valued at \$771.0 million as of December 31, 2014. This investment option is not available on the 403(b) Plan. Galliard commenced managing the ICP on February 1, 2014 and produced Q4 return of 0.43%, underperforming the blended policy index of the fund by 0.38%. Additionally, the ICP performance was at par with the Hueler Index, which is a blended return of actual stable value, pooled funds and separate account portfolios.

Nationwide Fixed Annuity: This option is only included in the investment line-up of the 457 Plan. Additionally, this option is frozen and therefore no longer accepting contributions. As of December 31, 2014, the value of the option was \$70.2 million.

GW Daily Interest Guarantee, GW 36 Month CD, GW 60 Month CD, GW 84 Month CD: These frozen investment options were previously offered in the 403(b) Plan. As of December 31, 2014, the largest fund by participant assets was the 84 month CD, which was valued at \$2.4 million. The 36-month and 60-month CDs were valued at approximately \$0.4 million each, while the Daily Interest Guarantee had approximately \$0.3 million.

Vanguard Prime Money Market: Another option only offered in the 403(b) Plan, this option has approximately \$5.6 million in assets as of December 31, 2014. Over the 1-year period, the Fund earned 5 basis points which was in line with the 90 Day US Treasury Bill. During the last 5 years, the Fund earned 0.11% on an average, annual basis, which was better than its benchmark.

Passive Options

Vanguard Total Bond Market Fund: This passively managed core bond fund performed in line with its custom policy index across all periods involved. Participant investments in this fund were valued at \$16.7 million as of December 31, 2014.

Vanguard Value Index: This passively managed large cap value equity fund produced returns consistent with its custom policy index. Participant investments in this fund were valued at \$25.3 million as of December 31, 2014.

Vanguard Institutional Index Plus: This passively managed large cap blend equity fund approximated the performance of the S&P 500 Index across all periods. Participant investments in this fund were valued at \$446.6 million as of December 31, 2014.

Vanguard MidCap Index Instl Plus: This passively managed mid cap blend equity fund performs in line with its custom policy index. Participant investments in this fund were valued at \$178.6 million as of December 31, 2014.

Vanguard Small Cap Value Index Instl: This passively managed small cap value equity fund produced results consistent with its custom policy index. Participant investments in this fund were valued at \$24.6 million as of December 31, 2014.

Vanguard Small Cap Growth Index Instl: This passively managed small cap growth equity fund produced results consistent with its custom policy index. Participant investments in this fund were valued at \$57.2 million as of December 31, 2014.

Vanguard Total International Stock Instl: This passively managed international blend fund approximated the performance of its custom policy index. Participant investments in this fund totaled \$17.7 million as of December 31, 2014.

Active Options

PIMCO Total Return Fund: This actively managed core fixed income option was valued at \$113.1 million as of December 31, 2014, comprising assets of participants from each of the four Plans. For the year, the fund trailed the Barclays Capital Aggregate Bond Index and its peer group; however, over the trailing 3- and 5-year period the fund exceeded the performance of the index and the median of the peer universe.

Fidelity Puritan Fund: As of December 31, 2014, \$268.9 million of participant assets were invested in the Plans' balanced option. The Fidelity Puritan Fund outpaced its blended benchmark and ranked among the top quartile of the balanced mutual fund universe during 2014. The fund outpaced both comparative benchmarks during the trailing 3- and 5-year periods.

Goldman Sachs Large Cap Value Fund: The Plans' actively managed large cap value option underperformed the Russell 1000 Value Index for the trailing 1-year; however, it outperformed the median return of the large cap value mutual fund universe over the same time-period. It outperformed both relative benchmarks over the 3-year period and trailed both relative benchmarks over the 5-year period. As of December 31, 2014, participant assets invested in this fund were valued at \$166.3 million.

American Century Equity Growth: For the calendar year 2014, the actively managed large cap blend equity fund underperformed the S&P 500 Index, but outperformed the peer universe. The fund outpaced its benchmark and the median of its peer universe during the trailing 3- and 5-year periods. Participant assets invested in this fund were valued at \$127.4 million as of December 31, 2014.

Parnassus Equity Income Instl: The large cap blend equity, socially responsible option outperformed the S&P 500 Index during 2014. Additionally, the fund outpaced the market index and the median of its peer universe during the trailing 3-year period. Over the 5-year period, the fund trailed its benchmark though it outpaced the median of its peer group. As of December 31, 2014, participants assets invested in this fund were valued at \$20.3 million.

American Funds Growth Fund of America: For the trailing 1-year period, the Plans' actively managed large cap growth option underperformed its benchmark and the median return of the large cap growth equity mutual fund universe. The fund outperformed the market index and peer universe for the trailing 3-year period, while it underperformed both relative benchmarks for the 5-year period. There were \$155.9 million in participant assets invested in this fund as of December 31, 2014.

T. Rowe Price MidCap Value: The Plans' actively managed mid cap value equity fund lagged the Russell Mid Cap Value Index, but outperformed the median of the mid cap value equity mutual fund universe during the trailing 1- and 3-year periods. The Fund lagged both relative benchmarks during the trailing 5-year period. As of December 31, 2014, participant assets invested in this fund were valued at \$71.9 million.

Morgan Stanley Instl Trust: For the calendar year 2014, the fund underperformed the Russell Mid Cap Growth Index and the median of the mid cap growth mutual fund universe. During the annualized 5-year period, the fund

lagged both its market benchmark and peer group. Participant assets invested in this fund were valued at \$27.2 million as of December 31, 2014.

T Rowe Price Small Cap Stock: The Plans' actively managed small cap blend equity fund outperformed the Russell 2000 index and median of its peer universe during 2014. The fund exceeded both comparative measures during the trailing 3- and 5- year periods. As of December 31, 2014, participant assets invested in this fund were valued at \$145.9 million.

American Funds EuroPacific Growth Fund: During the trailing 1-year period, the Plans' actively managed international equity fund significantly outperformed the MSCI ACWI ex-US Index and ranked in the top quartile of the international large cap equity mutual fund universe. The fund also performed better than these benchmarks during the 3- and 5-year annualized periods. As of December 31, 2014, participant assets invested in the fund were valued at \$133.3 million.

T Rowe Price Retirement Funds: The T Rowe Price Retirement Funds are the Plans' lifecycle options. Participants assets invested in these 13 lifecycle funds were valued at \$474.8 million as of December 31, 2014. These funds have varied asset allocations, based upon the projected retirement date of a participant, with more conservative allocations as retirement date approaches. For 2014, the most conservative fund earned 3.9%, while the most aggressive fund, which would be designed for participants approximately 40 years from retirement, the fund, earned 6.2%. On an annualized 5-year basis, the funds designed for participants that are in or are close to retirement produced returns of approximately 9.4-10.9%, whereas, funds designed for those younger employees earned approximately 12.1%. The following table illustrates the broad asset allocation of each of the specific funds as of December 31, 2014.

	Domestic Fixed	Domestic Equity	Int'l Equity	Int'l Fixed	Other
T Rowe Price Rtmt Income	48.0%	27.5%	11.7%	9.3%	3.5%
T Rowe Price Rtmt 2005	45.3%	27.7%	12.0%	11.6%	3.4%
T Rowe Price Rtmt 2010	40.5%	32.0%	13.7%	10.6%	3.2%
T Rowe Price Rtmt 2015	32.7%	37.8%	17.0%	9.2%	3.3%
T Rowe Price Rtmt 2020	25.6%	43.4%	20.1%	7.6%	3.3%
T Rowe Price Rtmt 2025	19.4%	48.3%	22.8%	6.2%	3.3%
T Rowe Price Rtmt 2030	14.5%	52.3%	25.0%	4.9%	3.4%
T Rowe Price Rtmt 2035	10.4%	55.5%	27.0%	3.6%	3.5%
T Rowe Price Rtmt 2040	7.2%	58.4%	28.5%	2.4%	3.5%
T Rowe Price Rtmt 2045	7.2%	58.3%	28.6%	2.4%	3.5%
T Rowe Price Rtmt 2050	7.2%	58.4%	28.6%	2.4%	3.4%
T Rowe Price Rtmt 2055	7.2%	58.3%	28.7%	2.4%	3.4%
T Rowe Price Rtmt 2060	7.3%	57.6%	29.3%	2.5%	3.3%

As of December 31, 2014

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Expense Ratio
Maryland Investment Contract Pool	0.43	N/A	N/A	N/A	N/A	
Hueler Stable Value	0.44	1.69	1.69	1.93	2.32	
Nationwide Fixed Account	0.89	N/A	N/A	N/A	N/A	
BofA Merrill Lynch 1-3 Year Treasury	0.17	0.62	0.62	0.47	1.06	
Vanguard Prime Money Mkt Instl	0.01	0.05	0.05	0.07	0.11	0.10
90 Day U.S. Treasury Bill	0.00	0.04	0.04	0.06	0.08	

Returns for periods greater than one year are annualized.
Returns are expressed as percentages.

