

Maryland  
Teachers & State Employees  
Supplemental Retirement Plans



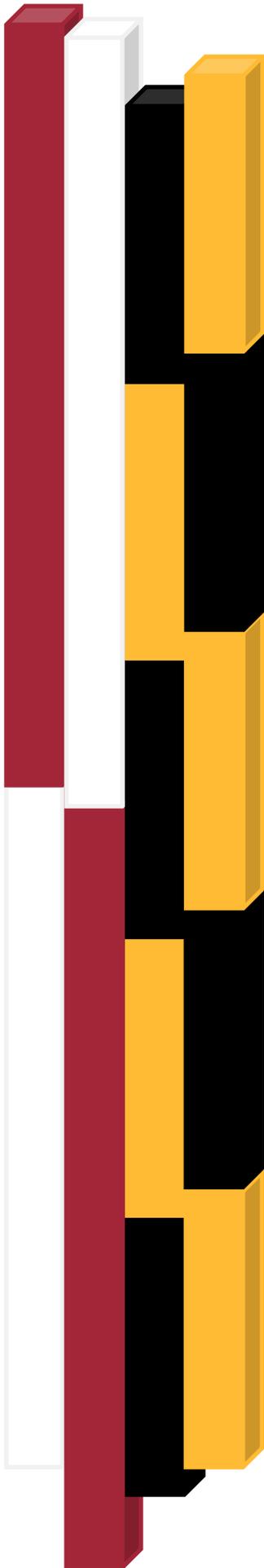
**Comprehensive Annual  
Financial Report**



**MSRP**



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**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, 2015

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  
for Excellence  
in Financial  
Reporting

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO



# MARYLAND SUPPLEMENTAL RETIREMENT PLANS

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## Introductory Section



**MSRP**

*Maryland*

*Teachers & State Employees  
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

T. Eloise Foster  
*Chairperson*

Margaret A. Bury  
Thomas P. Hickey  
Nancy K. Kopp  
Wilson H. Parran

STAFF

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

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

Richard A. Arthur *MBA CPM*  
*Technology & Operations Director*

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

• • •

*William Donald Schaefer Tower  
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Baltimore, Maryland  
21202-1608*

*Telephone: 410-767-8740  
Toll-Free: 1-800-543-5605*

*TTY: Use 711 in Md.  
Or 1-800-735-2258*

*Fax: 410-659-0349*

*Visit the MSRP Board website at  
[www.MSRP.state.md.us](http://www.MSRP.state.md.us)*

*Call About the Plans  
or to Enroll  
1-800-545-4730  
or Enroll on-line at  
[www.MarylandDC.com](http://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, 2015. This is our sixth year preparing the report in an expanded format. We believe this format continues to deliver quality information and demonstrates that the Plans are worthy of our participants' confidence.

The calendar year 2015 closed with the value of the Plans' assets declining slightly in response to market declines. However, we are pleased to see the stability of contributing employees after more than five years of declining participation. Since the implementation of our Roth contribution options nearly five years ago, the number of employees making after-tax contributions has reached nearly 4,000 and they have accumulated \$17.7 million dollars by the end of 2015 which may continue to grow and eventually be withdrawn tax free. We attribute this growth primarily to the success of our seminars and communications.

We are also pleased that our participant contributions at year-end exceeded \$65 million, which is an increase of 6.3% from the previous year. This is the highest level of annual participant contributions in the history of our Plans, demonstrating positive feedback and confidence of our members. In addition, MSRP had a 10% increase in annual leave payouts transferred into the Plan, for a total of over \$214 million in calendar year 2015. This represents the second year of double digit growth of annual leave payout contributions.

On January 3, 2016, MSRP received another "**Certificate of Achievement for Excellence in Financial Reporting**" from the Government Finance Officers Association for the December 31, 2014 comprehensive annual financial report. MSRP has received five previous awards and we will continue to pursue this recognition each year signifying the sound administration of the programs and as we encourage all State employees to prepare for their retirement with the Maryland Supplemental Retirement Plans.

Sincerely,

T. Eloise Foster, Chairperson

## **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**  
*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*



**Wilson H. Parran**  
*Eligible Member*



**Thomas P. Hickey**  
*Eligible Member*



**MSRP**

*Maryland  
Teachers & State Employees  
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

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STAFF

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*Secretary to the Board  
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or Enroll on-line at  
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# Letter of Transmittal

June 22, 2016

Honorable Chairperson and Members of the Board of Trustees:

It is our pleasure to present the 2015 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, has issued an unmodified (“clean”) opinion on the Plans financial statements for the calendar year ended December 31, 2015. The independent public accountants’ report is located at the front of the financial section of this report.

For financial reporting purposes, the Plans follow generally accepted accounting principles as set forth by the Government Accounting Standards Board. In addition to this letter of transmittal, additional narrative, overview and analysis can be found in the Management Discussion and Analysis beginning on page 13.

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 2015 was 74% of eligible employees, with 58% of eligible employees actively making contributions. New enrollments for the year totaled 4,116 participants, a 15% increase over the prior year. There was also a 17% increase in participants receiving distributions, with 4,765 taking payouts as of December 31, 2015.

## **Economic Outlook and Condition**

During the Plan year ended December 31, 2015, the value of Plan assets decreased by 1%, from \$3.38 to \$3.34 billion. Weak investment returns, consistent with the market,

were insufficient to offset distribution payments to members. 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, 2015, the Plans relied on Galliard Capital Management (Galliard) for oversight of the investment contract pool (ICP); and general investment advice, and assistance in selection and ongoing evaluations of investment options was 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 participant accounts. 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, 2015 was \$619,345. The expenses to operate the Plans include costs associated with investment consulting, audits, staff and educational activities. The reserve balance exceeds the target 25% of annual appropriation from time to time. As such, the Board approved a 4-month fee holiday beginning March 31, 2016. The fee holiday is expected to spend down the reserve balance to below the target level approved by the Board—\$410,799.

### **Major Issues and Initiatives**

In early September 2015, MSRP received a check totaling \$6,290 in payment of court structured settlements. At the November 2015 meeting, the Board of Trustees approved that these modest amounts be used to offset Plan expenses, 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, 2015 and 2014, respectively. See the investment section of the CAFR for a more detailed analysis and additional information.

## Asset Allocation as of December 31, 2015

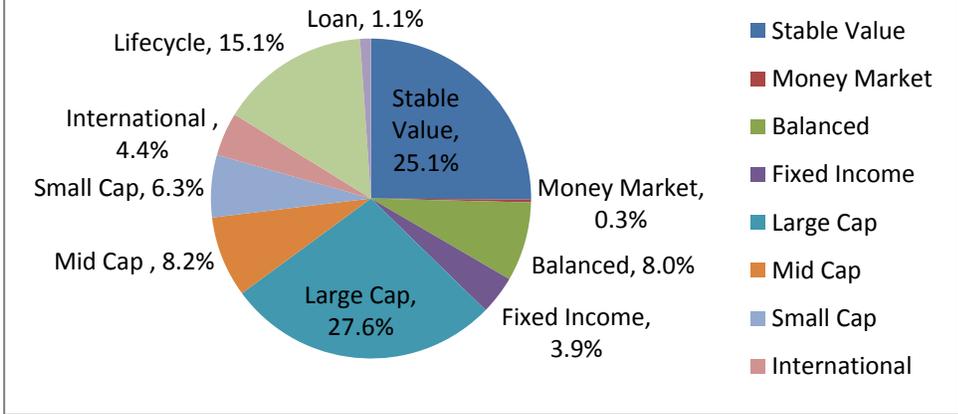
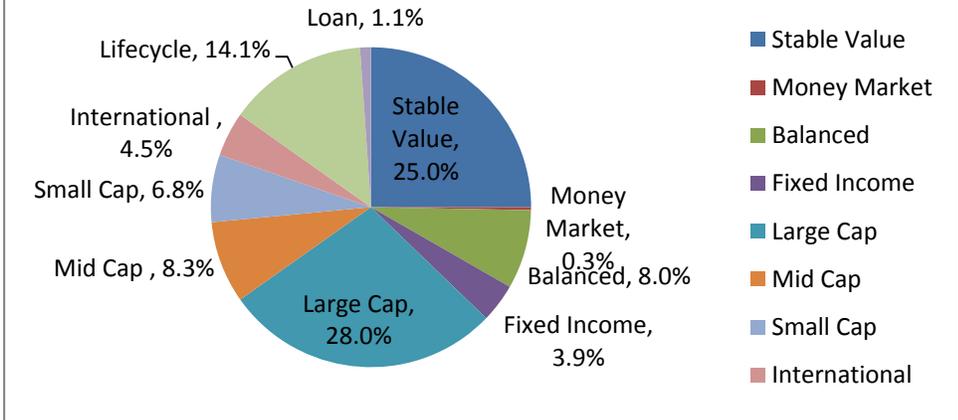


Figure 1: % may be greater than 100% due to rounding

## Asset Allocation as of December 31, 2014



### **Professional Services**

The Board contracts for the services of various independent consulting, investment advisory and financial professionals to assist in carrying out its responsibility to manage the Plans. Plan administration, and record keeping services are performed by Nationwide Retirement Solutions. Annual audits of the Plans are conducted by the independent accounting firm of SB & Company, LLC. The 403(b) plan mutual fund custodian of record is 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 43.

### **Awards**

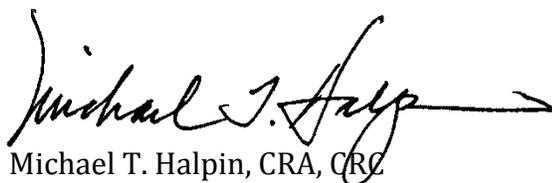
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MSRP for its comprehensive annual financial report for the calendar year ended December 31, 2014. This was the fifth consecutive year that MSRP 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 accounting 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 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



**MSRP**

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

## **PROFESSIONAL SERVICES**

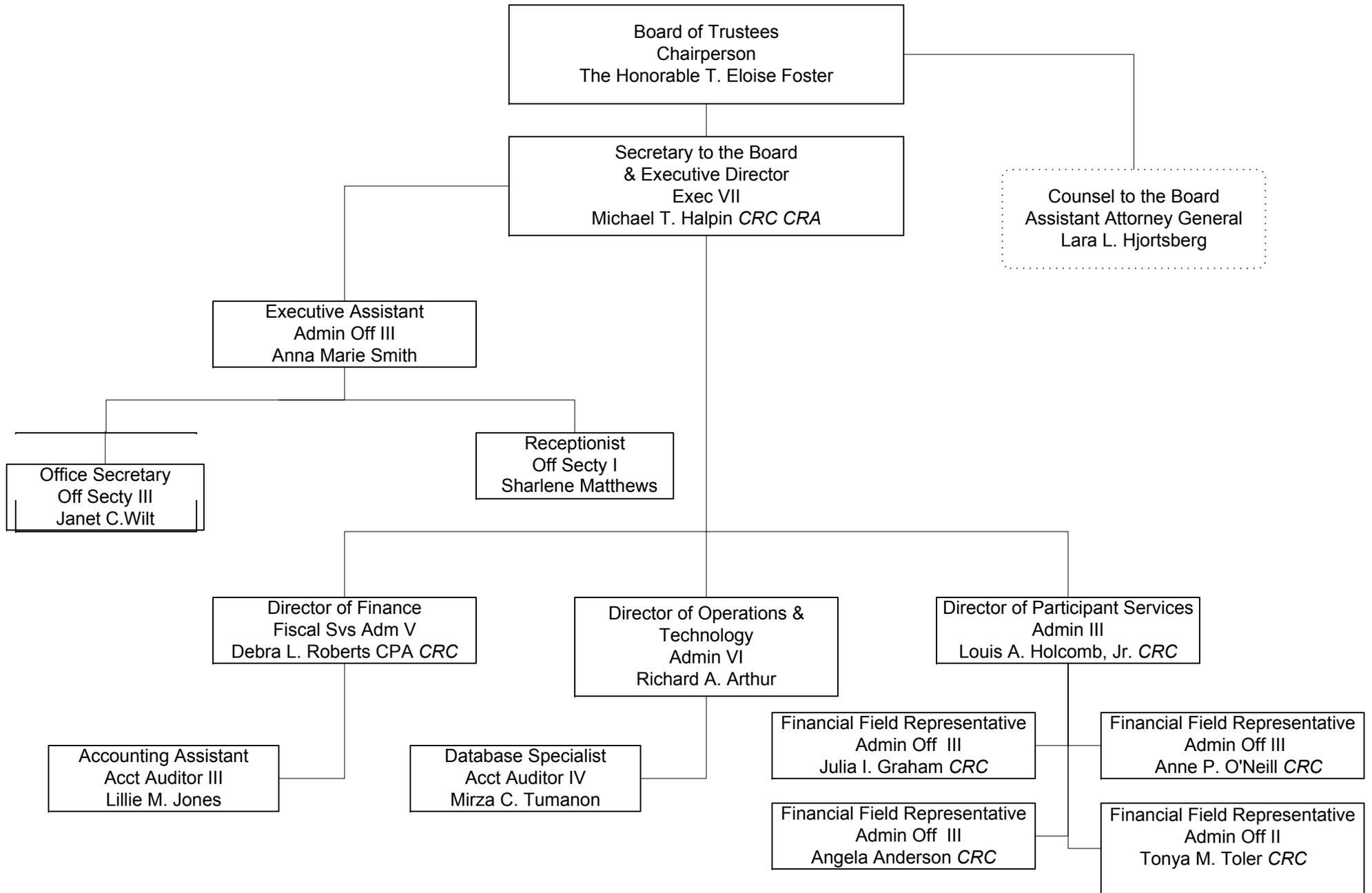
**Plan Administration**  
Nationwide Retirement Solutions, Inc

**Independent Investment Consultants**  
Segal RogersCasey, Inc

**Independent Public Accountants**  
SB & Company, LLC

**2015**

# Maryland Teachers & State Employees Supplemental Retirement Plans



Approved:  
July 1, 2015

# MARYLAND SUPPLEMENTAL RETIREMENT PLANS

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## 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 net position held in trust for deferred compensation benefits as of December 31, 2015 and 2014, the related statements of changes in net position held in trust for deferred compensation benefits for the years then ended, 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 held in trust for deferred compensation benefits of MSRP, as of December 31, 2015 and 2014, 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 22, 2016

*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) has prepared this narrative as an explanatory supplement to the audited financial statements of the Plans for the years ended December 31, 2015 and 2014. The financial statements appear at page 16 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 MSRP are prepared in accordance with accounting principles generally accepted in the United States of America as interpreted and applied for governmental defined contribution pension plans by the Governmental Accounting Standards Board (GASB). The statements consist of the comparative Statements of Net Position 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 25.