Maryland Teachers & State Employees Supplemental Rtmt Plar

Comparative Performance

As of December 31, 2014

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Expense Ratio
Vanguard Total Bond Mkt Inst	1.73	5.91	5.91	2.59	4.39	0.07
Vanguard Total Bond Market Policy Index	1.76	5.85	5.85	2.68	4.48	
IM U.S. Broad Market Core Fixed Income (MF) Median	1.35	5.54	5.54	3.09	4.69	
Vanguard Total Bond Mkt Inst Rank	12	31	31	70	63	
Vanguard Value Index Instl	4.71	13.19	13.19	20.16	14.98	0.08
Vanguard Value Index Policy Index	4.73	13.29	13.29	20.31	15.09	
IM U.S. Large Cap Value Equity (MF) Median	4.20	10.87	10.87	19.48	13.46	
Vanguard Value Index Instl Rank	32	11	11	38	17	
Vanguard Instl Index Plus	4.93	13.68	13.68	20.40	15.45	0.02
S&P 500	4.93	13.69	13.69	20.41	15.45	
IM U.S. Large Cap Core Equity (MF) Median	4.49	11.41	11.41	19.30	13.78	
Vanguard Instl Index Plus Rank	33	18	18	27	19	
Vanguard MidCap Index Instl Plus	6.64	13.79	13.79	21.31	N/A	0.06
Vanguard Mid Cap Policy Index	6.65	13.83	13.83	21.40	17.14	
IM U.S. Mid Cap Core Equity (MF) Median	5.58	9.04	9.04	19.48	15.00	
Vanguard MidCap Index Instl Plus Rank	25	8	8	16	N/A	
Vanguard Small Cap Value Index Instl	7.89	10.59	10.59	21.50	16.57	0.08
Vanguard Small Cap Value Policy Index	7.87	10.63	10.63	21.55	16.59	
IM U.S. Small Cap Value Equity (MF) Median	8.02	3.63	3.63	18.32	14.89	
Vanguard Small Cap Value Index Instl Rank	52	2	2	7	13	
Vanguard Small Cap Growth Index Instl	5.68	4.04	4.04	19.16	16.92	0.08
Vanguard Small Cap Growth Policy Index	5.66	3.98	3.98	19.19	16.86	
IM U.S. Small Cap Growth Equity (MF) Median	8.43	1.67	1.67	18.07	15.45	
Vanguard Small Cap Growth Index Instl Rank	84	17	17	37	35	
Vanguard Total Intl Stock Instl	-4.19	-4.15	-4.15	9.29	N/A	0.12
Vanguard Total Intl Stock Instl Policy Index	-3.77	-3.39	-3.39	9.39	4.81	
IM International Large Cap Core Equity (MF) Median	-4.10	-6.00	-6.00	10.38	4.79	
Vanguard Total Intl Stock Instl Rank	58	23	23	79	N/A	

Returns for periods greater than one year are annualized.
Returns are expressed as percentages.

Maryland Teachers & State Employees Supplemental Rmtmt Plar

Comparative Performance

As of December 31, 2014

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Expense Ratio
PIMCO Total Return Instl	1.31	4.69	4.69	4.25	5.14	0.46
Barclays U.S. Aggregate	1.79	5.97	5.97	2.66	4.45	
IM U.S. Broad Market Core Fixed Income (MF) Median	1.35	5.54	5.54	3.09	4.69	
PIMCO Total Return Instl Rank	53	77	77	13	28	
Fidelity Puritan Fund	3.04	10.75	10.75	14.89	11.73	0.56
60% S&P 500 / 40% BC Agg	3.67	10.62	10.62	13.12	11.18	
IM All Balanced (MF) Median	1.54	4.75	4.75	10.64	8.65	
Fidelity Puritan Fund Rank	11	3	3	11	6	
Goldman Sachs Large Cap Value Instl	3.54	12.73	12.73	21.56	13.35	0.76
Russell 1000 Value Index	4.98	13.45	13.45	20.89	15.42	
IM U.S. Large Cap Value Equity (MF) Median	4.20	10.87	10.87	19.48	13.46	
Goldman Sachs Large Cap Value Instl Rank	65	17	17	11	53	
American Century Equity Growth	5.08	13.56	13.56	20.81	16.18	0.47
S&P 500	4.93	13.69	13.69	20.41	15.45	
IM U.S. Large Cap Core Equity (MF) Median	4.49	11.41	11.41	19.30	13.78	
American Century Equity Growth Rank	30	19	19	21	8	
Parnassus Core Equity Instl	6.34	14.71	14.71	21.17	14.95	0.69
S&P 500	4.93	13.69	13.69	20.41	15.45	
IM U.S. Large Cap Core Equity (MF) Median	4.49	11.41	11.41	19.30	13.78	
Parnassus Core Equity Instl Rank	7	10	10	16	25	
American Funds Growth Fund of American R6	2.82	9.63	9.63	21.22	13.89	0.33
Russell 1000 Growth Index	4.78	13.05	13.05	20.26	15.81	
IM U.S. Large Cap Growth Equity (MF) Median	4.79	10.50	10.50	19.68	14.07	
American Funds Growth Fund of American R6 Rank	87	61	61	21	57	
T Rowe Price MidCap Value	3.60	10.60	10.60	20.29	14.04	0.80
Russell Midcap Value Index	6.05	14.75	14.75	21.98	17.43	
IM U.S. Mid Cap Value Equity (MF) Median	5.55	9.81	9.81	20.27	15.41	
T Rowe Price MidCap Value Rank	79	43	43	50	75	

Returns for periods greater than one year are annualized.
Returns are expressed as percentages.

As of December 31, 2014

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Expense Ratio
Morgan Stanley Instl Trust	2.64	1.33	1.33	15.35	13.70	0.71
Russell Midcap Growth Index	5.84	11.90	11.90	20.71	16.94	
IM U.S. Mid Cap Growth Equity (MF) Median	5.32	7.53	7.53	18.69	15.01	
Morgan Stanley Instl Trust Rank	90	95	95	92	81	
T Rowe Price Small Cap Stock	9.18	6.90	6.90	20.19	18.12	0.91
Russell 2000 Index	9.73	4.89	4.89	19.21	15.55	
IM U.S. Small Cap Core Equity (MF) Median	9.58	4.47	4.47	18.88	15.46	
T Rowe Price Small Cap Stock Rank	57	13	13	23	8	
American Funds EuroPacific Growth R6	-1.63	-2.29	-2.29	12.12	6.05	0.49
MSCI AC World ex USA	-3.81	-3.44	-3.44	9.49	4.89	
IM International Large Cap Core Equity (MF) Median	-4.10	-6.00	-6.00	10.38	4.79	
American Funds EuroPacific Growth R6 Rank	9	19	19	19	16	

Returns for periods greater than one year are annualized.
Returns are expressed as percentages.

Maryland Teachers & State Employees Supplemental Rtmt Plar

Comparative Performance

As of December 31, 2014

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Expense Ratio
T Rowe Price Rtmt Income	0.56	3.92	3.92	7.68	6.87	0.57
T. Rowe Price Retirement Income Fund Index	1.04	4.49	4.49	7.49	6.56	
IM Mixed-Asset Target Alloc Consv (MF) Median	0.95	4.00	4.00	6.97	6.51	
T Rowe Price Rtmt Income Rank	68	54	54	33	38	
T Rowe Price Rtmt 2005	0.82	4.72	4.72	8.57	7.68	0.59
T. Rowe Price Retirement 2005 Index	1.50	5.48	5.48	8.27	7.45	
IM Mixed-Asset Target 2010 (MF) Median	1.03	4.10	4.10	8.01	7.05	
T Rowe Price Rtmt 2005 Rank	65	24	24	37	31	
T. Rowe Price Retire 2010	0.96	4.99	4.99	9.73	8.41	0.59
T. Rowe Price Retirement 2010 Index	1.62	5.77	5.77	9.42	8.25	
IM Mixed-Asset Target 2010 (MF) Median	1.03	4.10	4.10	8.01	7.05	
T. Rowe Price Retire 2010 Rank	58	20	20	9	11	
T. Rowe Price Retire 2015	1.27	5.37	5.37	11.37	9.39	0.63
T. Rowe Price Retirement 2015 Index	1.87	6.30	6.30	11.01	9.26	
IM Mixed-Asset Target 2015 (MF) Median	1.26	4.35	4.35	8.94	7.72	
T. Rowe Price Retire 2015 Rank	50	23	23	2	3	
T. Rowe Price Retire 2020	1.45	5.63	5.63	12.77	10.21	0.67
T. Rowe Price Retirement 2020 Index	2.05	6.70	6.70	12.35	10.09	
IM Mixed-Asset Target 2020 (MF) Median	1.49	4.73	4.73	9.34	7.96	
T. Rowe Price Retire 2020 Rank	52	25	25	2	1	
T. Rowe Price Retire 2025	1.61	5.84	5.84	14.04	10.88	0.70
T. Rowe Price Retirement 2025 Index	2.22	7.06	7.06	13.57	10.77	
IM Mixed-Asset Target 2025 (MF) Median	1.61	5.16	5.16	11.32	9.21	
T. Rowe Price Retire 2025 Rank	49	35	35	7	4	
T. Rowe Price Retire 2030	1.77	6.05	6.05	15.11	11.47	0.73
T. Rowe Price Retirement 2030 Index	2.32	7.29	7.29	14.59	11.36	
IM Mixed-Asset Target 2030 (MF) Median	1.84	5.27	5.27	12.19	9.36	
T. Rowe Price Retire 2030 Rank	52	26	26	5	3	

Returns for periods greater than one year are annualized.
Returns are expressed as percentages.