The Statement of Changes in Net Position is intended to show the major categories of additions to the Plans from participant contributions and investment earnings and deductions from the Plans for administrative expenses 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 decreased by \$41. million for the year ended December 31, 2015. Total assets declined from \$3.38 billion as of December 31, 2014 to \$3.33 billion as of December 31, 2015. Meanwhile, assets increased in the two preceding years. For the year ended December 31, 2014, the net position available for plan

benefits increased by \$172.3 million 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 of December 31, 2013. The decrease for the year 2015 was primarily attributable to overall market declines. The increases for the years 2014 and 2013 were due to strong investment performance throughout the years.

- The Plans had a net investment gain of \$11.9 million and \$221.2 million for the years ended December 31, 2015 and 2014 respectively, and a net investment income of \$447.4 million for the year ended December 31, 2013.
- Employee contributions have increased to \$163.7 million for the year ended December 31, 2015 from \$153.5 million for the year ended December 31, 2014. Employee contributions were \$143.3 million for the year ended December 31, 2013.
- Employer contributions have been virtually eliminated due to the suspension of the State Match program since June 2009. From a few independent agencies, there was a small decrease from \$28,418 for the years ended December 31, 2014 to \$9,750 for the year ended December 31, 2015.
- Distributions to participants increased to \$214.6 million for the year ended December 31, 2015 from \$199.5 million for the year ended December 31, 2014. Likewise, distributions had increased in 2014 from \$182.8 million for the prior year ended December 31, 2013. The increases in distributions are primarily associated with increasing retirements due to an aging participant population.
- 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, 2015 were \$4.6 million, as compared to \$4.9 million for the year ended December 31, 2014. In the preceding year, participant fees totaled \$4.7 million for the year ended December 31, 2013. 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 January 2015 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.

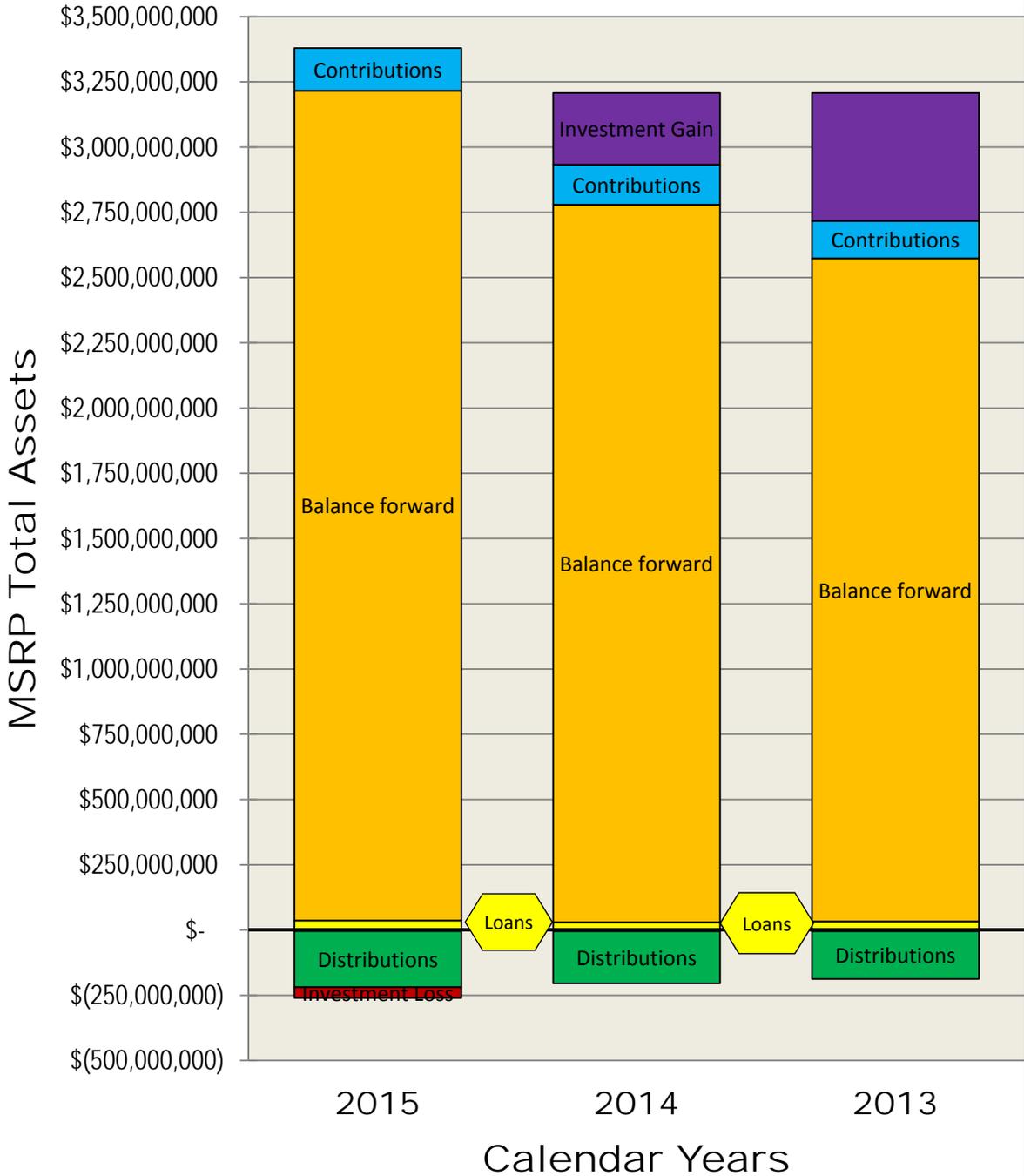
The chart located on the next two page illustrates the change in all MSRP assets from calendar year to calendar year from right to left. This is a summary of all four Plans—the 457, 401(k),

403(b) and 401(a) Match Plan in years 2013, 2014, and 2015. 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.

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



# MARYLAND SUPPLEMENTAL RETIREMENT PLANS

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## Basic Financial Statements

## **Maryland Supplemental Retirement Plans**

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

**Statements of Net Position Held in Trust for Deferred Compensation Benefits  
As of December 31, 2015 and 2014**

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
Investments:		
Investment contract pool	\$ 764,981,938	\$ 770,989,803
Mutual funds	2,450,428,312	2,481,339,205
Annuities	81,209,448	85,937,712
Total investments	<u>3,296,619,698</u>	<u>3,338,266,720</u>
Cash surrender value of life insurance contracts	3,133,410	3,241,234
Cash	810,318	582,734
Receivables:		
Employee contributions	55,867	652,979
Loans receivable	37,491,312	36,728,807
Other receivable	138,780	140,882
<b>Net Position Held in Trust for Deferred Compensation Benefits</b>	<u><u>\$ 3,338,249,385</u></u>	<u><u>\$ 3,379,613,356</u></u>

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

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

**Statements of Combining Net Position Held in Trust for Deferred Compensation Benefits  
As of December 31, 2015**

	<u>Deferred Compensation 457 Plan</u>	<u>Savings and Investment Plan 401(k) Plan</u>	<u>Match Plan and Trust 401(a) Plan</u>	<u>Tax Sheltered Annuity Plan 403(b) Plan</u>	<u>Total</u>
Investments:					
Investment contract pool	\$ 404,621,697	\$ 328,927,692	\$ 31,432,549	\$ -	\$ 764,981,938
Mutual funds	990,874,060	1,237,674,471	139,719,497	82,160,284	2,450,428,312
Annuities	81,209,448	-	-	-	81,209,448
<b>Total Investments</b>	<b>1,476,705,205</b>	<b>1,566,602,163</b>	<b>171,152,046</b>	<b>82,160,284</b>	<b>3,296,619,698</b>
Cash surrender value of life insurance contracts	3,133,410	-	-	-	3,133,410
Cash	810,318	-	-	-	810,318
Receivables:					
Employee contributions	26,503	27,636	-	1,728	55,867
Loans receivable	18,076,763	19,070,539	-	344,010	37,491,312
Other receivable	138,780	-	-	-	138,780
<b>Net Position Held in Trust for Deferred Compensation Benefits</b>	<b>\$ 1,498,890,979</b>	<b>\$ 1,585,700,338</b>	<b>\$ 171,152,046</b>	<b>\$ 82,506,022</b>	<b>\$ 3,338,249,385</b>

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

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

**Statement of Combining Net Position Held in Trust for Deferred Compensation Benefits  
As of December 31, 2014**

	<b>Deferred Compensation 457 Plan</b>	<b>Savings and Investment Plan 401(k) Plan</b>	<b>Match Plan and Trust 401(a) Plan</b>	<b>Tax Sheltered Annuity Plan 403(b) Plan</b>	<b>Total</b>
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
<b>Total Investments</b>	<b>1,502,735,707</b>	<b>1,569,358,485</b>	<b>180,097,366</b>	<b>86,075,162</b>	<b>3,338,266,720</b>
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
<b>Net Position Held in Trust for Deferred Compensation Benefits</b>	<b>\$ 1,524,445,521</b>	<b>\$ 1,588,573,523</b>	<b>\$ 180,097,366</b>	<b>\$ 86,496,946</b>	<b>\$ 3,379,613,356</b>

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

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

**Statement of Changes in Net Position Held in Trust for Deferred Compensation Benefits  
For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ADDITIONS TO NET POSITION ATTRIBUTED TO:</b>		
Employee contributions	\$ 163,723,479	\$ 153,458,164
Employer contributions	9,750	28,418
Variable earnings reimbursements	2,206,440	2,026,395
Investment income:		
Variable earnings investment (loss) income	(6,641,027)	202,623,164
Interest income	18,549,979	18,590,728
<b>Total Additions</b>	<u>177,848,621</u>	<u>376,726,869</u>
<b>DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:</b>		
Distributions to participants	214,590,958	199,498,199
Administrative expenses	4,609,909	4,931,985
Life insurance premiums	11,725	16,098
<b>Total Deductions</b>	<u>219,212,592</u>	<u>204,446,282</u>
Net (decrease) increase	(41,363,971)	172,280,587
Net position held in trust for deferred compensation benefits, beginning of year	<u>3,379,613,356</u>	<u>3,207,332,769</u>
<b>Net Position Held in Trust for Deferred Compensation Benefits, End of Year</b>	<u>\$ 3,338,249,385</u>	<u>\$ 3,379,613,356</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 Held in Trust for Deferred Compensation Benefits  
For the Year Ended December 31, 2015**

	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:					
Employee contributions	\$ 66,812,217	\$ 94,255,440	\$ -	\$ 2,655,822	\$ 163,723,479
Employer contributions	-	-	9,750	-	9,750
Variable earnings reimbursements	937,423	1,061,915	127,730	79,372	2,206,440
Investment income:					
Variable earnings investment loss	(3,630,492)	(2,596,433)	(102,205)	(311,897)	(6,641,027)
Interest income	11,561,273	6,291,906	541,392	155,408	18,549,979
<b>Total Additions</b>	<b>75,680,421</b>	<b>99,012,828</b>	<b>576,667</b>	<b>2,578,705</b>	<b>177,848,621</b>
Deductions:					
Distributions to participants	99,281,258	99,554,689	9,303,180	6,451,831	214,590,958
Administrative expenses	1,941,980	2,331,324	218,807	117,798	4,609,909
Life insurance premiums	11,725	-	-	-	11,725
<b>Total Deductions</b>	<b>101,234,963</b>	<b>101,886,013</b>	<b>9,521,987</b>	<b>6,569,629</b>	<b>219,212,592</b>
Net decrease	(25,554,542)	(2,873,185)	(8,945,320)	(3,990,924)	(41,363,971)
Net position held in trust for deferred compensation benefits, beginning of year	1,524,445,521	1,588,573,523	180,097,366	86,496,946	3,379,613,356
<b>Net Position Held in Trust for Deferred Compensation Benefits, End of Year</b>	<b>\$ 1,498,890,979</b>	<b>\$ 1,585,700,338</b>	<b>\$ 171,152,046</b>	<b>\$ 82,506,022</b>	<b>\$ 3,338,249,385</b>

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 Held in Trust for Deferred Compensation Benefits  
For the Year Ended December 31, 2014**

	<b>Deferred Compensation 457 Plan</b>	<b>Savings and Investment Plan 401(k) Plan</b>	<b>Match Plan and Trust 401(a) Plan</b>	<b>Tax Sheltered Annuity Plan 403(b) Plan</b>	<b>Total</b>
Additions:					
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
<b>Total Additions</b>	<b>155,929,583</b>	<b>196,989,426</b>	<b>14,097,847</b>	<b>9,710,013</b>	<b>376,726,869</b>
Deductions:					
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
<b>Total Deductions</b>	<b>96,865,340</b>	<b>93,714,734</b>	<b>7,707,875</b>	<b>6,158,333</b>	<b>204,446,282</b>
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
<b>Net Position Held in Trust for Deferred Compensation Benefits, End of Year</b>	<b>\$ 1,524,445,521</b>	<b>\$ 1,588,573,523</b>	<b>\$ 180,097,366</b>	<b>\$ 86,496,946</b>	<b>\$ 3,379,613,356</b>

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, 2015 and 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maryland Teachers and State Employees Supplemental Retirement Plans (the “MSRP” or “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 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 58,940 participants as of December 31, 2015. MSRP is a fiduciary fund of 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 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 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 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 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, 2015 and 2014

### 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 \$18,000 and \$17,500, for the years ended December 31, 2015 and 2014, respectively 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 \$6.3 million were made to the Roth accounts by approximately 3,592 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2015. 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.

Under Title 32 of the State Personnel & Pension Article and to the extent funds are provided in the State budget, the State may contribute 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, 2015, the State suspended the match contribution.

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2015 and 2014

### 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 the Plans 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, 2015 and 2014

### 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 his or her 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 (the “Master Trust”) was established to hold ICP/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, 2015 and 2014**

**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 invested in the mutual fund that paid the reimbursement.

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2015 and 2014

### 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, 2015 and 2014, were as follows:

	2015	2014
<b>Fixed Investments - Investment Contract Pool</b>	<b>\$ 404,621,697</b>	<b>\$ 410,638,394</b>
Vanguard Institutional Index Fund - Institutional Plus	169,640,915	160,032,261
Fidelity® Puritan Fund	121,355,194	125,283,861
Vanguard Mid Cap Index Fund - Institutional Plus Shares	74,028,052	72,614,355
Goldman Sachs Large Cap Value Fund - Institutional Shares	71,697,099	79,995,839
American Funds - Growth Fund of America	60,293,314	57,959,557
American Funds - Euro Pacific Growth Fund	50,909,244	54,187,576
T. Rowe Price Small-Cap Stock Fund, Inc.	50,359,694	55,476,939
American Century Equity Growth Fund - Institutional Class	48,716,940	54,352,524
PIMCO Total Return Fund - Institutional Shares	41,380,411	44,327,614
T Rowe Price Retirement 2020 Fund	39,388,932	39,830,311
T Rowe Price Retirement 2030 Fund	31,524,040	28,558,939
T Rowe Price Retirement 2025 Fund	30,236,887	27,830,723
Vanguard Small-Cap Index Fund - Institutional Shares	30,006,119	-
T Rowe Price Mid Cap Value Fund, Inc.	27,843,947	31,366,537
T Rowe Price Retirement 2015 Fund	25,408,422	27,197,910
T Rowe Price Retirement 2035 Fund	19,898,817	18,040,443
T Rowe Price Retirement 2040 Fund	18,735,897	15,979,511
Janus Enterprise Fund - N Shares	11,872,664	-
T Rowe Price Retirement 2045 Fund	11,195,594	9,028,884
Parnassus Equity Income Fund - Institutional Shares	9,959,376	9,244,537
T Rowe Price Retirement 2010 Fund	9,860,247	11,212,039
Vanguard Total Bond Market Index Fund - Institutional Shares	8,712,513	5,755,586
Vanguard Total International Stock Index Fund - Institutional Shares	8,173,534	7,908,060
T Rowe Price Retirement 2050 Fund	7,825,514	6,283,271
T Rowe Price Retirement Income Fund	4,397,974	4,647,905
T Rowe Price Retirement 2005 Fund	3,667,903	3,284,509
T Rowe Price Retirement 2055 Fund	3,637,046	2,398,507
T Rowe Price Retirement 2060 Fund	147,771	7,586
Vanguard Small Cap Growth Index - Institutional Shares	-	20,162,007
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio - Class I	-	11,436,417
Vanguard Value Index Fund - Institutional Shares	-	11,160,388
Vanguard Small Cap Value Index Fund - Institutional Shares	-	10,595,005
<b>Total Mutual Funds</b>	<b>990,874,060</b>	<b>1,006,159,601</b>
Discontinued investment options - Nationwide Fixed Annuities	66,683,536	70,262,956
Nationwide Life annuity payout reserves	10,611,732	11,221,851
Metropolitan Life annuity payout reserves	3,914,180	4,452,905
<b>Total Annuities</b>	<b>81,209,448</b>	<b>85,937,712</b>
<b>Total Investments</b>	<b>\$ 1,476,705,205</b>	<b>\$ 1,502,735,707</b>

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

**Notes to the Financial Statements  
December 31, 2015 and 2014**

**2. INVESTMENTS AND INVESTMENT INCOME (continued)**

**Part 2: 401(k) Plan**

Investments held as of December 31, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
<b>Fixed Investments - Investment Contract Pool</b>	<b>\$ 328,927,692</b>	<b>\$ 327,579,412</b>
Vanguard® Institutional Index Fund - Institutional Plus Shares	243,764,402	233,383,065
Fidelity Puritan Fund	119,400,622	119,373,033
The Growth Fund of America®, - Class R6	88,909,584	85,064,028
Vanguard® Mid-Cap Index Fund - Institutional Plus Shares	86,080,248	85,434,518
T. Rowe Price Small-Cap Stock Fund, Inc.	70,248,370	77,409,128
T. Rowe Price Retirement 2020 Fund	68,986,300	63,541,831
EuroPacific Growth Fund® - Class R6	66,680,158	68,775,537
Goldman Sachs Large Cap Value Fund - Institutional Class	62,969,995	68,745,610
PIMCO Total Return Fund - Institutional Shares	57,986,698	60,465,699
American Century Equity Growth Fund - Institutional Class	54,985,545	59,589,613
T. Rowe Price Retirement 2025 Fund	51,398,948	48,732,551
Vanguard® Small-Cap Index Fund - Institutional Shares	41,581,001	-
T. Rowe Price Retirement 2030 Fund	37,747,664	33,980,055
T. Rowe Price Retirement 2015 Fund	36,847,110	38,101,697
T. Rowe Price MidCap Value Fund, Inc. - Retail Shares	32,871,099	35,847,598
T. Rowe Price Retirement 2035 Fund	19,539,005	17,284,987
T. Rowe Price Retirement 2040 Fund	15,265,261	13,936,624
T. Rowe Price Retirement 2010 Fund	14,783,077	15,698,626
Janus Enterprise Fund - N Shares	14,180,460	-
Vanguard® Total Bond Market Index Fund - Institutional Shares	13,680,358	9,235,181
Parnassus Core Equity Fund - Institutional Shares	11,614,993	10,316,184
Vanguard Total International Stock Index Fund - Institutional Shares	8,706,901	8,538,865
T. Rowe Price Retirement 2045 Fund	6,153,860	5,446,117
T. Rowe Price Retirement Balanced Fund	4,520,476	4,700,409
T. Rowe Price Retirement 2050 Fund	3,717,800	3,001,847
T. Rowe Price Retirement 2005 Fund	2,918,058	3,016,894
T. Rowe Price Retirement 2055 Fund	1,892,309	1,612,657
T. Rowe Price Retirement 2060 Fund	244,169	65,616
Vanguard® Small Cap Growth Index Fund - Institutional Shares	-	31,732,896
Vanguard® Small-Cap Value Index Fund - Institutional Shares	-	12,184,920
Vanguard® Value Index Fund Institutional Shares	-	12,668,933
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio - Class I	-	13,894,354
<b>Total Mutual Funds</b>	<b>1,237,674,471</b>	<b>1,241,779,073</b>
<b>Total Investments</b>	<b>\$ 1,566,602,163</b>	<b>\$ 1,569,358,485</b>

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

**Notes to the Financial Statements  
December 31, 2015 and 2014**

**2. INVESTMENTS AND INVESTMENT INCOME (continued)**

**Part 3: 401(a) Plan**

Investments held as of December 31, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
<b>Fixed Investments - Investment Contract Pool</b>	<b>\$ 31,432,549</b>	<b>\$ 32,771,997</b>
Vanguard Institutional Index Fund - Institutional Plus Shares	37,975,406	39,256,031
Fidelity® Puritan® Fund	14,807,861	15,399,732
Vanguard Mid Cap Index Fund - Institutional Plus Shares	10,849,571	11,408,936
Goldman Sachs Large Cap Value Fund - Institutional Class	9,242,389	10,349,801
American Funds - Growth Fund of America	9,183,602	9,069,336
American Century Equity Growth Fund - Institutional Class	8,715,574	9,618,539
T Rowe Price Small Cap Stock Fund, Inc.	8,615,937	9,508,746
American Funds - Euro Pacific Growth	5,793,911	6,196,399
T Rowe Price Retirement 2020 Fund	4,876,977	4,952,685
PIMCO Total Return Fund-Institutional Shares	4,285,360	4,606,863
T Rowe Price Retirement 2025 Fund	4,203,624	4,245,385
T Rowe Price Retirement 2030 Fund	3,800,909	3,870,088
Vanguard Small-Cap Index Fund-Institutional Shares	3,577,066	-
T Rowe Price Retirement 2015 Fund	2,651,356	2,918,743
T Rowe Price Retirement 2035 Fund	2,511,064	2,481,829
T Rowe Price Mid Cap Value Fund, Inc.	2,392,293	2,684,384
T Rowe Price Retirement 2040 Fund	1,863,840	1,866,233
T Rowe Price Retirement 2045 Fund	874,229	898,151
Janus Enterprise Fund - N Shares	828,989	-
T Rowe Price Retirement 2010 Fund	827,050	1,008,158
Parnassus Core Equity Fund - Institutional Shares	470,298	457,832
T Rowe Price Retirement 2050 Fund	371,191	382,361
Vanguard Total Bond Market Index Fund - Institutional Shares	331,385	256,666
Vanguard Total International Stock Index Fund - Institutional Shares	287,443	303,488
T Rowe Price Retirement Balanced Fund	178,348	195,256
T Rowe Price Retirement 2005 Fund	120,806	134,894
T Rowe Price Retirement 2055 Fund	68,423	89,180
T Rowe Price Retirement 2060 Fund	14,595	5,084
Vanguard Small Cap Growth Index Fund - Institutional Shares	-	3,330,371
Vanguard Small Cap Value Index - Institutional Shares	-	554,312
Vanguard Value Index Fund - Institutional Shares	-	406,593
MorganStanley Institutional Fund Trust - Mid Cap Growth Portfolio - Class I	-	869,293
<b>Total Mutual Funds</b>	<b>139,719,497</b>	<b>147,325,369</b>
<b>Total Investments</b>	<b>\$ 171,152,046</b>	<b>\$ 180,097,366</b>

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

**Notes to the Financial Statements  
December 31, 2015 and 2014**

**2. INVESTMENTS AND INVESTMENT INCOME (continued)**

**Part 4: 403(b) Plan**

Investments held as of December 31, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Vanguard® Institutional Index Fund - Institutional Plus Shares	\$ 14,404,672	\$ 13,923,605
Fidelity Puritan Fund	8,749,006	8,846,761
Vanguard® Mid-Cap Index Fund - Institutional Plus Shares	8,585,252	9,153,241
Goldman Sachs Large Cap Value Fund, Institutional Class	6,621,458	7,222,381
Vanguard® Prime Money Market Fund - Institutional Shares	5,544,805	5,647,021
The Growth Fund of America®, - Class R6	4,234,802	3,848,645
American Century Equity Growth Fund - Institutional Class	3,679,204	3,884,059
Great West Life Assurance Company	3,573,245	3,669,143
EuroPacific Growth Fund® -Class R6	3,539,989	4,164,722
PIMCO Total Return Fund-Institutional Shares	3,273,495	3,742,242
Vanguard® Small-Cap Index Fund - Institutional Shares	2,888,361	-
T. Rowe Price Small Cap Stock Fund, Inc.	2,757,487	3,519,460
T. Rowe Price MidCap Value Fund, Inc.- Retail Shares	1,877,395	2,044,616
T. Rowe Price Retirement 2015 Fund	1,713,198	1,969,678
Janus Enterprise Fund - N Shares	1,666,937	-
T. Rowe Price Retirement 2020 Fund	1,508,856	1,408,265
Vanguard® Total Bond Market Index Fund - Institutional Shares	1,324,611	1,452,400
T. Rowe Price Retirement 2025 Fund	1,220,752	1,213,061
T. Rowe Price Retirement 2040 Fund	988,384	879,096
Vanguard Total International Stock Index Fund - Institutional Shares	859,562	993,221
T. Rowe Price Retirement 2010 Fund	702,783	742,956
T. Rowe Price Retirement 2005 Fund	529,697	574,917
T. Rowe Price Retirement 2030 Fund	506,501	522,750
Parnassus Core Equity Fund - Institutional Shares	369,919	325,933
T. Rowe Price Retirement Balanced Fund	356,707	461,698
T. Rowe Price Retirement 2035 Fund	336,998	327,391
T. Rowe Price Retirement 2045 Fund	217,394	139,098
T. Rowe Price Retirement 2050 Fund	83,191	56,719
T. Rowe Price Retirement 2055 Fund	27,212	4,029
T. Rowe Price Retirement 2060 Fund	18,411	-
Vanguard Small Cap Growth Index Fund - Institutional Shares	-	1,964,276
Vanguard® Small-Cap Value Index Fund - Institutional Shares	-	1,297,610
Vanguard® Value Index Fund Institutional Shares	-	1,034,915
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio - Class I	-	1,041,253
<b>Total Mutual Funds</b>	<b>\$ 82,160,284</b>	<b>\$ 86,075,162</b>

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2015 and 2014

### 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, 2015 and 2014, were as follows:

	2015	2014
<b>Fixed Investments - Investment Contract Pool</b>	<b>\$ 764,981,938</b>	<b>\$ 770,989,803</b>
Vanguard Institutional Index Fund - Institutional Plus	465,785,392	446,594,960
Fidelity Puritan Fund	264,312,684	268,903,386
Vanguard Mid Cap Index Fund - Institutional Plus Shares	179,543,123	178,611,051
Goldman Sachs Large Cap Value Fund - Institutional Class	150,530,941	166,313,631
T Rowe Price Small Cap Stock Fund, Inc.	131,981,487	145,914,272
American Century Equity Growth Fund - Institutional Class	116,097,264	127,444,735
T Rowe Price Retirement 2020 Fund	114,761,065	109,733,093
PIMCO Total Return Fund - Institutional Shares	106,925,964	113,142,418
The Growth Fund of America®, - Class R6	93,144,386	88,912,673
T Rowe Price Retirement 2025 Fund	87,060,212	82,021,719
T Rowe Price Retirement 2030 Fund	73,579,113	66,931,831
EuroPacific Growth Fund® - Class R6	70,220,148	72,940,260
American Funds - Growth Fund of America	69,476,916	67,028,893
T Rowe Price Retirement 2015 Fund	66,620,086	70,188,028
American Funds - Euro Pacific Growth Fund	56,703,155	60,383,975
Vanguard Small-Cap Index Fund - Institutional Shares	78,052,545	-
T Rowe Price Retirement 2035 Fund	42,285,884	38,134,649
T Rowe Price Retirement 2040 Fund	36,853,383	32,661,465
T. Rowe Price MidCap Value Fund, Inc. - Retail Shares	34,748,494	37,892,214
T Rowe Price Mid Cap Value Fund, Inc.	30,236,240	34,050,921
Vanguard Small Cap Value Index Fund - Institutional Shares	-	11,149,317
Janus Enterprise Fund - N Shares	28,549,050	-
T Rowe Price Retirement 2010 Fund	26,173,158	28,661,780
Vanguard Total Bond Market Index Fund - Institutional Shares	24,048,867	16,699,834
Parnassus Core Equity Fund - Institutional Shares	22,414,587	20,344,486
T Rowe Price Retirement 2045 Fund	18,441,078	15,512,250
Vanguard Total International Stock Index Fund - Institutional Shares	18,027,439	17,743,634
T Rowe Price Retirement 2050 Fund	11,997,696	9,724,197
T Rowe Price Retirement 2005 Fund	7,236,463	7,011,215
T Rowe Price Retirement 2055 Fund	5,624,989	4,104,373
Vanguard Prime Money Market Fund - Institutional Shares	5,544,805	5,647,021
T Rowe Price Retirement Balanced Fund	5,055,531	5,357,364
T Rowe Price Retirement Income Fund	4,397,974	4,647,905
Vanguard Small Cap Growth Index Fund - Institutional Shares	-	57,189,551
Great West Life Assurance Company	3,573,245	3,669,143
T Rowe Price Retirement 2060 Fund	424,948	78,286
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio - Class I	-	27,241,317
Vanguard Value Index Fund - Institutional Shares	-	25,270,828
Vanguard Small-Cap Value Index Fund - Institutional Shares	-	13,482,530
<b>Total Mutual Funds</b>	<b>2,450,428,312</b>	<b>2,481,339,205</b>
Discontinued investment options - Nationwide Fixed Annuities	66,683,536	70,262,956
Nationwide Life annuity payout reserves	10,611,732	11,221,851
Metropolitan Life annuity payout reserves	3,914,180	4,452,905
<b>Total Annuities</b>	<b>81,209,448</b>	<b>85,937,712</b>
<b>Total Investments</b>	<b>\$ 3,296,619,698</b>	<b>\$ 3,338,266,720</b>

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2015 and 2014

### 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 effect 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 1.72% as of December 31, 2015, and ranged from 1.63% to 1.78% during the year ended December 31, 2015. 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 contract value as of December 31, 2015 and 2014, was \$764,981,938 and \$770,989,803, respectively. The fair market value as of December 31, 2015 and 2014, was \$769,233,514 and \$783,614,211, respectively, and the wrapper value was \$113,443 and \$12,193,667, 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, 2015, and was 3.6% as of December 31, 2014.