Maryland Teachers & State Employees Supplemental Rmtm Plar

Comparative Performance

As of December 31, 2014

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Expense Ratio
T. Rowe Price Retire 2035	1.88	6.07	6.07	15.83	11.83	0.75
T. Rowe Price Retirement 2035 Index	2.38	7.37	7.37	15.33	11.74	
IM Mixed-Asset Target 2035 (MF) Median	1.88	5.40	5.40	13.35	10.19	
T. Rowe Price Retire 2035 Rank	51	33	33	8	4	
T. Rowe Price Retire 2040	1.96	6.18	6.18	16.27	12.06	0.76
T. Rowe Price Retirement 2040 Index	2.41	7.43	7.43	15.73	11.96	
IM Mixed-Asset Target 2040 (MF) Median	2.03	5.54	5.54	13.71	10.14	
T. Rowe Price Retire 2040 Rank	57	31	31	8	3	
T. Rowe Price Retire 2045	1.96	6.14	6.14	16.28	12.06	0.76
T. Rowe Price Retirement 2045 Index	2.41	7.43	7.43	15.73	11.96	
IM Mixed-Asset Target 2045 (MF) Median	2.02	5.56	5.56	14.36	10.65	
T. Rowe Price Retire 2045 Rank	56	34	34	10	5	
T. Rowe Price Retire 2050	1.98	6.19	6.19	16.26	12.07	0.76
T. Rowe Price Retirement 2050 Index	2.41	7.43	7.43	15.73	11.96	
IM Mixed-Asset Target 2050 (MF) Median	2.06	5.66	5.66	14.45	10.41	
T. Rowe Price Retire 2050 Rank	57	33	33	12	3	
T. Rowe Price Retire 2055	2.00	6.18	6.18	16.26	12.07	0.76
T. Rowe Price Retirement 2055 Index	2.41	7.43	7.43	15.73	11.96	
IM Mixed-Asset Target 2055+ (MF) Median	2.06	5.72	5.72	14.92	10.48	
T. Rowe Price Retire 2055 Rank	57	39	39	16	1	
T Rowe Price Rmtm 2060	2.03	N/A	N/A	N/A	N/A	0.76
T. Rowe Price Retirement 2055 Index	2.41	7.43	7.43	15.73	11.96	
IM Mixed-Asset Target 2055+ (MF) Median	2.06	5.72	5.72	14.92	10.48	
T Rowe Price Rmtm 2060 Rank	54	N/A	N/A	N/A	N/A	

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Returns are expressed as percentages.

Maryland Teachers & State Employees Supplemental Retirement Plans



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MarylandDC.com

Investment Performance Report October 1, 2014 to December 31, 2014



The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's units or shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted.

Performance data current to the most recent month-end may be obtained by visiting: MarylandDC.com. Please consider the fund's investment objectives, risks, and charges and expenses carefully before investing. The underlying fund prospectuses contain this and other information about the investment company. Prospectuses are available by calling 1-800-545-4730. Read carefully before investing.

Gross expense ratios represent the fund's total operating expenses expressed as a percentage of the assets held in the fund. For more information about gross expense ratios, read the fund's prospectus. The rates of return do not reflect a maximum deduction of a 0.14% annual plan asset fee, which, if reflected, would reduce the performance shown. No account will be charged more than \$2,000 for the year. The rates for the Investment Contract Pool are after the deduction of any carrier charges. Please see other important disclosures at the end of this report.

VRU	Fixed Investment Option	Jan '15	Dec '14	Nov '14						
283	Investment Contract Pool	1.67%	1.70%	1.69%						
VRU	Variable Investment Option	Morningstar Category		1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Gross Expense Ratio
VRU	Short-Term Investments									
725	Vanguard Prime Money Market Fund Inst	Money Market		0.05%	0.07%	0.11%	1.76%	3.50%	10/03/89	0.10%
	Current Yield: 0.06 %									
	Citigroup 3-month T-bill			0.03%	0.05%	0.07%	1.46%			
VRU	Bonds									
654	PIMCO Total Return Fund Inst ^(a)	Intermediate-Term Bond		4.69%	4.26%	5.14%	5.99%	7.83%	05/11/87	0.46%
	Intermediate Term Bond Index									
	Barclays Capital US Aggregate Bond			5.97%	2.66%	4.45%	4.71%			
786	Vanguard Total Bond Market Index Inst	Intermediate-Term Bond		5.90%	2.59%	4.40%	4.72%	5.68%	09/18/95	0.07%
	Intermediate Term Bond Index									
	Barclays Capital Intermediate Government Bond			2.52%	0.99%	2.78%	3.76%			
VRU	Balanced									
199	Fidelity Puritan Fund ^(b)	Moderate Allocation		10.75%	14.89%	11.73%	7.14%	11.10%	04/16/47	0.58%
	Balanced Index									
	60% S&P 500/40% Barclays Capital Aggregate Bond			10.62%	13.12%	11.18%	6.77%			
VRU	Large-Cap Stocks									
740	Vanguard Instl Index Fund Plus	Large Blend		13.68%	20.40%	15.45%	7.70%	6.77%	07/07/97	0.02%
	Large Cap Blend Index									
	Standard & Poor's 500 Index			13.69%	20.41%	15.45%	7.67%			
856	Parnassus Core Equity Fund Inst ^(b)	Large Blend		14.71%	21.17%	14.95%	10.43%	11.07%	08/31/92	0.68%
	Large Cap Blend Index									
	Standard & Poor's 500 Index			13.69%	20.41%	15.45%	7.67%			
959	American Century Equity Growth Inst	Large Blend		13.56%	20.81%	16.18%	7.81%	6.67%	01/02/98	0.48%
	Large Cap Blend Index									
	Standard & Poor's 500 Index			13.69%	20.41%	15.45%	7.67%			
834	American Funds Growth Fund of America R6	Large Growth		9.63%	21.22%	13.89%	8.42%	14.09%	11/30/73	0.34%
	Large Cap Growth Index									
	Russell 1000 Growth			13.05%	20.26%	15.81%	8.49%			
776	Goldman Sachs Large Cap Value Inst ^(b)	Large Value		12.73%	21.56%	13.35%	6.84%	6.77%	12/15/99	0.79%
	Large Cap Value Index									
	Russell 1000 Value			13.45%	20.89%	15.42%	7.30%			
844	Vanguard Value Index Fund Inst	Large Value		13.19%	20.16%	14.98%	7.33%	5.99%	07/02/98	0.08%
	Large Cap Value Index									
	CRSP Large Cap Value			13.29%	20.80%	15.72%	7.32%			
VRU	Mid-Cap Stocks									
899	Vanguard Midcap Index Inst Plus	Mid Cap Blend		13.79%	21.31%	N / A	N / A	15.47%	12/15/10	0.06%
	Mid Cap Blend Index									
	S&P 400 Midcap Index			9.77%	19.99%	16.54%	9.71%			
846	Morgan Stanley Institutional Fund Trust Inst	Mid Cap Growth		1.33%	15.35%	13.70%	9.91%	12.93%	03/30/90	0.71%
	Mid Cap Growth Index									
	Russell Midcap Growth			11.90%	20.71%	16.94%	9.43%			
802	T. Rowe Price Midcap Value ^(b)	Mid Cap Value		10.60%	20.29%	14.04%	9.20%	12.01%	06/28/96	0.80%
	Mid Cap Value Index									
	Russell Midcap Value			14.75%	21.98%	17.43%	9.43%			

VRU	Variable Investment Option	Morningstar Category	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Gross Expense Ratio
VRU Small-Cap Stocks									
526	T. Rowe Price Small Cap Stock Fund ^(b)	Small Cap Growth	6.90%	20.19%	18.12%	9.81%	13.20%	06/01/56	0.91%
	Small Cap Blend Index								
	Russell 2000 Blend		4.89%	19.21%	15.55%	7.77%			
726	Vanguard Small Cap Growth Index Fund	Small Cap Growth	4.04%	19.16%	16.92%	9.59%	9.31%	05/24/00	0.08%
	Small Cap Growth Index								
	CRSP US Small Cap Growth		3.98%	18.43%	15.82%	9.48%			
839	Vanguard Small Cap Value Index Fund Inst	Small Cap Value	10.59%	21.50%	16.57%	8.50%	10.85%	12/07/99	0.08%
	Small Cap Value Index								
	CRSP US Small Cap Value		10.63%	22.67%	18.61%	10.03%			
VRU International Stocks									
835	American Funds Euro Pacific Growth R6	Foreign Large Growth	-2.29%	12.12%	6.05%	7.05%	11.52%	04/16/84	0.50%
	Foreign Large Growth								
	FTSE Developed ex North America		-5.04%	10.82%	5.31%	4.73%			
883	Vanguard Total International Stock Index Inst	Foreign Large Blend	-4.15%	9.29%	N / A	N / A	4.46%	11/29/10	0.12%
	International Index								
	FTSE Global All Cap ex US		-3.12%	9.81%	5.21%	6.05%			
VRU Retirement Funds*									
724	T. Rowe Price Retirement Income Fund ^(b)	Conservative Allocation	3.91%	7.67%	6.87%	5.44%	6.74%	09/30/02	0.57%
	Combined Index Portfolio Income		4.49%	7.49%	6.57%	4.93%			
715	T. Rowe Price Retirement 2005 Fund ^(b)	Target-Date 2000-2010	4.72%	8.57%	7.68%	5.82%	6.03%	02/27/04	0.59%
	Combined Index Portfolio 2005		5.48%	8.28%	7.45%	5.41%			
716	T. Rowe Price Retirement 2010 Fund ^(b)	Target-Date 2000-2010	4.99%	9.73%	8.41%	6.03%	8.18%	09/30/02	0.60%
	Combined Index Portfolio 2010		5.78%	9.42%	8.25%	5.67%			
717	T. Rowe Price Retirement 2015 Fund ^(b)	Target Date 2011-2015	5.37%	11.37%	9.39%	6.40%	6.71%	02/27/04	0.65%
	Combined Index Portfolio 2015		6.31%	11.02%	9.26%	6.02%			
718	T. Rowe Price Retirement 2020 Fund ^(b)	Target Date 2016-2020	5.63%	12.77%	10.21%	6.65%	9.20%	09/30/02	0.69%
	Combined Index Portfolio 2020		6.70%	12.34%	10.08%	6.24%			
719	T. Rowe Price Retirement 2025 Fund ^(b)	Target Date 2021-2025	5.84%	14.04%	10.88%	6.85%	7.25%	02/27/04	0.72%
	Combined Index Portfolio 2025		7.04%	13.57%	10.78%	6.47%			
720	T. Rowe Price Retirement 2030 Fund ^(b)	Target Date 2026-2030	6.05%	15.11%	11.47%	7.08%	9.89%	09/30/02	0.75%
	Combined Index Portfolio 2030		7.29%	14.59%	11.36%	6.68%			
721	T. Rowe Price Retirement 2035 Fund ^(b)	Target Date 2031-2035	6.07%	15.83%	11.83%	7.14%	7.54%	02/27/04	0.77%
	Combined Index Portfolio 2035		7.37%	15.34%	11.74%	6.77%			
722	T. Rowe Price Retirement 2040 Fund ^(b)	Target Date 2036-2040	6.18%	16.27%	12.06%	7.27%	10.07%	09/30/02	0.78%
	Combined Index Portfolio 2040		7.43%	15.73%	11.96%	6.87%			
723	T. Rowe Price Retirement 2045 Fund ^(b)	Target Date 2041-2045	6.14%	16.28%	12.06%	N / A	7.75%	05/31/05	0.78%
	Combined Index Portfolio 2045		7.43%	15.73%	11.96%	N / A			
728	T. Rowe Price Retirement 2050 Fund ^(b)	Target Date 2046-2050	6.19%	16.26%	12.07%	N / A	6.09%	12/29/06	0.78%
	Combined Index Portfolio 2050		7.43%	15.73%	11.96%	N / A			
729	T. Rowe Price Retirement 2055 Fund ^(b)	Target Date 2051+	6.18%	16.26%	12.07%	N / A	6.08%	12/29/06	0.78%
	Combined Index Portfolio 2055		7.43%	15.73%	11.96%	N / A			
1152	T. Rowe Price Retirement 2060 Fund ^(b)	Target Date 2051+	N / A	N / A	N / A	N / A	0.30%	06/23/14	0.78%
	Combined Index Portfolio 2060		N / A	N / A	N / A	N / A			

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

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

Fund expense ratio data provided by Morningstar®. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Although data is gathered from reliable sources, data accuracy and completeness cannot be guaranteed.

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

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

1st Qtr 15	4th Qtr 14	3rd Qtr 14	2nd Qtr 14
3.60%	3.60%	3.60%	3.60%

Note: The above yields were supplied by Nationwide Retirement Solutions. They are a weighted average of all money held in this investment option, which consists of seven separate pools. The yields do not reflect the deduction of the annual asset fee. The annual asset fee is 0.14%. No account will be charged more than \$2,000 in 2015. The actual yield credited to your account may be higher or lower than the yield reflected above. The Nationwide Fixed Group Annuity is issued by Nationwide Life Insurance Company, Columbus, OH. Contract #Life 2183. The 2015 minimum guaranteed yield is 3.50%. Guarantees and protections are subject to the claims paying ability of Nationwide Life Insurance Company.

**Great West Certificates [403(b) plan only]
Quarterly Effective Gross Annual Rates**

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

	1st Qtr 15	4th Qtr 14	3rd Qtr 14
Dig Fund	4.00%	4.00%	4.00%
36-Mo. Certificate	4.00%	4.00%	4.00%
60-Mo. Certificate	4.00%	4.00%	4.00%
84-Mo. Certificate	4.00%	4.00%	4.00%

Note: The rates do not reflect the deduction of the annual asset fee. The annual asset fee is 0.09%. No account will be charged more than \$2,000 for the year.

Contact us

Enrollment and Information Hotline

800-545-4730.

For information about the match, to enroll in the 457(b), 401(k) and 403(b) plans, or to change your contribution amount

Nationwide Retirement Solutions Web Site MarylandDC.com

For information about the 457(b), 401(k), 403(b), and 401(a) plans, to enroll, to change your contribution amount, to get 24-hour account information, to make investment option exchanges and allocation changes

Nationwide Retirement Solutions Baltimore Office (443) 886-9402 or 800-966-6355

To enroll in the 457(b), 401(k) and 403(b) plans, to change your deferral amount, for mutual fund prospectuses or annual reports, for investment option booklets, or to arrange a meeting with a representative

Nationwide Retirement Solutions Customer Service Center 800-545-4730

For account information, to make investment option exchanges and allocation changes, to change address, name or beneficiary, for payout calculations in the 457(b), 401(k) and 403(b) and 401(a) plans, and for financial hardship inquiries

Maryland Teachers & State Employees Supplemental Retirement Agency Automated Performance Line & "Question/Suggestion Box-By-Phone"

410-767-8740 or 800-543-5605

For information about the Maryland Supplemental Retirement Plans, for investment option booklets, to arrange educational seminars and for other general information

MSRP Web Site

MSRP.maryland.gov

For the latest MSRP news, information available on the Board of Trustees and staff, newsletters, investment options booklets, legislation updates, and more

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RISK DISCLOSURES

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

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

T. Rowe Price Retirement Income Funds: Target Maturity Funds are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. Therefore, in addition to the expenses of the Target Maturity Funds, an investor is indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds.

Target Maturity Funds are designed for people who plan to withdrawal funds during or near a specific year. These funds use a strategy that reallocates equity exposure to a higher percentage of fixed investments over time. Like other funds, target date funds are subject to market risk and loss. Loss of principal can occur at any time, including before, at or after the target date. There is no guarantee that target date funds will provide enough income for retirement.

International/emerging markets funds: Investing internationally involves risks not associated with investing solely in the U.S., such as currency fluctuation, political risk, differences in accounting and the limited availability of information.

Small company funds: Stocks of small or emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

Bond funds: Bond funds have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund.

Some mutual funds may impose a short term trade fee. Please read the underlying prospectuses carefully.

IMPORTANT DISCLOSURES

Investment Contract Pool available for 457(b), 401(k) and 401(a) plans only.

Vanguard Prime Money Market Fund available for 403(b) plan only.

Investing involves market risk, including the possible loss of principal.

Inception Date is the date the underlying fund was established. Some mutual funds may impose a short term trade fee. Some funds may be subject to a trade restriction policy. Please read the underlying prospectus carefully.

Market indices have been provided for comparison purposes only; they are unmanaged and no fees and expenses have been reflected here. Individuals cannot invest directly in an index.

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

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Investment Contract Pool

Separate Account Report as of December 31, 2014

Objective

The MSRP Investment Contract Pool ("ICP") seeks to preserve principal value and provide a relatively stable rate of return comparable to intermediate fixed-income yields over two to five years.

Note: While this ICP Report is prepared on a quarterly basis, the monthly crediting rate is reported on the www.MarylandDC.com homepage.

Risks

This investment is not FDIC insured or guaranteed by the federal or state government. Like all investments the ICP has risks and may not meet its investment objectives, including the objective of a constant principal value. A detailed description of these risks is contained in the ICP overview document, available on the MSRP website, or on request. Investors should also note that the ICP is not a money market fund and has different risk characteristics than a money market fund.

Investment Overview

The ICP invests in a diversified portfolio of stable value contracts issued by insurance companies, banks, and other financial institutions, and a variety of fixed income instruments including U.S. Government and agency securities, mortgage-backed securities, asset-backed securities, and corporate bonds. Investors earn the average return received under all contracts in effect at any point in time. The ICP's return is affected by the general level of interest rates as well as by cash flows, including those from employer and employee contributions, withdrawals, and transfers into and out of the ICP. The average duration of the ICP's investments will be approximately two to four years. The average credit quality of the ICP's investments will generally be AA (or its equivalent)³, although individual securities or contracts purchased for the ICP may have a lower credit quality rating.

ICP Characteristics

Assets	\$771,420,544
Average Duration	2.52 years
Previous monthly crediting rate (annualized)	1.70%
Inception Date	1987
Manager ¹	Galliard Capital Management, Inc.

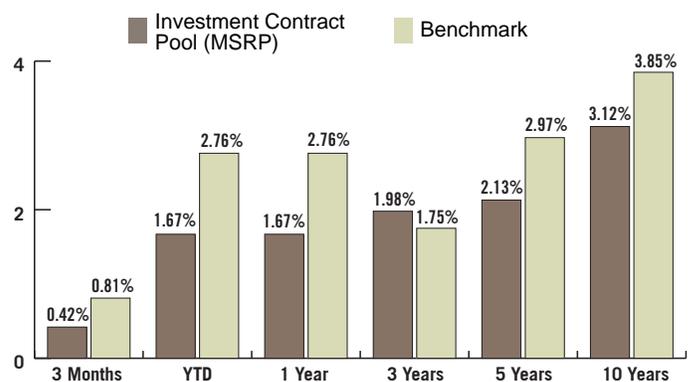
Sector Allocation of the Underlying Fixed Income Portfolios²

U.S. Treasury/Agency	30.9%
Other U.S. Government	10.7%
Corporate/Taxable Municipal Securities	22.1%
Mortgage Backed Securities (MBS)	16.7%
Asset Backed Securities (ABS)	5.0%
Guaranteed Investment Contracts (GICs)	1.9%
International Gov't/ Agency Securities	0.6%
Cash/Equivalents	12.1%

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

AAA	58.9%
AA	18.9%
A	12.3%
BBB	10.5%
<BBB	-
NR/NA	-

Performance⁴



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

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

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

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

all income, realized and unrealized capital gains and losses and all annual fund operating expenses. Returns may have been impacted by the effect of compounding and have been rounded to the nearest basis point. The returns herein are not necessarily indicative of the returns that may be achieved over the longer term. There is no assurance that comparable returns will be achieved in the future or that the ICP's investment objective will be achieved. The results portrayed reflect the reinvestment of dividends and other earnings. Benchmark is 50% Barclays U.S. Intermediate Aggregate Index / 50% Barclays U.S. 1-5 Year Government/Credit Index. Investors cannot invest in an index.