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 2015 and 2014. 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, 2015 and 2014**

**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, 2015 and 2014, were as follows:

	<b>December 31, 2015</b>	
	<b>Valuation</b>	<b>Weighted Average Maturity</b>
Investment Contract Pool	\$ 764,981,938	2.4 years
Variable earnings:		
PIMCO Total Return Fund – Institutional Shares	106,925,964	4.6 years
Great-West Fixed Investment Fund	3,573,245	3.2 years
Variable earnings:		
Vanguard® Prime Money Market Fund – Investors Shares	5,544,805	.12 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, 2015 and 2014**

**2. INVESTMENTS AND INVESTMENT INCOME (continued)**

	<b>December 31, 2014</b>	
	<b>Valuation</b>	<b>Weighted Average Maturity</b>
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 – Investors Shares	5,647,021	.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 participant 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, 2015 and 2014. 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 to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, 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, 2015 and 2014

### 3. LIFE INSURANCE

In the 457 Plan, the amount of life insurance in force with Unum Life was approximately \$6,725,417 and \$7,095,091 as of December 31, 2015 and 2014, respectively. Participants in the 457 Plan contributed \$11,725 and \$16,097 towards premiums for life insurance contracts offered by Unum Life during the years ended December 31, 2015 and 2014, 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 2015 and 2014, against the mutual fund, ICP and fixed annuity assets.

During 2015 and 2014, an additional charge of 0.05% was imposed by MSRP for its expenses (staff, auditor, consultants, education and other administrative expenses). The fees are collected directly from participants' accounts. During 2015 and 2014, 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 2015 and 2014.

Participants choosing to exercise loan options are assessed an origination fee of \$50, an annual loan maintenance fee of \$50, and if repayments are not timely a \$50 default fee will be assessed with a continued annual loan maintenance fee until all repayments are received.

The cash balance in the accompanying financial statements as of December 31, 2015 and 2014, 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, 2015 and 2014

### 4. ADMINISTRATIVE EXPENSES (continued)

The cash reserve balance was \$619,345 and \$602,046 as of December 31, 2015 and 2014, 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 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. 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*. The adoption of this standard did not have a material effect on these statements.

As of the year ended December 31, 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, replaces Statements No. 43 and No. 57, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45 and No. 57, Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and Statement No.77, *Tax Abatement Disclosures*, Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. 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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Plan Administrator		
Third party administrator fees	\$ 2,999,090	\$ 3,126,104
Plan Sponsor*		
Salaries, wages and fringe benefits	1,179,174	1,093,162
Technical and special fees	2,427	5,965
Communications	6,661	26,243
Travel (in-state and out-of-state)	19,823	20,513
Contractual services	298,242	291,526
Supplies and materials	8,794	12,142
Equipment and furnishings	78	354
Fixed charges	150,571	138,688
Plan Sponsor Expenses	<u>1,665,770</u>	<u>1,588,593</u>
Reserve (Deduction) Addition	<u>(54,951)</u>	<u>267,288</u>
<b>Plan Sponsor Total</b>	<b><u>1,610,819</u></b>	<b><u>1,855,881</u></b>
<b>Total Administrative Expenses</b>	<b><u>\$ 4,609,909</u></b>	<b><u>\$ 4,981,985</u></b>

\*See Note 4 for more information.

# MARYLAND SUPPLEMENTAL RETIREMENT PLANS

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## Investment Section

## INVESTMENT ADVISORS' REPORT

For the year ended December 31, 2015

Prepared by Segal Rogerscasey

The report below discusses the overall performance of the Plans' investments for the year ended December 31, 2015, as well as the 2015 market environment.

Asset Class	Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
<b>Equities</b>	MSCI World (Net of dividends)	5.50	-0.87	-0.87	9.63	7.59	4.98
	Russell 3000	6.27	0.48	0.48	14.74	12.18	7.35
	MSCI EAFE (Net of dividends)	4.71	-0.81	-0.81	5.01	3.60	3.03
	MSCI EM (Net of dividends)	0.66	-14.92	-14.92	-6.76	-4.81	3.61
<b>Fixed Income</b>	Barclays Capital Aggregate	-0.57	0.55	0.55	1.44	3.25	4.51
	Citigroup Non-U.S. WGBI (Unhedged)	-1.38	-5.54	-5.54	-4.27	-1.30	3.05
<b>Other</b>	Commodity Splice*	-13.58	-28.76	-28.76	-20.50	-14.33	-8.50
	NCREIF NPI	2.91	13.33	13.33	12.04	12.18	7.76
	Thomson Reuters Private Equity**	5.07	7.15	10.68	16.10	15.35	12.06
	HFRI Fund of Funds Composite	0.73	-0.26	-0.26	3.95	2.10	2.27

\*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.

World equity markets were positive in Q4 and modestly negative for 2015. On a global developed factor basis for Q4, Growth, Sentiment and Quality generally performed well, while Value and Risk were mixed. International developed and emerging market equities underperformed the U.S. on both a quarterly and yearly basis. U.S. and international fixed income performed negatively in Q4. The U.S. finished 2015 in positive territory, while International fixed income markets fell. The investment returns are on a time-weighted return based on the initial market rate of return. Returns are net of investment management fees. The 3,5, and 10 year returns are annualized. The Federal Reserve raised the target for the federal funds rate by 25 basis points to 0.25-0.50 percent. Commodities ended Q4 and 2015 in negative territory. All major sectors were down in Q4. Energy performed the worst, followed by Industrial and Precious Metals.

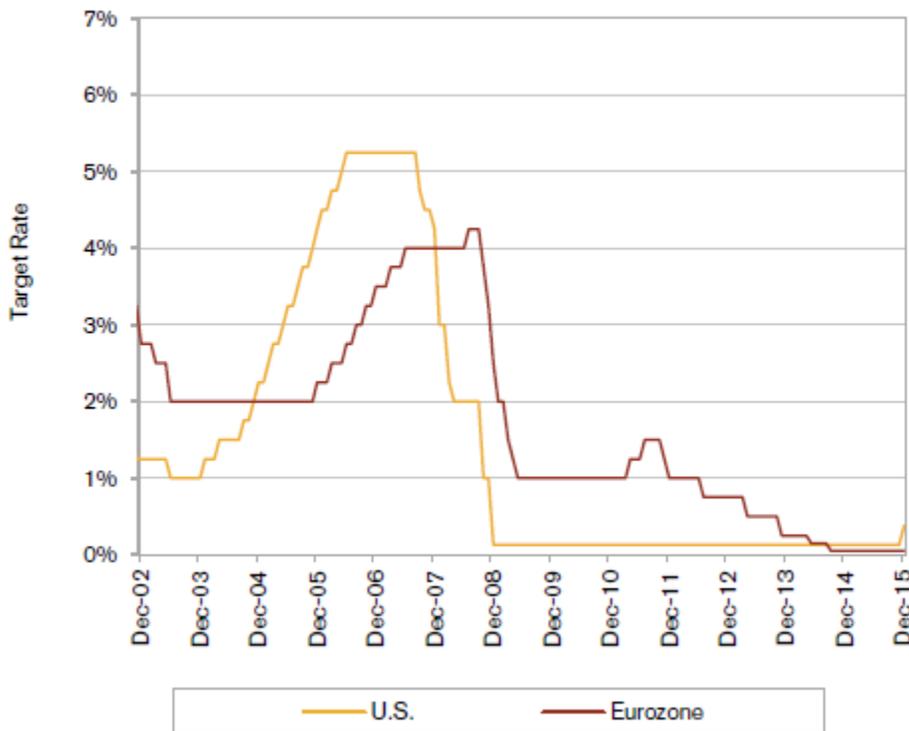
### U.S. GDP Growth: Annualized Quarterly and Year-over-Year (YoY) Rolling (%)



Source: U.S. Bureau of Economic Analysis

Real Gross Domestic Product (GDP) grew at an annualized rate of 0.7 percent in Q4. The graph above shows annualized GDP growth, along with the year-over-year (YoY) rolling percentage change in GDP. In 2015, real GDP increased 2.4 percent, the same rate of growth as in 2014. Positive contributors to GDP in Q4 included personal consumption expenditures (PCE), residential fixed investment, and federal government spending. Private inventory investment, exports, non-residential fixed investment and increased imports detracted from GDP during Q4. Personal and disposable income grew less in Q4 than in Q3. The personal savings rate increased to 5.4 percent in Q4, up 0.2 percent from Q3.

### Target Rates: U.S. and Eurozone

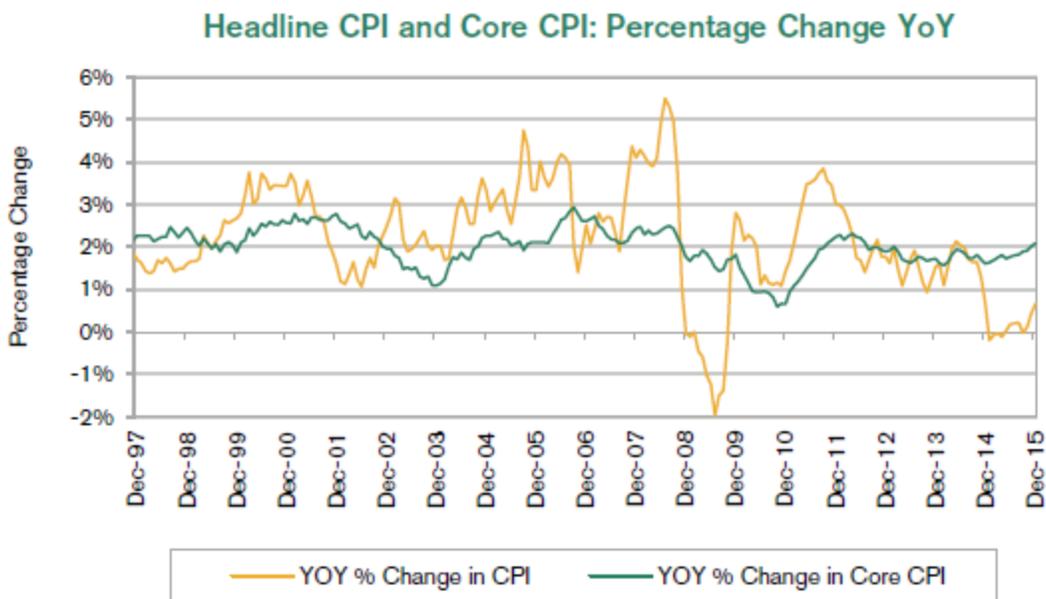


Sources: Segal Rogerscasey using data from the Federal Reserve Board, the European Central Bank and the Bank of Japan

At its December meeting, the Federal Open Market Committee (FOMC) stated the following:

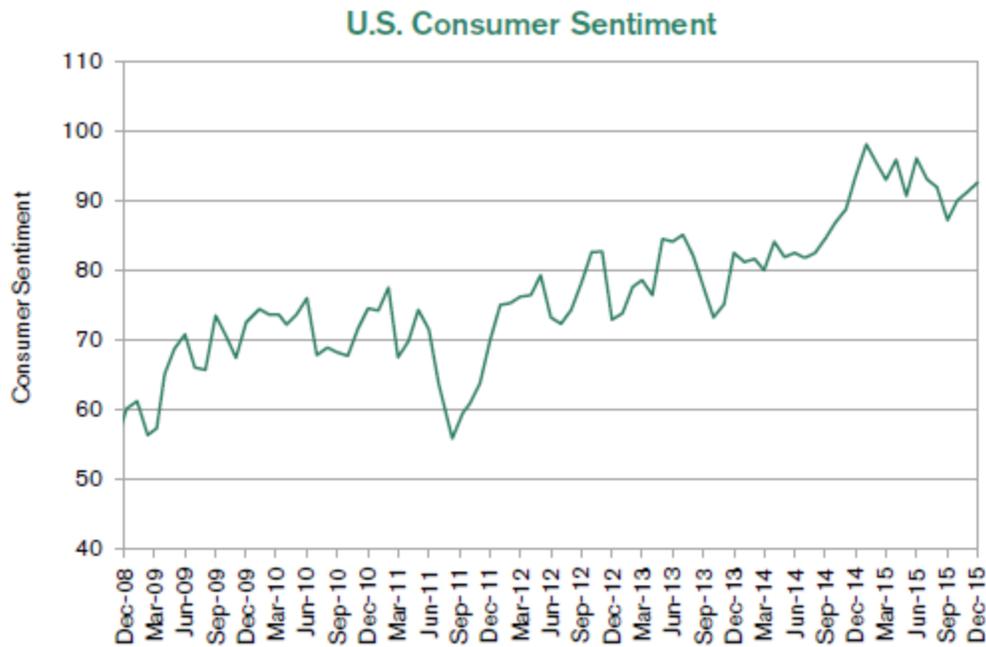
- Economic activity expanded at a moderate pace and labor market conditions continued to improve.
- Net exports were weak.
- Inflation remained below its 2 percent objective due to declines in energy prices and lower-priced, non-energy imports.
- Due to the improved labor market and confidence that inflation will rise to 2 percent over the medium term, the Federal Funds Rate increased by 25 basis points to 0.25-0.50 percent.
- The Fed will continue its existing policy of re-investing principal payments from holdings of agency debt and agency mortgage-backed securities and rolling over maturing Treasury securities at auction so as to maintain an accommodative policy.

In December, the European Central Bank (ECB) continued to hold its target refinancing rate at 0.05 percent and its marginal lending rate at 0.30 percent. It lowered the deposit rate to -0.30 percent from -0.20 percent. The Bank of Japan (BoJ) maintained its quantitative and qualitative easing policy with the goal of increasing the monetary base by approximately ¥80 trillion on an annual basis.



Source: Bureau of Labor Statistics

The headline seasonally adjusted Consumer Price Index (CPI) was up 0.1 percent in Q4, and increased 0.7 percent on a YoY basis, its second lowest December to December increase in the last 50 years. Seasonally adjusted core CPI, which excludes both food and energy prices, rose 0.5 percent in Q4, bringing the YoY core CPI increase to 2.1 percent. On an unadjusted 12-month basis ending December 2015, the energy component fell the most at -12.6 percent. Commodities less food and energy commodities were also slightly negative. Food and services less energy services were positive.