Maryland supplemental retirement plans

Statistical Section



MSRP

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

2014

Plan Statistics and 10 Year Changes in Plan Net Assets

The Board of Trustees is required by mandate to oversee the administration of the plans, including retaining professional consultants, advisors, and independent auditors to ensure compliance with federal and State regulations. The accompanying report provides details of fees charged to cover administrative expenses for the Board's staff and operations.

The ten year income and expenditure report delineates revenues and expenditures by category and provides a net of the change in cash reserves for each year. The reserve balance is maintained with the State Treasurer's office and is not subject to accrued interest.

The Ten Year Net Change in Plan Assets is an overview analytical analysis of the changes in plan net assets over a ten year period. It shows the impact of increases and decreases in plan investments annually.

The Plan Statistics Report provides details on any change in the number of participants making contributions, loans, and systematic withdrawals summarized by plan. The final details of the report include the total outstanding loan balances by plan and number of loans at the end of any calendar year.

TEN YEAR HISTORY OF BOARD INCOME AND EXPENSES

	Calendar Years										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total Revenues	\$ 1,805,881	\$ 1,353,339	\$ 1,649,707	\$ 1,640,000	\$ 1,402,986	\$ 1,309,730	\$ 1,172,650	\$ 1,211,767	\$ 1,122,891	\$ 1,394,092	\$ 1,957,150
Expenditures											
Salaries, Wages and Fringe Benefits	1,093,162	1,117,340	1,035,850	1,070,891	1,078,193	1,062,340	985,373	950,415	954,275	914,122	1,026,554
Technical & Special fees	5,945	889	25	943	4,401	2,740	(646)	3,973	1,179	8,616	12,386
Communications	26,243	9,433	25,549	18,797	22,451	23,482	35,056	17,795	8,851	29,931	10,131
Travel	20,513	16,257	18,966	15,523	12,243	13,372	18,799	21,974	21,955	11,822	24,229
Contractual Services	241,535	299,345	214,478	235,772	233,543	232,603	238,632	214,459	217,410	248,172	214,838
Supplies and Materials	12,142	4,500	4,769	3,830	4,935	13,451	7,188	(2,855)	13,365	14,545	13,878
Equipment/Furnishings	354	15,883	22,442	45,205	5,183	7,099	309	11,726	-	14,393	2,962
Fixed Charges	138,699	134,222	129,760	127,935	124,314	121,180	112,299	111,056	103,646	105,499	101,016
Total Expenditures	1,538,593	1,597,869	1,451,839	1,518,896	1,485,263	1,476,267	1,397,010	1,328,543	1,320,681	1,347,100	1,405,994
Revenue Less Expenditures	267,288	(244,530)	197,868	121,104	(82,277)	(166,537)	(224,360)	(116,776)	(197,790)	46,992	551,156
Adjustment (timing differences)			-	-	17,036	87,052	(153,218)	113,537	11,679	(46,838)	54,106
Reserve Balance	\$ 602,045	\$ 264,642	\$ 495,300	\$ 297,432	\$ 176,328	\$ 241,569	\$ 321,054	\$ 698,632	\$ 701,871	\$ 887,982	\$ 887,828

10 YEAR HISTORY OF CHANGES IN PLAN NET ASSETS

457(b) PLAN SUMMARY

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Participant Accounts	30,409	29,520	29,425	29,512	29,803	30,274	30,715	30,411	29,487	28,614
Deferring Participants	17,266	16,498	16,510	16,501	16,900	17,541	18,457	18,243	17,444	16,701
Total Net Position	\$ 1,524,445,521	\$ 1,465,381,278	\$ 1,211,930,199	\$ 1,211,930,199	\$ 1,243,954,252	\$ 1,149,848,838	\$ 1,003,253,263	\$ 1,293,458,255	\$ 1,259,015,854	\$ 1,170,974,820
Contributions	\$ 60,837,390	\$ 58,119,214	\$ 64,509,861	\$ 65,686,280	\$ 64,768,004	\$ 66,882,242	\$ 68,108,751	\$ 66,712,955	\$ 65,689,386	\$ 57,805,559
Investment Return	\$ 94,215,148	\$ 204,663,048	\$ 118,409,614	\$ (3,379,195)	\$ 109,232,806	\$ 158,389,808	\$ (261,087,114)	\$ 66,180,893	\$ 111,222,386	\$ 62,425,619
Withdrawals	\$ 94,808,702	\$ (90,898,692)	\$ (93,841,613)	\$ (93,841,613)	\$ (84,728,730)	\$ (73,512,296)	\$ (97,490,302)	\$ (96,221,412)	\$ (86,526,003)	\$ (75,307,660)
Mutual Fund										
Reimbursements	\$ 877,045	\$ 770,557	\$ 639,560	\$ 609,104	\$ 585,014	\$ 727,509	\$ 1,071,061	\$ 1,510,268	\$ 1,218,067	\$ 1,320,784
Plan Administration Fees*	\$ (2,040,540)	\$ (2,570,413)	\$ (1,313,804)	\$ (1,313,804)	\$ (1,214,695)	\$ (1,206,768)	\$ (1,272,972)	\$ (3,577,699)	\$ (3,437,543)	\$ (3,331,462)
Number of Loans	2,343	2,176	2,076	2,076	720	1,306	995	1,109	800	969
Loan Amount	\$ 17,466,343	\$ 14,822,023	\$ 13,556,281	\$ 12,748,866	\$ 11,166,303	\$ 9,384,994	\$ 8,015,882	\$ 9,006,867	\$ 7,704,419	\$ 6,507,222

401(k) PLAN SUMMARY

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Participant Accounts	33,813	33,974	34,524	35,100	35,829	36,703	37,375	37,366	36,709	36,147
Deferring Participants	19,600	20,100	20,898	21,639	22,826	24,255	25,930	26,375	26,220	26,006
Total Net Position	\$ 1,588,573,523	\$ 1,485,298,831	\$ 1,243,907,287	\$ 1,098,305,956	\$ 1,098,114,445	\$ 959,041,449	\$ 760,995,733	\$ 1,014,687,132	\$ 929,638,371	\$ 802,055,762
Contributions	\$ 89,859,775	\$ 82,602,393	\$ 92,031,387	\$ 90,335,102	\$ 91,618,867	\$ 93,712,324	\$ 95,898,797	\$ 94,729,303	\$ 88,740,454	\$ 86,342,964
Investment Return	\$ 106,157,203	\$ 238,848,850	\$ 129,977,565	\$ (11,369,467)	\$ 113,860,920	\$ 164,656,429	\$ (285,649,155)	\$ 48,776,621	\$ 87,263,402	\$ 45,139,069
Withdrawals	\$ (91,201,808)	\$ (79,068,751)	\$ (76,111,030)	\$ (75,308,991)	\$ (67,881,768)	\$ (56,731,898)	\$ (62,995,066)	\$ (56,946,200)	\$ (47,009,239)	\$ (37,809,148)
Mutual Fund										
Reimbursements	\$ 972,448	\$ 829,575	\$ 680,729	\$ 617,656	\$ 584,667	\$ 725,795	\$ 1,032,238	\$ 1,325,748	\$ 1,014,160	\$ 915,010
Plan Administration Fees*	\$ (2,512,926)	\$ (1,820,523)	\$ (2,599,233)	\$ (2,460,876)	\$ (2,151,134)	\$ (1,896,894)	\$ (1,978,213)	\$ (2,836,711)	\$ (2,426,168)	\$ (2,242,160)
Number of Loans	2,638	2,575	2,596	2,596	916	1,770	1,425	1,546	1,236	1,442
Loan Amount	\$18,897,449	\$17,676,057	\$15,468,770	\$14,383,094	\$12,663,185	\$10,059,136	\$9,048,410	\$9,746,492	\$8,449,537	\$7,139,280

403(b) PLAN SUMMARY

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Participant Accounts	855	879	908	930	959	988	980	926	938	982
Deferring Participants	346	368	393	397	415	439	429	368	348	374
Total Net Position	\$ 86,496,946	\$ 82,945,266	\$ 70,886,080	\$ 64,382,973	\$ 67,104,804	\$ 61,021,200	\$ 49,647,286	\$ 74,397,765	\$ 74,571,307	\$ 69,336,969
Contributions	\$ 2,760,999	\$ 2,537,583	\$ 2,961,222	\$ 2,883,012	\$ 3,270,543	\$ 3,513,294	\$ 3,041,867	\$ 2,791,581	\$ 2,771,994	\$ 2,895,313
Investment Return	\$ 6,888,184	\$ 15,142,490	\$ 8,446,337	\$ (4,482,823)	\$ 7,956,407	\$ 12,017,496	\$ (23,503,047)	\$ 4,056,195	\$ 7,826,156	\$ 4,027,072
Withdrawals	\$ (6,027,043)	\$ (5,576,913)	\$ (4,807,423)	\$ (4,473,226)	\$ (5,197,452)	\$ (4,010,110)	\$ (4,274,796)	\$ (6,973,190)	\$ (5,286,574)	\$ (4,848,153)
Mutual Fund										
Reimbursements	\$ 60,830	\$ 52,550	\$ 43,542	\$ 43,404	\$ 45,169	\$ 75,786	\$ 122,270	\$ 167,454	\$ 126,326	\$ 147,405
Plan Administration Fees*	\$ (131,290)	\$ (96,524)	\$ (140,571)	\$ (138,429)	\$ (128,769)	\$ (106,903)	\$ (136,773)	\$ (215,582)	\$ (203,564)	\$ (208,233)
Number of Loans	29	31	25	25	14	12	5	7	6	8
Loan Amount	\$365,015	\$413,951	\$338,100	\$370,236	\$286,301	\$176,447	\$127,838	\$156,384	\$177,425	\$153,475