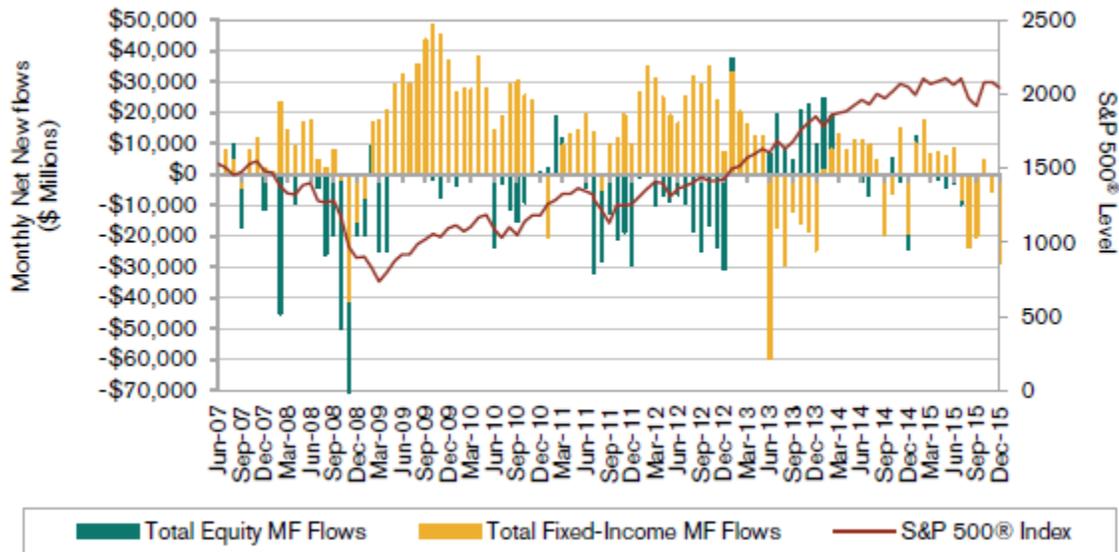


Source: Moody's Economy.com using data from the Thomson Reuters/University of Michigan Consumer Sentiment Index

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 increased from 87.2 in September 2015 to 92.6 in December 2015, which was close to the 2015 average of 92.9, the highest annual level since 2004. Views on both current economic conditions and expectations improved in Q4, but the yearly improvement was primarily driven by consumers' positive views on present conditions.

Q4 gains were driven by low inflation, which strengthened real incomes and increased buying plans for household durables. Ongoing global economic weakness and a strong U.S. dollar (USD) will continue to cause goods to be discounted, and consumers are expected to maintain a disinflationary psychology.

### Monthly Mutual Fund Net Flows (\$ Millions) Q4 2015



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

The graph on the previous page shows net flows into equity and fixed income mutual funds. In Q4, mutual funds experienced net outflows of approximately \$67.0 billion. Outflows in Q4 were driven by equity mutual funds in October and November and by fixed income funds in December. Throughout 2015, equity and fixed income mutual funds experienced net outflows totaling \$75.4 billion. Equity funds had inflows during Q1, with a majority of outflows in Q4, while fixed income funds had net inflows during Q1 and Q2, only experiencing losses in the second half of the year. As expected, the Federal Reserve raised interest rates to a range of 0.25 - 0.50 percent in December. Overall, the Treasury yield curve widened in Q4. The 10-year Treasury note closed at 2.27 percent, 21 basis points higher than at the end of Q3. Equity mutual funds experienced \$37.6 billion in outflows during Q4. U.S. and international funds lost \$56.4 billion and \$10.3 billion in assets, respectively. Hybrid mutual funds also experienced outflows of \$19.3 billion.

Equity Indices	QTD	2015	2014	3 Year	5 Year	10 Year
S&P 500® Index	7.04	1.38	13.69	15.13	12.57	7.31
Russell 1000	6.50	0.92	13.24	15.01	12.44	7.40
Russell 1000 Growth	7.32	5.67	13.05	16.83	13.53	8.53
Russell 1000 Value	5.64	-3.83	13.45	13.08	11.27	6.16
Russell 2000	3.59	-4.41	4.89	11.65	9.19	6.80
Russell 2000 Growth	4.32	-1.38	5.60	14.28	10.67	7.95
Russell 2000 Value	2.88	-7.47	4.22	9.06	7.67	5.57
Russell 3000	6.27	0.48	12.56	14.74	12.18	7.35

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

The positive results from Q4 2015 mask a tumultuous quarter. The S&P 500® (7.0 percent) rose 8.4 percent in October, barely moved in November (0.3 percent), and fell in December (-1.6 percent). Growth extended its lead during Q4, ending the year with an 11.2 percent

advantage to value in large cap stocks. Large cap stocks did markedly better than small caps in Q4 and eked out a positive total return for the year, as measured by the Russell 1000 (0.9 percent). Smaller names had a more difficult time in 2015, as indicated by the Russell 2000 (-4.4 percent).

Each sector of the S&P 500® Index supplied a positive return in Q4, though the results across sectors in 2015 showed wide dispersion. Oil prices continued to decline in 2015, leading to a one-year decline in Energy (-21.12 percent). The U.S. consumer was able to benefit from this drop, as well as other positive economic tail winds, benefiting Consumer Discretionary (10.1 percent). Healthcare (6.9 percent) had a good, if bumpy year, but not as good as 2014, when it rose 25.3 percent. Utilities (-4.9 percent) showed a sharp reversal in 2015 after a 29.0 percent increase in 2014.

Global equity markets delivered positive results overall in Q4, despite weakness in the second half of the quarter. Eurozone equities were propped up by hopes that the ECB would announce substantial further monetary policy easing, and markets abroad recovered from the sharp selloff that occurred during the summer amid global growth fears and negative investor sentiment about China. In Q4, Pacific ex Japan (8.3 percent) rose the most compared to other broad regions, while EAFE (4.7 percent) and World (5.5 percent) also posted gains. Japan (-0.3 percent) was the only region to fall in Q4, but it posted the only gain for the year (9.6 percent), which was a strong rebound from its 2014 result. Almost every developed nation in the equity markets gained in Q4; Canada (-5.1 percent), Spain (-2.6 percent), Italy (-2.3 percent) and Norway (-0.5 percent) were the only laggards in USD terms, while on a local currency basis, only Canada fell (-1.7 percent local).

Like the broader market, all but one of the sectors in the EAFE benchmark rose in Q4. Technology (10.2 percent) was the best performing sector, as these types of companies were positively affected by the strong performance of a few U.S. technology firms, such as Facebook and Amazon. Energy (-0.4 percent) remained a central concern for investors as oil prices continued to fall. As of year-end, Energy (-22.1 percent) was the worst performer, followed by Materials (-19.2 percent), as slowing commodity demand plagued these sectors.

Continued economic growth within the U.S., along with accommodative policy decisions in China and Europe, resulted in a 25 basis points increase from the near-zero levels of the Fed funds rate in December. The anticipation of the hike caused Treasury yields to rise, while changes in spreads remained mixed across the board. U.S. High Yield continued its spread expansion, as a decline in commodity prices resulted in severe underperformance in the Energy sector. Spread widening was more modest within the high quality Securitized sectors, as supply was not an issue and the Fed continued to reinvest principal and interest payments.

The U.S. Treasury yield curve expanded during Q4, with the yield gap between 2-year and 10-year Treasuries decreasing from 1.42 percent to 1.22 percent. Yields rose across the curve during Q4, as growth in the U.S. economy continued to head in the right direction, resulting in the Fed raising the central bank interest rate after years at near-zero levels. Shorter-duration Treasuries experienced the largest expansion during the quarter, while intermediate and long yields rose by lesser amounts. The 10-year U.S. Treasury yield ended Q4 at 2.27 percent, 21 basis points above Q3.

Fixed-Income Indices	QTD	2015	2014	3 Year	5 Year	10 Year
BarCap* Aggregate	-0.57	0.55	5.97	1.44	3.25	4.51
BarCap* Govt/Credit	-0.74	0.15	6.01	1.21	3.39	4.47
BarCap* Int Govt/Credit	-0.69	1.07	3.13	1.10	2.58	4.04
BarCap* Long Govt/Credit	-0.94	-3.30	19.31	1.70	6.98	6.45
BarCap* Government	-0.91	0.86	4.92	1.01	2.77	4.10
BarCap* Credit	-0.52	-0.77	7.53	1.49	4.38	5.18
BarCap* Inv Grade CMBS	-1.32	0.94	4.21	1.77	4.31	4.95
BarCap* Mortgage	-0.10	1.51	6.08	2.01	2.96	4.64
BarCap* U.S. Corporate High Yield	-2.07	-4.47	2.45	1.69	5.04	6.96
Citi 3-Month T-Bill	0.01	0.03	0.02	0.03	0.05	1.17
Hueler Stable Value	0.44	1.76	1.69	1.76	2.05	3.07

Sources: Barclays Capital, Citigroup and Hueler Analytics

Most sectors of the bond market experienced a spread contraction during Q4, which was a reversal from Q3. U.S. High Yield maintained its outward expansion as energy has continued to drive volatility. Securitized sectors also experienced spread widening during Q4, with agencies remaining one of the few sectors above its respective 10-year spread average.

**Plan Summary Report**  
 For period ended December 31, 2015  
 Prepared by Segal Rogerscasey

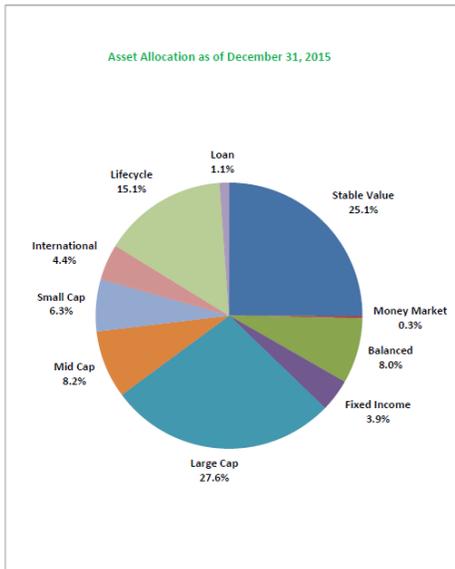
Assets of the Maryland Teachers and State Employees Supplemental Retirement Plans (the Plans) totaled \$3.319 billion as of December 31, 2015. This reflected a decrease of approximately \$40 million from the prior calendar year-end. During 2015, the Plans received \$50.5 million in contributions and paid \$63.0 million in distributions to participants, which accounted for a \$12.5 million decrease in Plan assets that was offset by investment performance. In terms of overall asset allocation, the assets were invested as follows: 25.1% stable value, 27.6% large cap equity, 15.1% lifecycle, 8.2% mid cap equity, 8.0% balanced, 6.3% small cap equity, 4.4% international equity, 3.9% fixed income, and 0.3% money market, with the remaining 1.1% in loans. The largest 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 47.5%, with \$1.585 billion in assets as of December 31, 2015. As of year-end, participants' assets were invested 20.7% stable value, 45.7% domestic equity, 16.6% lifecycle, 7.5% balanced, 4.5% fixed income, 4.8% international equity, and 1.2% loans. The investment option was the Investment Contract Pool with 20.7% of participant assets.

The assets of the 457 Plan were valued at \$1.480 billion as of December 31, 2015, comprising 44.6% of the Plans. As of year-end, participants' assets were invested 31.8% stable value, 37.4% domestic equity, 13.9% lifecycle, 8.2% balanced, 3.4% fixed income, 4.0% international equity, and 1.2% loans. The investment option was to the Investment Contract Pool with 31.8% of participant assets.

As of December 31, 2015, the 401(a) Plan was valued at \$171.2 million, which accounted for 5.2% 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 22.2% of participant assets. As of year-end, participants' assets were invested 18.4% stable value, 53.6% domestic equity, 13.1% lifecycle, 8.7% balanced, 2.7% fixed income, and 3.6% international equity.

The 403(b) Plan comprised the smallest portion of the overall Plans, with \$82.3 million in assets, which accounted for 2.5% of the Plans. As of year-end, participants' assets were invested 57.2% domestic equity, 10.8% money market, 10.6% balanced, 5.6% fixed income, 10.0% lifecycle, 5.3% international equity, and 0.4% in loans. The largest investment option in the 403(b) Plan, by participant assets, was the Vanguard Institutional Index Fund at 17.5%.



Top 5 Holdings	% of Total
Investment Contract Pool	23%
Vanguard Instl Index	14%
Fidelity Puritan	8%
Vanguard MidCap Index Inst	5%
American Funds Growth Fund	5%
<b>Subtotal</b>	<b>55%</b>

Investment Categories	Market Value	% of Plan
Stable Value	\$ 840,514,878	25%
Active Core Options	\$ 1,175,341,315	35%
Passive Options	\$ 765,524,455	23%
LifeCycle Funds	\$ 500,511,577	15%
Loan	\$ 37,444,738	1%
<b>Total Assets</b>	<b>\$ 3,319,336,964</b>	<b>100%</b>

## 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 Investment Policy Statement for that investment category.

If the Board determines an investment option no longer meets the performance criteria, it may replace that option with a suitable alternative pursuant to the investment fund evaluation procedure outlined herein. From time-to-time, 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 in the Plans, this stable value option was valued at \$764.9 million as of December 31, 2015. This investment option is not available on the 403(b) Plan. Galliard commenced managing the ICP on February 1, 2014. The Q4 2015 return was 0.43%, outperforming the blended policy index return of 0.28%. Additionally, the ICP performance was in line 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, 2015, the value of the option was \$66.7 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, 2015, 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 \$0.3 million each, while the Daily Interest Guarantee had approximately \$0.2 million.

**Vanguard Prime Money Market:** Another option only offered in the 403(b) Plan, this option had approximately \$5.5 million in assets as of December 31, 2015. Over the 1-year period, the Fund earned 11 basis points, which was higher than the 90 Day US Treasury Bill. During the last 5 years, the Fund earned 0.09% 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 of 2015. Participant investments in this fund were valued at \$24.0 million as of December 31, 2015.

**Vanguard Institutional Index Plus:** This passively managed large cap blend equity fund approximated the performance of the S&P 500 Index across all periods of 2015. Participant investments in this fund were valued at \$465.8 million as of December 31, 2015.

**Vanguard Mid Cap 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 \$179.5 million as of December 31, 2015.

**Vanguard Small Cap Index Instl:** This passively managed small cap blend equity fund produced results consistent with its custom policy index. Participant investments in this fund were valued at \$78.0 million as of December 31, 2015.

**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 \$18.0 million as of December 31, 2015.

## Active Options

**PIMCO Total Return Fund:** This actively managed core fixed income option was valued at \$106.9 million as of December 31, 2015, comprising assets of participants from each of the four Plans. For the year, the fund outperformed the Barclays Capital Aggregate Bond Index and ranked above median in its peer group; however, over the trailing 3-year period, the fund underperformed the performance of the index and ranked at median in its peer group.

**Fidelity Puritan Fund:** As of December 31, 2015, \$264.3 million of participant assets were invested in the Plans' balanced option. The Fidelity Puritan Fund outperformed its blended benchmark, and ranked among the top quartile of the balanced mutual fund universe during 2015. The fund outperformed the blended benchmark 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 period; and ranked below median of the large cap value mutual fund universe over the same time-period. Over the 3- and 5-year periods, it relatively underperformed its benchmark. As of December 31, 2015, participant assets invested in this fund were valued at \$150.5 million.

**American Century Equity Growth:** For the calendar year 2015, the actively managed large cap blend fund underperformed the S&P 500 Index, and ranked below median in its peer group. The fund underperformed its benchmark and the median of its peer group during the trailing 3-year period. Participant assets invested in this fund were valued at \$116.0 million as of December 31, 2015.

**Parnassus Equity Income Instl:** The large cap blend equity, socially responsible option, underperformed the S&P 500 Index during 2015. However, the fund outperformed the market index during the trailing 3- and 5-year period. Over the 5-year period, the fund outperformed the median of its peer group. As of December 31, 2015, participants assets invested in this fund were valued at \$22.4 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 underperformed the market index and its peer group for the trailing 3-year period. While, it underperformed the relative benchmark for the 5-year period but ranked above median of it universe. There were \$162.6 million in participant assets invested in this fund as of December 31, 2015.

**T. Rowe Price MidCap Value:** The Plans' actively managed mid cap value equity fund loss less than the Russell Mid Cap Value Index and ranked above median of the mid cap value equity mutual fund universe during the trailing 1-year period. The Fund underperformed both relative benchmarks during the trailing 5-year period. As of December 31, 2014, participant assets invested in this fund were valued at \$64.9 million.

**Janus Enterprise N:** For the calendar year 2015, the fund outperformed the Russell Mid Cap Growth Index and the median of the mid cap growth mutual fund universe. Participant assets invested in this fund were valued at \$28.5 million as of December 31, 2015.

**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 group during 2015. The fund exceeded both comparative measures during the trailing 3- and 5- year periods. As of December 31, 2015, participant assets invested in this fund were valued at \$131.9 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, 2015, participant assets invested in the fund were valued at \$126.9 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 \$500.5 million as of December 31, 2015. These funds have varied asset allocations, based upon the projected retirement date of a participant, with more conservative allocations as retirement date approaches. For 2015, the most conservative fund (T. Rowe Price Retirement 2005) earned -0.75%, while the most aggressive fund (T. Rowe Price Retirement 2060), designed for participants approximately 40+ years from retirement, earned +0.24%. On an annualized 5-year basis, the funds designed for participants that are in or are close to retirement (T. Rowe Price Retirement 2005 to 2010) produced returns ranging from approximately +5.2% to approximately +5.7%, whereas, the fund designed for those younger employees (T. Rowe Price Retirement 2055) earned approximately +8.7%. The following table illustrates the broad asset allocation of each of the specific lifecycle funds.

**T. Rowe Price Retirement Funds**  
Asset Allocation as of December 31, 2015

	Domestic Fixed	Domestic Equity	Int'l Equity	Int'l Fixed	Other
T Rowe Price Rtmt Balanced	49.7%	25.9%	13.0%	9.8%	1.8%
T Rowe Price Rtmt 2005	46.8%	25.3%	12.9%	13.1%	1.9%
T Rowe Price Rtmt 2010	42.1%	29.3%	14.8%	11.9%	1.9%
T Rowe Price Rtmt 2015	34.5%	34.9%	17.9%	10.5%	2.2%
T Rowe Price Rtmt 2020	26.8%	40.7%	21.4%	8.9%	2.4%
T Rowe Price Rtmt 2025	20.5%	45.5%	24.3%	7.3%	2.6%
T Rowe Price Rtmt 2030	15.4%	49.6%	26.6%	5.9%	2.6%
T Rowe Price Rtmt 2035	10.9%	53.2%	28.8%	4.4%	2.7%
T Rowe Price Rtmt 2040	7.6%	56.2%	30.5%	2.9%	2.9%
T Rowe Price Rtmt 2045	7.2%	56.5%	30.6%	2.9%	2.9%
T Rowe Price Rtmt 2050	7.2%	56.5%	30.7%	2.9%	2.9%
T Rowe Price Rtmt 2055	7.2%	56.5%	30.7%	2.9%	2.9%
T Rowe Price Rtmt 2060	7.1%	56.5%	30.9%	2.8%	2.9%

# Maryland Teachers & State Employees Supplemental Retirement Plans



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## Investment Performance Report October 1, 2015 to December 31, 2015



# MSRP

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](http://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 '16	Dec '15	Nov '15
283	Investment Contract Pool	1.72%	1.72%	1.70%

VRU	Variable Investment Option	Morningstar Category	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Gross Expense Ratio
<b>VRU Short-Term Investments</b>									
725	<b>Vanguard Prime Money Market Fund Inst</b> Current Yield: 0.32% <i>Citigroup 3-month T-bill</i>	Money Market	0.11%	0.08%	0.09%	1.45%	3.36%	10/03/89	0.10%
			0.03%	0.04%	0.05%	1.17%			
<b>VRU Bonds</b>									
654	<b>PIMCO Total Return Fund Inst</b> <sup>(a)</sup> Intermediate Term Bond Index <i>Barclays Capital US Aggregate Bond</i>	Intermediate-Term Bond	0.72%	1.12%	3.52%	5.76%	7.58%	05/11/87	0.46%
			0.55%	1.44%	3.25%	4.51%			
786	<b>Vanguard Total Bond Market Index Inst</b> Intermediate Term Bond Index <i>Barclays Capital Intermediate Government Bond</i>	Intermediate-Term Bond	0.41%	1.34%	3.15%	4.51%	5.42%	09/18/95	0.06%
			1.18%	0.81%	2.02%	3.71%			
<b>VRU Balanced</b>									
724	<b>T. Rowe Price Retirement Balanced Fund</b> <sup>(b)</sup> <i>Combined Index Portfolio Income</i>	Conservative Allocation	-0.75%	4.03%	4.67%	4.86%	6.15%	09/30/02	0.56%
			-0.16%	4.45%	4.77%	4.43%			
199	<b>Fidelity Puritan Fund</b> <sup>(b)</sup> Balanced Index <i>60% S&amp;P 500/40% Barclays Capital Aggregate Bond</i>	Moderate Allocation	1.77%	10.69%	9.21%	6.84%	10.96%	04/16/47	0.56%
			1.28%	9.62%	8.95%	6.48%			
<b>VRU Large-Cap Stocks</b>									
740	<b>Vanguard Instl Index Fund Plus</b> Large Cap Blend Index <i>Standard &amp; Poor's 500 Index</i>	Large Blend	1.39%	15.12%	12.57%	7.34%	6.47%	07/07/97	0.02%
			1.38%	15.13%	12.57%	7.31%			
856	<b>Parnassus Core Equity Fund Inst</b> <sup>(b)</sup> Large Cap Blend Index <i>Standard &amp; Poor's 500 Index</i>	Large Blend	-0.34%	15.32%	12.89%	10.11%	10.55%	08/31/92	0.67%
			1.38%	15.13%	12.57%	7.31%			
959	<b>American Century Equity Growth Inst</b> Large Cap Blend Index <i>Standard &amp; Poor's 500 Index</i>	Large Blend	-3.99%	13.25%	12.03%	6.59%	6.05%	01/02/98	0.47%
			1.38%	15.13%	12.57%	7.31%			
834	<b>American Funds Growth Fund of America R6</b> Large Cap Growth Index <i>Russell 1000 Growth</i>	Large Growth	5.70%	15.88%	12.44%	7.54%	13.88%	11/30/73	0.33%
			5.67%	16.83%	13.53%	8.53%			
776	<b>Goldman Sachs Large Cap Value Inst</b> <sup>(b)</sup> Large Cap Value Index <i>Russell 1000 Value</i>	Large Value	-4.30%	12.85%	9.73%	5.73%	6.04%	12/15/99	0.80%
			-3.83%	13.08%	11.27%	6.16%			
<b>VRU Mid-Cap Stocks</b>									
899	<b>Vanguard Midcap Index Inst Plus</b> Mid Cap Blend Index <i>S&amp;P 400 Midcap Index</i>	Mid Cap Blend	-1.30%	14.94%	11.56%	N / A	11.93%	12/15/10	0.06%
			-2.18%	12.76%	10.68%	8.18%			
1291	<b>Janus Enterprise Fund</b> Mid Cap Growth Index <i>Russell Midcap Growth</i>	Mid Cap Growth	3.57%	15.01%	12.01%	9.57%	10.56%	09/01/92	0.68%
			-0.20%	14.88%	11.54%	8.16%			
802	<b>T. Rowe Price Midcap Value</b> <sup>(b)</sup> Mid Cap Value Index <i>Russell Midcap Value</i>	Mid Cap Value	-3.41%	12.01%	9.86%	8.02%	11.16%	06/28/96	0.80%
			-4.78%	13.40%	11.25%	7.61%			

<sup>(a)</sup> Voluntary fee waiver that can be changed at anytime.

<sup>(b)</sup> Part of the MSRP Mutual Fund Savings (reimbursement) Program.

VRU	Variable Investment Option	Morningstar Category	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Gross Expense Ratio
<b>VRU Small-Cap Stocks</b>									
526	<b>T. Rowe Price Small Cap Stock Fund</b> <sup>(b)</sup>	Small Cap Growth	-3.18%	12.52%	10.93%	8.57%	12.91%	06/01/56	0.91%
	Small Cap Growth Index								
	CRSP US Small Cap Growth		-2.60%	11.93%	9.41%	7.99%			
891	<b>Vanguard Small Cap Index Fund Inst</b>	Small Cap Blend	-3.63%	12.61%	10.45%	7.98%	8.33%	07/07/97	0.08%
	Small Cap Blend Index								
	Russell 2000 Blend		-4.41%	11.65%	9.19%	6.80%			
<b>VRU International Stocks</b>									
835	<b>American Funds Euro Pacific Growth R6</b>	Foreign Large Growth	-0.48%	5.45%	3.99%	4.94%	11.12%	04/16/84	0.49%
	Foreign Large Growth								
	FTSE Developed ex North America		-0.45%	4.72%	3.47%	3.36%			
883	<b>Vanguard Total International Stock Index Inst</b>	Foreign Large Blend	-4.24%	1.86%	1.34%	N / A	2.69%	11/29/10	0.12%
	International Index								
	FTSE Global All Cap ex US		-4.03%	2.52%	1.78%	3.90%			
<b>VRU Retirement Funds*</b>									
715	<b>T. Rowe Price Retirement 2005 Fund</b> <sup>(b)</sup>	Target-Date 2000-2010	-0.75%	4.48%	5.20%	5.17%	5.44%	02/27/04	0.58%
	Combined Index Portfolio 2005		-0.09%	5.01%	5.36%	4.86%			
716	<b>T. Rowe Price Retirement 2010 Fund</b> <sup>(b)</sup>	Target-Date 2000-2010	-0.76%	5.26%	5.68%	5.30%	7.47%	09/30/02	0.58%
	Combined Index Portfolio 2010		-0.15%	5.75%	5.90%	5.06%			
717	<b>T. Rowe Price Retirement 2015 Fund</b> <sup>(b)</sup>	Target Date 2011-2015	-0.58%	6.46%	6.48%	5.65%	6.08%	02/27/04	0.62%
	Combined Index Portfolio 2015		-0.29%	6.82%	6.65%	5.37%			
718	<b>T. Rowe Price Retirement 2020 Fund</b> <sup>(b)</sup>	Target Date 2016-2020	-0.31%	7.52%	7.15%	5.88%	8.46%	09/30/02	0.66%
	Combined Index Portfolio 2020		-0.41%	7.70%	7.24%	5.55%			
719	<b>T. Rowe Price Retirement 2025 Fund</b> <sup>(b)</sup>	Target Date 2021-2025	-0.17%	8.47%	7.71%	6.06%	6.60%	02/27/04	0.69%
	Combined Index Portfolio 2025		-0.55%	8.51%	7.77%	5.73%			
720	<b>T. Rowe Price Retirement 2030 Fund</b> <sup>(b)</sup>	Target Date 2026-2030	-0.02%	9.28%	8.21%	6.25%	9.11%	09/30/02	0.72%
	Combined Index Portfolio 2030		-0.72%	9.16%	8.18%	5.87%			
721	<b>T. Rowe Price Retirement 2035 Fund</b> <sup>(b)</sup>	Target Date 2031-2035	0.13%	9.87%	8.53%	6.33%	6.89%	02/27/04	0.74%
	Combined Index Portfolio 2035		-0.86%	9.62%	8.45%	5.94%			
722	<b>T. Rowe Price Retirement 2040 Fund</b> <sup>(b)</sup>	Target Date 2036-2040	0.17%	10.23%	8.73%	6.45%	9.29%	09/30/02	0.75%
	Combined Index Portfolio 2040		-0.99%	9.88%	8.62%	6.03%			
723	<b>T. Rowe Price Retirement 2045 Fund</b> <sup>(b)</sup>	Target Date 2041-2045	0.17%	10.22%	8.74%	6.45%	7.01%	05/31/05	0.75%
	Combined Index Portfolio 2045		-0.96%	9.89%	8.63%	6.04%			
728	<b>T. Rowe Price Retirement 2050 Fund</b> <sup>(b)</sup>	Target Date 2046-2050	0.19%	10.23%	8.76%	N / A	5.42%	12/29/06	0.75%
	Combined Index Portfolio 2050		-0.96%	9.89%	8.63%	N / A			
729	<b>T. Rowe Price Retirement 2055 Fund</b> <sup>(b)</sup>	Target Date 2051+	0.18%	10.21%	8.76%	N / A	5.41%	12/29/06	0.75%
	Combined Index Portfolio 2055		-0.96%	9.89%	8.63%	N / A			
1152	<b>T. Rowe Price Retirement 2060 Fund</b> <sup>(b)</sup>	Target Date 2051+	0.24%	N / A	N / A	N / A	0.35%	06/23/14	0.75%
	Combined Index Portfolio 2060		-0.96%	N / A	N / A	N / A			

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 16	4th Qtr 15	3rd Qtr 15	2nd Qtr 15
3.50%	3.50%	3.50%	3.50%

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 2016. 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 2016 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 16	4th Qtr 15	3rd Qtr 15
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 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 Hunt Valley 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 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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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](http://www.nrsforu.com).

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# Investment Contract Pool

Separate Account Report as of December 31, 2015

## 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](http://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)<sup>3</sup>, although individual securities or contracts purchased for the ICP may have a lower credit quality rating.

<sup>1</sup> 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.

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

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

<sup>4</sup> 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

## ICP Characteristics

Assets	\$765,131,704
Average Duration	2.39 years
Previous monthly crediting rate (annualized)	1.72%
Inception Date	1987
Manager <sup>1</sup>	Galliard Capital Management, Inc.