401(a) PLAN SUMMARY

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Participant Accounts	35,322	36,776	38,424	40,085	41,965	44,705	44,705	44,119	42,596	41,746
Deferring Participants	—	—	—	—	—	—	—	—	—	—
Total Net Position	\$ 180,097,366	\$ 173,707,394	\$ 149,528,034	\$ 139,052,702	\$ 147,525,754	\$ 137,121,923	\$ 113,353,821	\$ 143,044,977	\$ 121,547,495	\$ 95,884,720
Contributions	\$ 28,418	\$ 39,564	\$ 495,460	\$ 400,092	\$ 408,268	\$ 3,493,268	\$ 15,979,591	\$ 20,722,388	\$ 17,986,400	\$ 11,891,617
Investment Return	\$ 13,953,357	\$ 31,448,528	\$ 16,896,830	\$ (1,494,596)	\$ 10,279,384	\$ 4,958,663	\$ (45,562,513)	\$ 5,724,281	\$ 11,473,276	\$ 5,114,213
Withdrawals	\$ (7,460,646)	\$ (7,240,428)	\$ (6,726,228)	\$ (7,188,029)	\$ (6,228,053)	\$ (4,565,333)	\$ (4,860,035)	\$ (4,754,283)	\$ (3,643,693)	\$ (2,809,622)
Mutual Fund										
Reimbursements	\$ 116,072	\$ 103,938	\$ 88,495	\$ 85,866	\$ 85,338	\$ 122,620	\$ 159,786	\$ 175,209	\$ 135,911	\$ 118,206
Plan Administration Fees*	\$ (247,229)	\$ (172,242)	\$ (279,225)	\$ (276,385)	\$ (261,262)	\$ (240,875)	\$ (268,020)	\$ (370,113)	\$ (289,206)	\$ (253,155)

* Includes any additional special fee

2014 PLAN STATISTICS

2014 TOTALS FOR ALL PLANS

Participants in Multiple Plans	7,044
TOTAL Participants	58,033
Average Combined Plan Assets by Participant	\$57,910
Participants with Multiplan Contributions	3,054
Total Roth Accounts	2,632
TOTAL Contributing Participants	34,158
Average Annual Contributions per Participant	\$4,493
Participants with Multiplan Payouts	373
TOTAL Participants with Systematic Payouts	3,939

457(b) DEFERRED COMPENSATION PLAN

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Participants	30,409	29,520	29,425
Net New Enrollments	889	80	-72
Deferring Participants	17,266	16,478	16,510
Annuitants	1	1	1
Systematic Payouts	2,537	2,414	2,276

401(k) SAVINGS & INVESTMENT PLAN

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Participants	33,813	33,974	34,524
Net New Enrollments	-161	-550	-576
Deferring Participants	19,600	20,100	20,898
Annuitants	1	3	3
Systematic Payouts	1,666	1,395	1,218

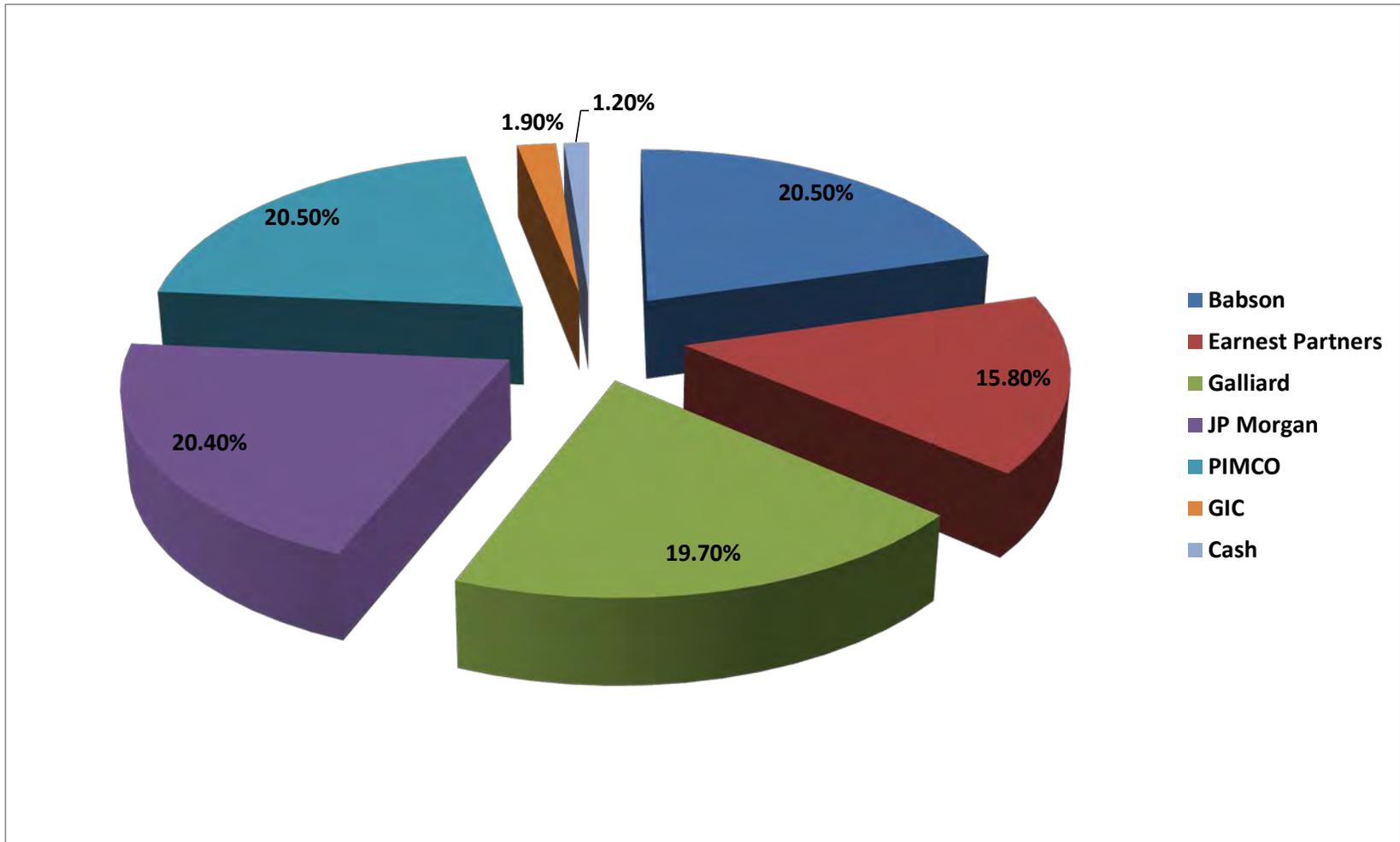
403(b) TAX DEFERRED ANNUITY PLAN

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Participants	855	879	908
Net New Enrollments	-24	-29	-22
Deferring Participants	346	368	393
Annuitants	0	0	0
Systematic Payouts	109	105	95

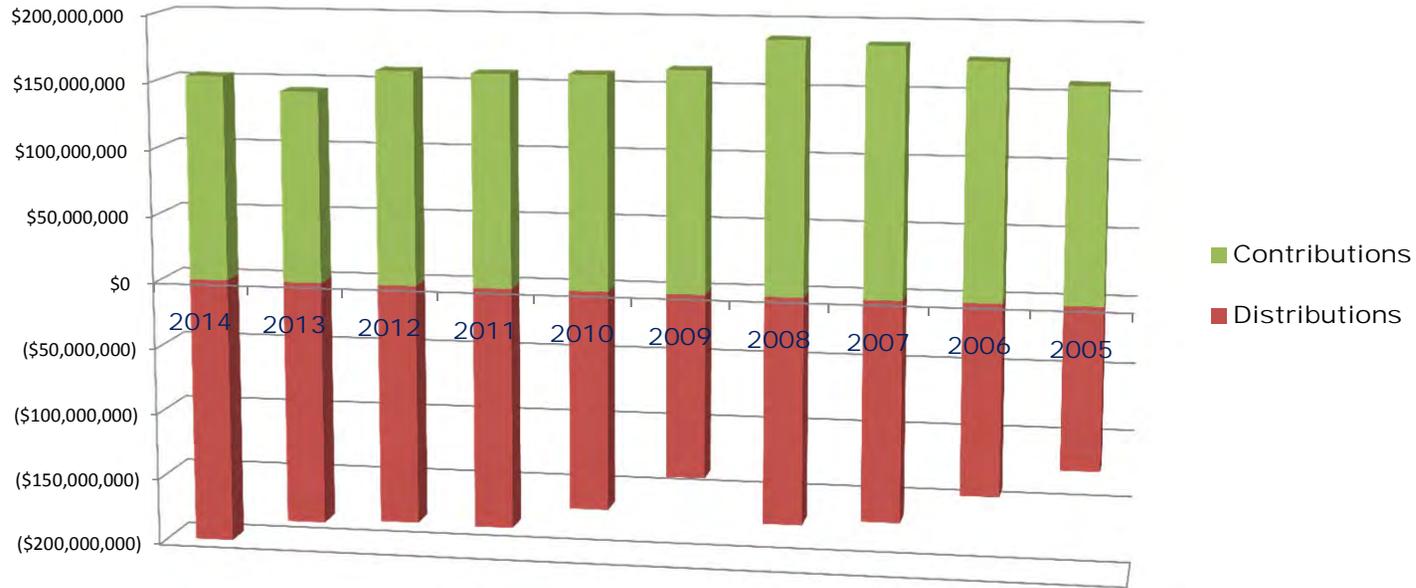
401(a) MATCH PLAN

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Participants	35,322	36,776	38,424