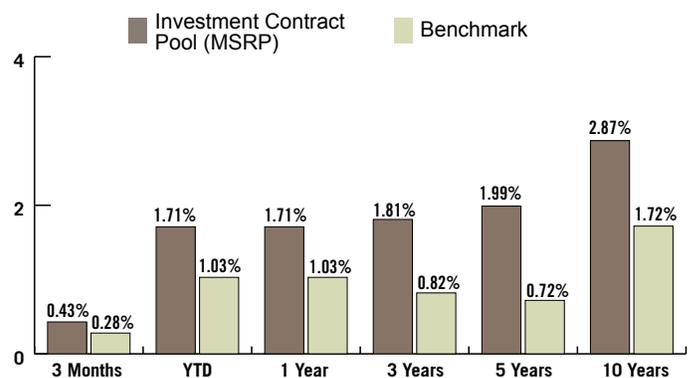
## Sector Allocation of the Underlying Fixed Income Portfolios<sup>2</sup>

U.S. Treasury/Agency	22.6%
Other U.S. Government	11.4%
Corporate/Taxable Municipal Securities	24.2%
Mortgage Backed Securities (MBS)	21.6%
Asset Backed Securities (ABS)	8.5%
Guaranteed Investment Contracts (GICs)	1.3%
International Gov't/ Agency Securities	0.1%
Cash/Equivalents	10.3%

## Credit Profile of the Underlying Fixed Income Portfolios<sup>2,3</sup>

AAA	71.3%
AA	5.8%
A	11.6%
BBB	11.2%
<BBB	0.1%
NR/NA	-

## Performance<sup>4</sup>



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 3 Year Constant Maturity Treasury. Investors cannot invest in an index.



# Investment Contract Pool

Separate Account Report as of December 31, 2015

## Strategy Overview

Assets in the Investment Contract Pool are held in trust for the benefit of participants of the MSRP. Participant investments made in the ICP are credited with a daily blended interest rate. Periodically an anticipated monthly rate is declared, but not guaranteed. This quoted rate is net of all fees and expenses directly related to the ICP. This average annual expense fee will vary, but is approximately 0.43% (\$4.25 per \$1,000), annualized. This fee does not include the monthly account fee of fifty-cents or the monthly asset fee assessed on all participants by the Maryland Board of Trustees ("Board") and Nationwide Retirement Solutions, which will total 0.14%, annualized.

The ICP typically invests in the following investments: (1) Short term cash investments for general account liquidity; (2) General Account Investment Contracts ("GICs" or "BICs"), which are issued by insurance companies or banks and maintain a constant principal valuation while earning interest; (3) Separate Account GICs, and (4) Synthetic GICs. Separate Account GICs and Synthetic GICs both allow for principal stability while earning interest. The key difference between GICs, and Synthetic GICs or Separate Account GICs, is that Synthetic GICs and Separate Account GICs have an associated fixed income portfolio managed by a fixed income advisor for the benefit of the ICP. The fixed income portfolio generates investment income to pay interest, and is combined with a benefit responsive investment contract issued by an insurance company, bank, or other high-quality financial institution, to help maintain the principal stability of the ICP.

## ICP Investment Policy

The ICP is managed according to a detailed investment policy established by the Board, which is available upon request.

## Further Information

For information about the Maryland Supplemental Retirement Plans, investment option booklets, and other general information or to arrange educational seminars, please go to the MSRP website at [MSRP.maryland.gov](http://MSRP.maryland.gov). For additional information about the Plans, financial planning calculators, performance information, mutual fund prospectuses, Plan forms, and to enroll or access an account, please log on to the Nationwide Retirement Solutions MSRP participant website at [www.MarylandDC.com](http://www.MarylandDC.com).

You may also call the MSRP at 410-767-8740 / 1-800-543-5605 (office hours: Monday thru Friday, 8:30 a.m. to 5:00 p.m.) or e-mail us at [Info.MSRP@maryland.gov](mailto:Info.MSRP@maryland.gov). Or you may call the Nationwide Retirement Solutions Team MSRP Customer Service Center at 1-800-545-4730.

<sup>5</sup> Ratings are Standard and Poor's Rating Service and Moody's Investor Services, respectively.

<sup>6</sup> Allocations shown are not necessarily indicative of future allocations. Figures may not sum to 100% due to rounding.

<sup>7</sup> Fixed income portfolios managed by these advisors are associated with Separate Account GICs and Wrapper contracts issued to the ICP.

## ICP Investments <sup>5,6</sup>

<i>Short Term Investment Funds (STIF)</i>	<i>S&amp;P</i>	<i>Moody's</i>	<i>% of Portfolio</i>
STIF	AAA	Aaa	6.4%
<i>General Account GIC</i>			
	<i>S&amp;P</i>	<i>Moody's</i>	<i>% of Portfolio</i>
Principal Life Insurance Company	A+	A1	1.3%
<i>Synthetic GICs / Wrappers and Separate Account Issuers</i>			
	<i>S&amp;P</i>	<i>Moody's</i>	<i>% of Portfolio</i>
Massachusetts Mutual Life Ins. Co.	AA+	Aa2	18.4%
Metropolitan Life Insurance Co.	AA-	Aa3	18.2%
Prudential Insurance Co. of America	AA-	A1	19.2%
RGA Reinsurance Company	AA-	A1	18.3%
Transamerica Premier Life Ins. Co.	AA-	A1	18.2%

## Fixed Income Portfolios <sup>6,7</sup>

Babson	18.4%
Earnest Partners	18.2%
Galliard Capital Management, Inc.	19.5%
J.P. Morgan Investment Management Co.	18.2%
PIMCO	19.2%

The MSRP Investment Contract Pool is not a mutual fund, therefore there is no prospectus. It is a separate managed account, which may utilize collective investment trusts as part of its investment strategy. Unit price, yield, and return may vary.

The comments, opinions and estimates contained herein are based on or derived from publicly available information from sources that we believe to be reliable. We do not guarantee their accuracy. This material is for informational purposes only and sets forth our views as of this date. The underlying assumptions and these views are subject to change without notice.

NOT FDIC INSURED | MAY LOSE VALUE  
 NO BANK GUARANTEE | NOT A DEPOSIT  
 NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

# MARYLAND SUPPLEMENTAL RETIREMENT PLANS

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Statistical Section



**MSRP**

**Teachers & State Employees  
SUPPLEMENTAL  
RETIREMENT  
PLANS**

**MARYLAND**

**2015**

## 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 YEARS OF CHANGES IN NET ASSETS BY PLAN*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>457(b) Plan Changes in Net Asset Summary</b>										
<b>Additions:</b>										
Contributions	66,812,217	60,837,390	58,119,214	64,509,861	65,686,279	64,768,004	66,191,009	68,108,751	66,712,955	65,689,386
Investment Income	8,868,204	95,092,193	205,433,605	118,317,606	(2,523,478)	109,470,384	158,828,192	(260,016,053)	67,594,408	111,222,386
Other	-	-	-	731,568	-	-	3,052,738	521,683	-	-
<b>Total Additions</b>	<b>75,680,421</b>	<b>155,929,583</b>	<b>263,552,819</b>	<b>183,559,035</b>	<b>63,162,801</b>	<b>174,238,388</b>	<b>228,071,939</b>	<b>(191,385,619)</b>	<b>134,307,363</b>	<b>176,911,772</b>
<b>Deductions:</b>										
Participant Distributions	99,281,258	94,808,702	90,898,692	92,220,468	93,841,613	84,728,730	74,127,807	97,490,302	96,221,412	86,526,003
Administrative Fees	1,941,980	2,040,540	2,570,413	2,622,823	1,313,803	1,454,640	1,206,768	1,272,972	3,577,699	3,437,543
Other	11,725	16,098	20,281	25,146	31,438	43,114	48,280	56,098	65,851	-
<b>Total Deductions</b>	<b>101,234,963</b>	<b>96,865,340</b>	<b>93,489,386</b>	<b>94,868,437</b>	<b>95,186,854</b>	<b>86,226,484</b>	<b>75,382,855</b>	<b>98,819,372</b>	<b>99,864,962</b>	<b>89,963,546</b>
Change in Net Assets	(25,554,542)	59,064,243	170,063,433	88,690,598	(32,024,053)	88,011,904	152,689,084	(290,204,991)	34,442,401	86,948,226
<b>401(k) Plan Changes in Net Asset Summary</b>										
<b>Additions:</b>										
Contributions	94,255,440	89,859,775	82,602,393	92,031,387	90,335,102	91,618,867	91,902,236	95,898,797	94,729,303	88,740,454
Investment Income	4,757,388	107,129,651	239,678,425	130,658,294	(10,751,811)	114,265,228	163,592,513	(284,616,917)	50,102,369	89,754,614
Other	-	-	-	-	-	-	1,891,084	-	-	-
<b>Total Additions</b>	<b>99,012,828</b>	<b>196,989,426</b>	<b>322,280,818</b>	<b>222,689,681</b>	<b>79,583,291</b>	<b>205,884,095</b>	<b>257,385,833</b>	<b>(188,718,120)</b>	<b>144,831,672</b>	<b>178,495,068</b>
<b>Deductions:</b>										
Participant Distributions	99,554,689	91,201,808	79,068,751	76,111,030	75,308,991	67,881,768	54,331,835	62,995,066	56,946,200	47,009,239
Administrative Fees	2,331,324	2,512,926	1,820,523	2,599,233	2,460,876	2,151,134	1,786,479	1,978,213	2,836,711	2,426,168
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Deductions</b>	<b>101,886,013</b>	<b>93,714,734</b>	<b>80,889,274</b>	<b>78,710,263</b>	<b>77,769,867</b>	<b>70,032,902</b>	<b>56,118,314</b>	<b>64,973,279</b>	<b>59,782,911</b>	<b>49,435,407</b>
Change in Net Assets	(2,873,185)	103,274,692	241,391,544	143,979,418	1,813,424	135,851,193	201,267,519	(253,691,399)	85,048,761	129,059,661

## *TEN YEARS OF CHANGES IN NET ASSETS BY PLAN (continued)*

### *403(b) Plan Changes in Net Asset Summary*

#### **Additions:**

Contributions	2,655,822	2,760,999	2,537,583	2,961,222	2,883,012	3,270,543	3,476,879	3,041,867	2,791,581	2,771,994
Investment Income	(77,117)	6,949,014	15,195,040	8,489,879	(1,302,670)	7,996,306	12,135,213	(23,380,777)	4,223,649	7,952,482
Other	-	-	-	-	-	-	334,101	-	-	-
<b>Total Additions</b>	<b>2,578,705</b>	<b>9,710,013</b>	<b>17,732,623</b>	<b>11,451,101</b>	<b>1,580,342</b>	<b>11,266,849</b>	<b>15,946,193</b>	<b>(20,338,910)</b>	<b>7,015,230</b>	<b>10,724,476</b>

#### **Deductions:**

Participant Distributions	6,451,831	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
Administrative Fees	117,798	131,290	96,524	140,571	138,429	128,769	109,711	136,773	215,582	203,564
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Deductions</b>	<b>6,569,629</b>	<b>6,158,333</b>	<b>5,673,437</b>	<b>4,947,994</b>	<b>4,611,655</b>	<b>5,326,221</b>	<b>4,119,821</b>	<b>4,411,569</b>	<b>7,188,772</b>	<b>5,490,138</b>
Change in Net Assets	(3,990,924)	3,551,680	12,059,186	6,503,107	(3,031,313)	5,940,628	11,826,372	(24,750,479)	(173,542)	5,234,338

### *401(a) Match Plan Changes in Net Asset Summary*

#### **Additions:**

Contributions	9,750	28,418	39,564	495,460	400,092	408,268	3,102,359	20,839,626	20,722,388	17,986,400
Investment Income	566,917	14,069,429	31,552,466	16,985,325	(1,408,730)	16,519,571	25,425,962	(45,402,727)	5,899,490	11,609,187
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Additions</b>	<b>576,667</b>	<b>14,097,847</b>	<b>31,592,030</b>	<b>17,480,785</b>	<b>(1,008,638)</b>	<b>16,927,839</b>	<b>28,528,321</b>	<b>(24,563,101)</b>	<b>26,621,878</b>	<b>29,595,587</b>

#### **Deductions:**

Participant Distributions	9,303,180	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
Administrative Fees	218,807	247,229	172,242	279,225	276,385	261,262	229,579	268,020	370,113	289,206
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Deductions</b>	<b>9,521,987</b>	<b>7,707,875</b>	<b>7,412,670</b>	<b>7,005,453</b>	<b>7,464,414</b>	<b>6,489,315</b>	<b>4,794,912</b>	<b>5,128,055</b>	<b>5,124,396</b>	<b>3,932,899</b>
Change in Net Assets	(8,945,320)	6,389,972	24,179,360	10,475,332	(8,473,052)	10,438,524	23,733,409	(29,691,156)	21,497,482	25,662,688

### *457(b), 401(k), 403(B) and 401(A) Changes in Net Asset Summary*

<b>Net Change ALL PLANS</b>	<b>(41,363,971)</b>	<b>172,280,587</b>	<b>447,693,523</b>	<b>249,648,455</b>	<b>(41,714,994)</b>	<b>240,242,249</b>	<b>389,516,384</b>	<b>(598,338,025)</b>	<b>140,815,102</b>	<b>246,904,913</b>
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# TEN YEARS OF PLAN STATISTICS BY PLAN

## 457(b) PLAN SUMMARY

	<u>2015</u>	<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>
Participant Accounts	31,694	30,409	29,520	29,425	29,512	29,803	30,274	30,715	30,411	29,487
Deferring Participants	18,171	17,266	16,498	16,510	16,501	16,900	17,541	18,457	18,243	17,444
Total Net Position	\$ 1,498,890,979	\$ 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
Additions: Contributions	\$ 66,812,219	\$ 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
Additions: Investment Return	\$ 8,958,763	\$ 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
Withdrawals	\$ (99,281,258)	\$ (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)
Mutual Fund Reimbursements	\$ 937,423	\$ 877,045	\$ 770,557	\$ 639,560	\$ 609,104	\$ 585,014	\$ 727,509	\$ 1,071,061	\$ 1,510,268	\$ 1,218,067
Plan Administration Fees*	\$ (1,941,980)	\$ (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)
Number of Loans	2,464	2,176	2,176	2,076	2,076	720	1,306	995	1,109	800
Loan Amount	\$ 18,076,763	\$ 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

## 401(k) PLAN SUMMARY

	<u>2015</u>	<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>
Participant Accounts	33,506	33,813	33,974	34,524	35,100	35,829	36,703	37,375	37,366	36,709
Deferring Participants	18,838	19,600	20,100	20,898	21,639	22,826	24,255	25,930	26,375	26,220
Total Net Position	\$ 1,585,700,338	\$ 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
Contributions	\$ 94,255,440	\$ 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
Investment Return	\$ 4,757,388	\$ 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
Withdrawals	\$ (99,554,689)	\$ (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)
Mutual Fund Reimbursements	\$ 1,061,915	\$ 972,448	\$ 829,575	\$ 680,729	\$ 617,656	\$ 584,667	\$ 725,795	\$ 1,032,238	\$ 1,325,748	\$ 1,014,160
Plan Administration Fees*	\$ (2,331,324)	\$ (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)
Number of Loans	2760	2575	2,575	2,596	2,596	916	1,770	1,425	1,546	1,236
Loan Amount	\$ 19,070,539	\$ 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