STABLE VALUE MANAGER DIVERSIFICATION



TEN-YEAR HISTORY OF ALL PLANS CONTRIBUTIONS vs DISTRIBUTIONS



Calendar Year	Distributions	Contributions
2014	\$ (199,498,199)	\$ 153,486,582
2013	\$ (182,784,784)	\$ 143,298,754
2012	\$ (179,865,149)	\$ 159,997,930
2011	\$ (180,811,859)	\$ 159,304,485
2010	\$ (164,036,003)	\$ 160,065,682
2009	\$ (137,035,085)	\$ 164,672,483
2008	\$ (169,620,199)	\$ 187,889,041
2007	\$ (164,895,085)	\$ 184,956,227
2006	\$ (142,465,509)	\$ 175,188,234
2005	\$ (120,774,583)	\$ 158,935,453

Maryland supplemental retirement plans

Other statistical Section

MSRP Contribution Limits

For Calendar Year 2014*

*2014 calendar year limits are unchanged from the prior year, as announced by the Internal Revenue Service.

PLAN	2014 LIMIT
457(b) Deferred Compensation Plan	Up to 100% of compensation, but not more than \$17,500
403(b) Tax Sheltered Annuity Plan	Up to 100% of compensation, but not more than \$17,500
401(k) Savings & Investment Plan	Up to 100% of compensation, but not more than \$17,500
When participating in <i>both</i> the 457(b) Plan and the 401(k) Plan [or 403(b)], one may contribute \$17,500 a year to each Plan for a potential combined contribution of \$35,000.	

CATCH-UP PROVISION	2014 LIMIT
Regular Catch-Up	The limit on regular catch-up contributions in the 457(b) Plan is double the \$17,500 regular deferral limit, or \$35,000 in 2014.
Catch-Up for Age 50 and Over	Employees over 50 can make catch-up contributions to the 457(b), 403(b) and 401(k) Plans over and above the 401(k) and other limits. The amount of these contributions is \$5,500 per Plan in 2014. The maximum amount of these additional contributions will be indexed and may increase with inflation, as frequently as yearly, in \$500 increments.

Calendar Year 2014	Maximum Deferral Limit	Deferral Limit plus Age 50 Catch-Up	Special 457(b) Catch-Up Deferral Limit
	If you're <i>less than age 50</i> this year, you may defer as much as...	If you're <i>at least age 50</i> this year, you may defer as much as...	If you have <i>three years before the year you will retire</i> , you may defer as much as...
457(b) Plan	\$17,500	\$23,000	\$35,000
401(k) Plan or 403(b) Plan	\$17,500	\$23,000	\$23,000 (Use Age 50 Catch-Up)
TOTAL	\$35,000	\$46,000	\$58,000

GLOSSARY

Rates of Returns

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

Betas

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

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Indices

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

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

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

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

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

GLOSSARY(continued)

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

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

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

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Medians

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

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

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

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

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

GLOSSARY(continued)

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

PARTICIPANT DATA DEFINITIONS

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

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

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

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

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

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

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

¹ Source: Nationwide Retirement Solutions, Inc. Administrator Report



Pre-tax Plans comparison chart

	Traditional 457(b) Deferred Compensation Plan	Traditional 401(k) Savings & Investment Plan	403(b) Tax Deferred Annuity Plan
Who's eligible to participate?	All regular and contractual State employees		State educational institution employees
Who's eligible for the State match?	All State employees in the State Employees' Alternate Contributory Pension Plan		
Are payroll deductions pretax?	Yes (after FICA deduction)		
What's the minimum I may contribute?	\$5 per biweekly pay		
What's the maximum I may contribute?	\$18,000 effective Calendar Year 2015 (may be adjusted in future years for inflation) ¹		
May I "catch-up" in a later year?	Age 50 or older bonus: \$6,000 effective Calendar Year 2015. Special 457(b) catch-up provision available within 3 years of retirement. These two provisions may not be used in the same year. ¹	Age 50 or older bonus: \$6,000 deferral effective Calendar Year 2015 ¹	
May I contribute to more than one Plan at the same time?	Yes – but with the following limitations:	<ul style="list-style-type: none"> • \$18,000 457(b) and/or Roth 457(b) + \$18,000 401(k) and/or Roth 401(k) = \$36,000/yr¹ • \$18,000 457(b) and/or Roth 457(b) + \$18,000 403(b) = \$36,000/yr¹ • \$18,000 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$18,000 = \$36,000/yr¹ 	
How often may I change my contribution amount?	Unlimited		
What are the costs to participate?	0.14% of your account value a year, capped at \$2,000 per year, plus 50 cents per month per account. ²		
What are the current investment options?	Investment Contract Pool Mutual Funds Target Date Retirement Funds		Vanguard Money Market Mutual Funds Target Date Retirement Funds
May I roll over money from other retirement accounts into my Maryland Supplemental Retirement account? ³	Yes – from a 457(b), 401(k), 403(b), thrift savings plan or IRA into your supplemental retirement account		
May I roll over my supplemental retirement account to another type of retirement account, like an IRA?	Yes – to a 457(b), 403(b), 401(k) or IRA, upon leaving State service	Yes – to a 457(b), 403(b), 401(k) or IRA, upon leaving State service or obtaining age 59½	
May I withdraw money from my account while employed?	Yes, but only at age 70½ or older, or qualify for an unforeseeable emergency withdrawal	Yes, but only at age 59½ or older, or qualify for a hardship withdrawal	
When may I begin withdrawals from my account without a penalty? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or at age 59½ regardless of employment. Other exceptions may apply. Consult your tax or legal advisor for more information	
May I change my withdrawal option, amount or frequency once I start payout?	Yes, excluding purchased annuities		
Must I elect my payout date when I leave State employment?	No – payouts not required until 70½ and separated from State service		
Is there a loan provision and a hardship/emergency provision?	Yes		

NOTE: 401(a) Match Plan: The withdrawal rules are the same for the 401(a) and 401(k) plans except that in the 401(a) plan, distributions are not permitted until separation from State service.

¹ Source: IRS Announces 2015 Pension Plan Limitations, www.irs.gov

² In addition, each of the mutual funds offered by the plan has fund expenses that are netted directly from the mutual fund's daily price. These will vary based upon the mutual fund selected. Also, some mutual funds may impose a short-term trade fee. Please read the underlying prospectuses carefully. NOTE: some mutual funds pay reimbursements that offset fees, see our "Mutual Fund Savings" pamphlet and your account statement for more information.

³ As you make decisions about rolling over assets especially qualified retirement plans and IRAs, keep in mind that each type of account has different rules about fees, when you can access your funds, surrender charges and tax penalties.

⁴ Withdrawals are taxed as ordinary income.

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

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

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





After-tax Plans comparison chart

	Roth 457(b) Deferred Compensation Plan	Roth 401(k) Savings & Investment Plan
Who's eligible to participate?	All regular and contractual State employees (including employees in higher education institutions)	
Who's eligible for the State match?	All State employees in the State Employees' Alternate Contributory Pension Plan	
Are payroll deductions pretax?	No	
What's the minimum I may contribute?	\$5 per biweekly pay	
What's the maximum I may contribute?	\$18,000 effective Calendar Year 2015 (may be adjusted in future years for inflation) ⁵	
May I "catch-up" in a later year?	Age 50 or older bonus: \$6,000 effective Calendar Year 2015. Special 457(b) catch-up provision available within 3 years of retirement. These two provisions may not be used in the same year. ⁵	Age 50 or older bonus: \$6,000 deferral effective Calendar Year 2015 ⁵
May I contribute to more than one Plan at the same time?	Yes – but with the following limitations: <ul style="list-style-type: none"> • \$18,000 457(b) and/or Roth 457(b) + \$18,000 401(k) and/or Roth 401(k) = \$36,000/yr⁵ • \$18,000 457(b) and/or Roth 457(b) + \$18,000 403(b) = \$36,000/yr⁵ • \$18,000 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$18,000 = \$36,000/yr⁵ 	
How often may I change my contribution amount?	Unlimited	
What are the costs to participate?	0.14% of your account value a year, capped at \$2,000 per year, plus 50 cents per month per account. ⁶	
What are the current investment options?	Investment Contract Pool Mutual Funds Target Date Retirement Funds	
May I roll over money to or from other retirement accounts into my Maryland Supplemental Retirement account? ⁷	Yes – but only a direct rollover from another Roth 457(b) account.	Yes – but only a direct rollover from another Roth 401(k) account.
Will my distributions be taxed?	Qualified distributions are not subject to federal or Maryland income tax. If not a qualified distribution, investment earnings are subject to ordinary income tax and possibly a 10% early withdrawal penalty. ⁸	
When may I begin withdrawals from my account without a penalty? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or at age 59½ regardless of employment. Other exceptions may apply. Consult your tax or legal advisor for more information
May I change my withdrawal option, amount or frequency once I start my payout?	Yes, excluding purchased annuities	
Must I elect my payout date when I leave State employment?	No – payouts not required until 70½ and separated from State service	
Is there a loan provision and a hardship/emergency provision?	Yes	

NOTE: 401(a) Match Plan: The withdrawal rules are the same for the 401(a) and 401(k) plans except that in the 401(a) plan, distributions are not permitted until separation from State service.

⁵ Source: IRS Announces 2015 Pension Plan Limits, www.irs.gov

⁶ In addition, each of the mutual funds offered by the plan has fund expenses that are netted directly from the mutual fund's daily price. These will vary based upon the mutual fund selected. Also, some mutual funds may impose a short-term trade fee. Please read the underlying prospectuses carefully. NOTE: some mutual funds pay reimbursements that offset fees, see our "Mutual Fund Savings" pamphlet and your account statement for more information.

⁷ As you make decisions about rolling over assets especially qualified retirement plans and IRAs, keep in mind that each type of account has different rules about fees, when you can access your funds, surrender charges and tax penalties.

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

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

This information is of a general and informational nature and is NOT INTENDED TO CONSTITUTE LEGAL OR INVESTMENT ADVICE.

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

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

Nationwide and Nationwide Life Insurance Company (collectively "Nationwide") have endorsement relationships with the National Association of Counties, and the International Association of Fire Fighters-Financial Corporation. More information about the endorsement relationships may be found online at www.nrsforu.com.





Pre-tax Plans comparison chart

	Traditional 457(b) Deferred Compensation Plan	Traditional 401(k) Savings & Investment Plan	403(b) Tax Deferred Annuity Plan
Who's eligible to participate?	All regular and contractual State employees		State educational institution employees
Who's eligible for the State match?	All State employees in the State Employees' Alternate Contributory Pension Plan		
Are payroll deductions pretax?	Yes (after FICA deduction)		
What's the minimum I may contribute?	\$5 per biweekly pay		
What's the maximum I may contribute?	\$17,500 effective Calendar Year 2014 (may be adjusted in future years for inflation) ¹		
May I "catch-up" in a later year?	Age 50 or older bonus: \$5,500 effective Calendar Year 2014. Special 457(b) Catch-up provision available within 3 years of retirement. These two provisions may not be used in the same year. ¹	Age 50 or older bonus: \$5,500 deferral effective Calendar Year 2014 ¹	
May I contribute to more than one Plan at the same time?	Yes – but with the following limitations:	<ul style="list-style-type: none"> • \$17,500 457(b) and/or Roth 457(b) + \$17,500 401(k) and/or Roth 401(k) = \$35,000/yr¹ • \$17,500 457(b) and/or Roth 457(b) + \$17,500 403(b) = \$35,000/yr¹ • \$17,500 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$17,500 = \$35,000/yr¹ 	
How often may I change my contribution amount?	Unlimited		
What are the costs to participate?	0.14% of your account value a year, no more than \$2,000, and 50 cents per month per account. ²		
What are the current investment options?	Investment Contract Pool Mutual Funds Targeted Retirement Funds	Vanguard Money Market Mutual Funds Targeted Retirement Funds	
May I roll over money from other retirement accounts into my Maryland Supplemental Retirement account? ³	Yes – from a 457(b), 401(k), 403(b), thrift savings plan or IRA into your supplemental retirement account		
May I roll over my supplemental retirement account to another type of retirement account, like an IRA?	Yes – to a 457(b), 403(b), 401(k) or IRA, upon leaving State service	Yes – to a 457(b), 403(b), 401(k) or IRA, upon leaving State service or obtaining age 59½	
May I withdraw money from my account while employed?	Yes, but only at age 70½ or older, or qualify for an unforeseeable emergency withdrawal	Yes, but only at age 59½ or older, or qualify for a hardship withdrawal	
When may I begin withdrawals from my account without a penalty? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or age 59½ regardless of employment. Other exceptions may apply. Consult your tax or legal advisor for more information	
May I change my withdrawal option, amount or frequency once I start payout?	Yes, excluding purchased annuities		
Must I elect my payout date when I leave State employment?	No – payouts not required until 70½ and separated from service		
Is there a loan provision and a hardship/emergency provision?	Yes/Yes		

NOTE: 401(a) Match Plan: The withdrawal rules are the same for the 401(a) and 401(k) plans except that in the 401(a) plan, distributions are not permitted until separation from State service.

¹ Source: IRS Announces Pension Plan Limits for 2014, www.irs.gov

² In addition, each of the mutual funds offered by the plan has fund expenses that are netted directly from the mutual fund's daily price. These will vary based upon the mutual fund selected. Also, some mutual funds may impose a short-term trade fee. Please read the underlying prospectuses carefully. NOTE: some mutual funds pay reimbursements that offset fees, see our "Mutual Fund Savings" pamphlet and your account statement for more information.

³ As you make decisions about rolling over assets especially qualified retirement plans and IRAs, keep in mind that each type of account has different rules about fees, when you can access your funds, surrender charges and tax penalties.

⁴ Withdrawals are taxed as ordinary income.

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

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

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



After-tax Plans comparison chart

	Roth 457(b) Deferred Compensation Plan	Roth 401(k) Savings & Investment Plan
Who's eligible to participate?	All regular and contractual State employees	
Who's eligible for the State match?	All State employees in the State Employees' Alternate Contributory Pension Plan	
Are payroll deductions pretax?	No	
What's the minimum I may contribute?	\$5 per biweekly pay	
What's the maximum I may contribute?	\$17,500 effective Calendar Year 2014 (may be adjusted in future years for inflation) ⁵	
May I "catch-up" in a later year?	Age 50 or older bonus: \$5,500 effective Calendar Year 2014. Special 457(b) Catch-up provision available within 3 years of retirement. These two provisions may not be used in the same year. ⁵	Age 50 or older bonus: \$5,500 deferral effective Calendar Year 2014 ⁵
May I contribute to more than one Plan at the same time?	Yes – but with the following limitations:	<ul style="list-style-type: none"> • \$17,500 457(b) and/or Roth 457(b) + \$17,500 401(k) and/or Roth 401(k) = \$35,000/yr⁵ • \$17,500 457(b) and/or Roth 457(b) + \$17,500 403(b) = \$35,000/yr⁵ • \$17,500 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$17,500 = \$35,000/yr⁵
How often may I change my contribution amount?	Unlimited	
What are the costs to participate?	0.14% of your account value a year, no more than \$2,000, and 50 cents per month per account. ⁶	
What are the current investment options?	Investment Contract Pool Mutual Funds Targeted Retirement Funds	
May I roll over money to or from other retirement accounts into my Maryland Supplemental Retirement account? ⁷	Yes – but only a direct rollover from another Roth 457(b) account.	Yes – but only a direct rollover from another Roth 401(k) account.
Will my distributions be taxed?	Qualified distributions are not subject to federal or Maryland income tax. If not a qualified distribution, investment earnings are subject to ordinary income tax and possibly a 10% early withdrawal penalty. ⁸	
When may I begin withdrawals from my account without a penalty? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or age 59½ regardless of employment. Other exceptions may apply. Consult your tax or legal advisor for more information
May I change my withdrawal option, amount or frequency once I start my payout?	Yes, excluding purchased annuities	
Must I elect my payout date when I leave State employment?	No – payouts not required until 70½ and separated from service	
Is there a loan provision and a hardship/emergency provision?	Yes/Yes	

NOTE: 401(a) Match Plan: The withdrawal rules are the same for the 401(a) and 401(k) plans except that in the 401(a) plan, distributions are not permitted until separation from State service.

⁵ Source: IRS Announces Pension Plan Limits for 2014, www.irs.gov

⁶ In addition, each of the mutual funds offered by the plan has fund expenses that are netted directly from the mutual fund's daily price. These will vary based upon the mutual fund selected. Also, some mutual funds may impose a short-term trade fee. Please read the underlying prospectuses carefully. NOTE: some mutual funds pay reimbursements that offset fees, see our "Mutual Fund Savings" pamphlet and your account statement for more information.

⁷ As you make decisions about rolling over assets especially qualified retirement plans and IRAs, keep in mind that each type of account has different rules about fees, when you can access your funds, surrender charges and tax penalties.

⁸ Generally, a Roth 401(k) account distribution is a qualified distribution if 1) the Roth 401(k) account has been in existence for a five-year period (the five-year period begins January 1 of the year a participant first makes a Roth contribution into the plan, and 2) a participant is age 59½, or has died or become disabled under IRC section 72(m)(7). Distributions made prior to these requirements being met are non-qualified distributions, and earnings could be taxable.

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

This information is of a general and informational nature and is NOT INTENDED TO CONSTITUTE LEGAL OR INVESTMENT ADVICE.

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

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

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

Note: Roth conversions

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

Tax-deferred eligible distributions

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

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

Roth qualified distributions

Generally, a Roth account distribution is a qualified distribution if: 1) the Roth account has been in existence for a five-year period (five-year period begins Jan. 1 of the year a participant first makes a Roth contribution into the plan), and 2) a participant is age 59½, or has died or become disabled under IRC Section 72(m)(7). Distributions made prior to these requirements being met are non-qualified distributions, and earnings may be taxable.

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

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

Investing involves market risk including possible loss of principal.

Call to get started today

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