# TEN YEARS OF PLAN STATISTICS BY PLAN (continued)

## 403(b) PLAN SUMMARY

	<u>2015</u>	<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>
Participant Accounts	834	855	879	908	930	959	988	980	926	938
Deferring Participants	329	346	368	393	397	415	439	429	368	348
Total Net Position	\$ 82,506,022	\$ 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
Contributions	\$ 2,655,822	\$ 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
Investment Return	\$ (77,117)	\$ 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
Withdrawals	\$ (6,451,831)	\$ (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)
Mutual Fund Reimbursements	\$ 79,372	\$ 60,830	\$ 52,550	\$ 43,542	\$ 43,404	\$ 45,169	\$ 75,786	\$ 122,270	\$ 167,454	\$ 126,326
Plan Administration Fees*	\$ (117,798)	\$ (131,290)	\$ (96,524)	\$ (140,571)	\$ (138,429)	\$ (128,769)	\$ (106,903)	\$ (136,773)	\$ (215,582)	\$ (203,564)
Number of Loans	31	35	31	25	25	14	12	5	7	6
Loan Amount	\$ 344,010	\$ 365,015	\$ 413,951	\$ 338,100	\$ 370,236	\$ 286,301	\$ 176,447	\$ 127,838	\$ 156,384	\$ 177,425

## 401(A) PLAN SUMMARY

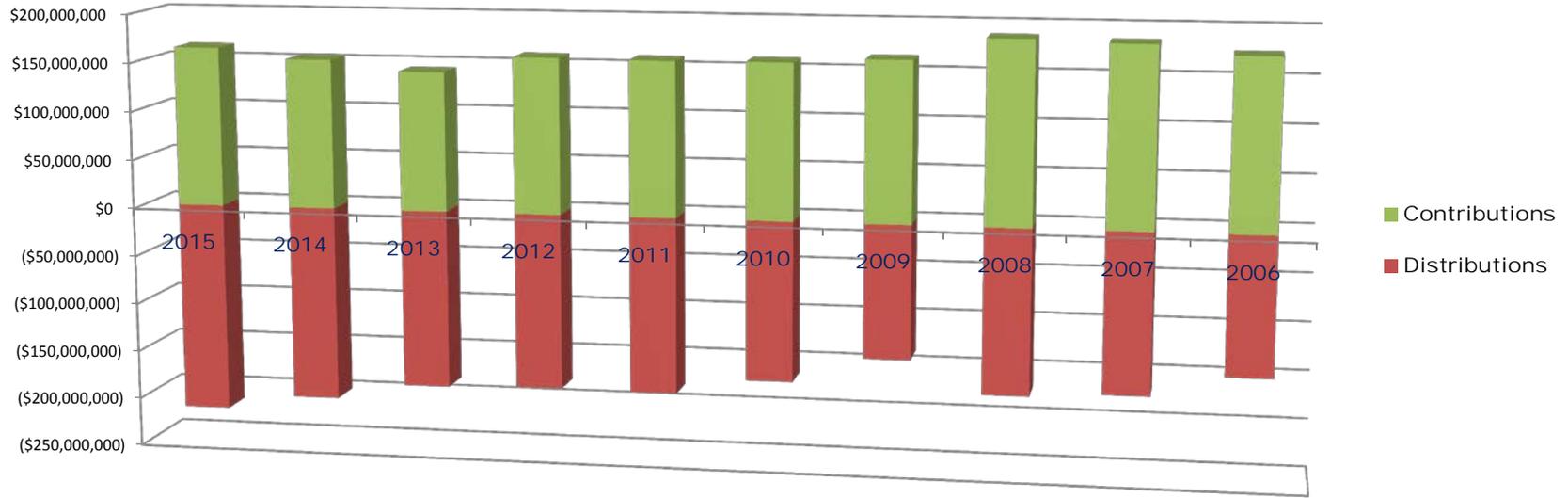
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Participant Accounts	33,681	35,322	36,776	38,424	40,085	41,965	44,705	44,705	44,119	42,596
Deferring Participants	—	—	—	—	—	—	—	—	—	—
Total Net Position	\$ 171,152,046	\$ 180,097,366	\$ 173,707,394	\$ 149,528,034	\$ 139,052,702	\$ 147,525,754	\$ 137,121,923	\$ 113,353,821	\$ 143,044,977	\$ 121,547,495
Contributions	\$ 9,750	\$ 28,418	\$ 39,564	\$ 495,460	\$ 400,092	\$ 408,268	\$ 3,493,268	\$ 15,979,591	\$ 20,722,388	\$ 17,986,400
Investment Return	\$ 566,917	\$ 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
Withdrawals	\$ (9,303,180)	\$ (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)
Mutual Fund Reimbursements	\$ 127,730	\$ 116,072	\$ 103,938	\$ 88,495	\$ 85,866	\$ 85,338	\$ 122,620	\$ 159,786	\$ 175,209	\$ 135,911
Plan Administration Fees*	\$ (218,807)	\$ (247,229)	\$ (172,242)	\$ (279,225)	\$ (276,385)	\$ (261,262)	\$ (240,875)	\$ (268,020)	\$ (370,113)	\$ (289,206)

\* Includes any additional special fee

## *TEN YEAR HISTORY OF BOARD INCOME AND EXPENSES*

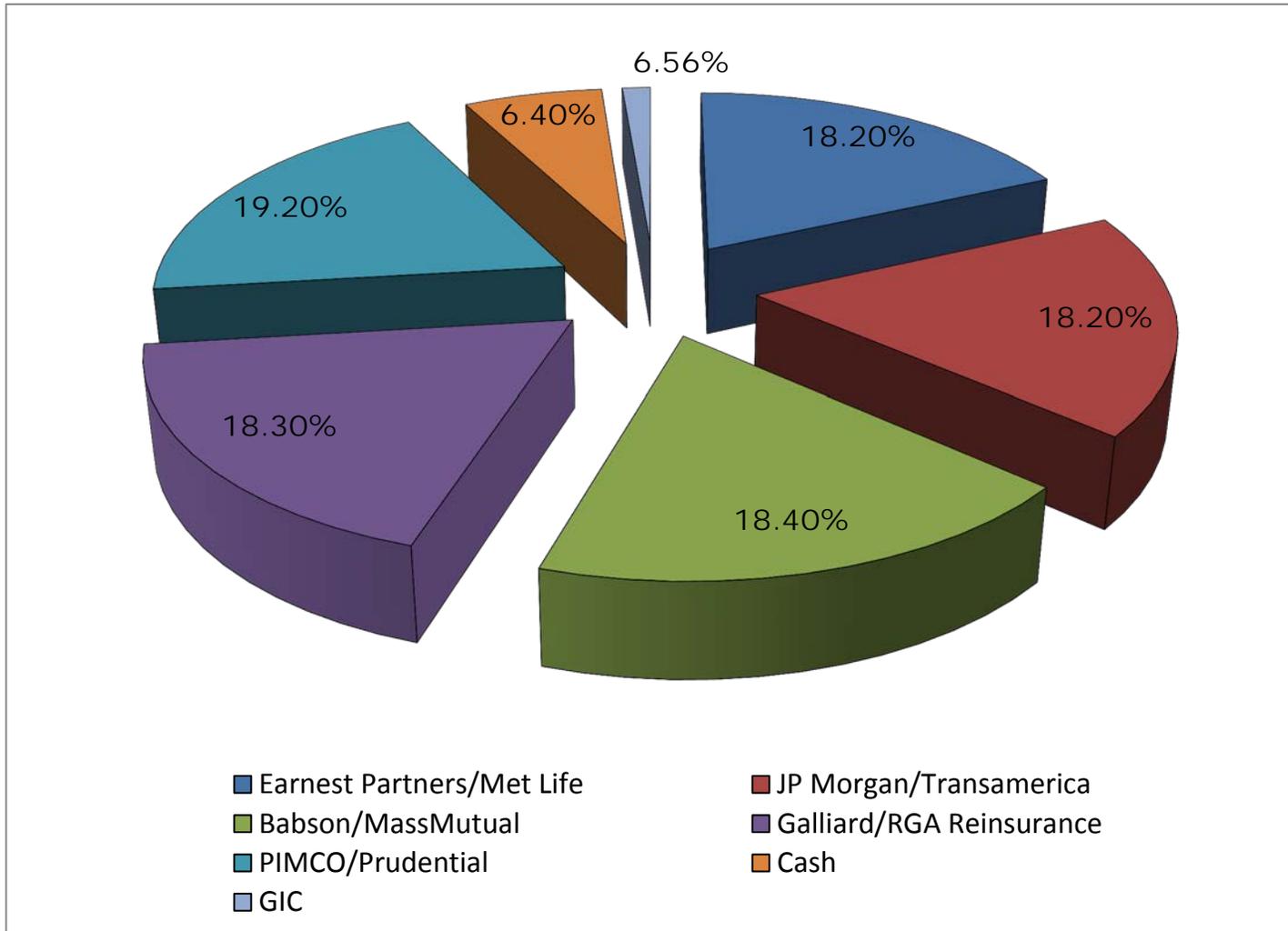
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Total Revenues</b>	\$ 1,610,819	\$ 1,805,881	\$ 1,353,339	\$ 1,649,707	\$ 1,640,000	\$ 1,402,986	\$ 1,309,730	\$ 1,172,650	\$ 1,211,767	\$ 1,122,891
<b>Expenditures</b>										
Salaries, Wages and Fringe Benefits	1,179,174	1,093,162	1,117,340	1,035,850	1,070,891	1,078,193	1,062,340	985,373	950,415	954,275
Technical & Special fees	2,427	5,945	889	25	943	4,401	2,740	(646)	3,973	1,179
Communications	6,661	26,243	9,433	25,549	18,797	22,451	23,482	35,056	17,795	8,851
Travel	19,823	20,513	16,257	18,966	15,523	12,243	13,372	18,799	21,974	21,955
Contractual Services	298,242	241,535	299,345	214,478	235,772	233,543	232,603	238,632	214,459	217,410
Supplies and Materials	8,794	12,142	4,500	4,769	3,830	4,935	13,451	7,188	(2,855)	13,365
Equipment/Furnishings	78	354	15,883	22,442	45,205	5,183	7,099	309	11,726	-
Fixed Charges	150,571	138,699	134,222	129,760	127,935	124,314	121,180	112,299	111,056	103,646
<b>Total Expenditures</b>	<u>1,665,770</u>	<u>1,538,593</u>	<u>1,597,869</u>	<u>1,451,839</u>	<u>1,518,896</u>	<u>1,485,263</u>	<u>1,476,267</u>	<u>1,397,010</u>	<u>1,328,543</u>	<u>1,320,681</u>
<b>Revenue Less Expenditures</b>	(54,951)	267,288	(244,530)	197,868	121,104	(82,277)	(166,537)	(224,360)	(116,776)	(197,790)
Adjustment (timing differences)		-	-	-	-	17,036	87,052	(153,218)	113,537	11,679
<b>Reserve Balance</b>	<u>\$ 619,345</u>	<u>\$ 602,045</u>	<u>\$ 264,642</u>	<u>\$ 495,300</u>	<u>\$ 297,432</u>	<u>\$ 176,328</u>	<u>\$ 241,569</u>	<u>\$ 321,054</u>	<u>\$ 698,632</u>	<u>\$ 701,871</u>

### TEN-YEAR HISTORY OF ALL PLANS CONTRIBUTIONS vs DISTRIBUTIONS



Calendar Year	Distributions	Contributions
2015	\$ (214,590,958)	\$ 163,733,229
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

## STABLE VALUE MANAGER DIVERSIFICATION



# MARYLAND SUPPLEMENTAL RETIREMENT PLANS

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Other statistical Section

# MSRP Contribution Limits

## For Calendar Year 2015

<b>PLAN</b>	<b>2015 LIMIT</b>
457(b) Deferred Compensation Plan	Up to 100% of compensation, but not more than \$18,000
403(b) Tax Sheltered Annuity Plan	Up to 100% of compensation, but not more than \$18,000
401(k) Savings & Investment Plan	Up to 100% of compensation, but not more than \$18,000
When participating in <i>both</i> the 457(b) Plan and the 401(k) Plan [or 403(b)], one may contribute \$18,000 a year to each Plan for a potential combined contribution of \$36,000.	

<b>CATCH-UP PROVISION</b>	<b>2015 LIMIT</b>
Catch-Up for Age 50 and Over	Employees over 50 years old may 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 \$6,000 per Plan in 2015. The maximum amount of these additional contributions will be indexed and may increase with inflation, as frequently as yearly, in \$500 increments.
Special 457(b) Catch-Up	Assuming prior years of employment contributing less than the maximum, the limit on special catch-up contributions in the 457(b) Plan is double the \$18,000 regular deferral limit, or \$36,000 in 2015.

<b>Calendar Year 2015</b>	<b>Maximum Deferral Limit</b>	<b>Deferral Limit plus Age 50 Catch-Up</b>	<b>Special 457(b) Catch-Up Deferral Limit</b>
	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	\$18,000	\$24,000	\$36,000
401(k) Plan or 403(b) Plan	\$18,000	\$24,000	\$24,000 (Use Age 50 Catch-Up)
<b>TOTAL</b>	<b>\$36,000</b>	<b>\$48,000</b>	<b>\$60,000</b>



## 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) <sup>1</sup>		
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. <sup>1</sup>	Age 50 or older bonus: \$6,000 deferral effective Calendar Year 2015 <sup>1</sup>	
May I contribute to more than one Plan at the same time?	Yes – but with the following limitations:	<ul style="list-style-type: none"> <li>• \$18,000 457(b) and/or Roth 457(b) + \$18,000 401(k) and/or Roth 401(k) = \$36,000/yr<sup>1</sup></li> <li>• \$18,000 457(b) and/or Roth 457(b) + \$18,000 403(b) = \$36,000/yr<sup>1</sup></li> <li>• \$18,000 457(b) and/or Roth 457(b) + combination of 403(b) &amp; 401(k)/Roth 401(k) not to exceed \$18,000 = \$36,000/yr<sup>1</sup></li> </ul>	
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. <sup>2</sup>		
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? <sup>3</sup>	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? <sup>4</sup>	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.

<sup>1</sup> Source: IRS Announces 2015 Pension Plan Limitations, www.irs.gov

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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) <sup>5</sup>	
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. <sup>5</sup>	Age 50 or older bonus: \$6,000 deferral effective Calendar Year 2015 <sup>5</sup>
May I contribute to more than one Plan at the same time?	Yes – but with the following limitations: <ul style="list-style-type: none"> <li>• \$18,000 457(b) and/or Roth 457(b) + \$18,000 401(k) and/or Roth 401(k) = \$36,000/yr<sup>5</sup></li> <li>• \$18,000 457(b) and/or Roth 457(b) + \$18,000 403(b) = \$36,000/yr<sup>5</sup></li> <li>• \$18,000 457(b) and/or Roth 457(b) + combination of 403(b) &amp; 401(k)/Roth 401(k) not to exceed \$18,000 = \$36,000/yr<sup>5</sup></li> </ul>	
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. <sup>6</sup>	
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? <sup>7</sup>	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. <sup>8</sup>	
When may I begin withdrawals from my account without a penalty? <sup>4</sup>	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.

<sup>5</sup> Source: IRS Announces 2015 Pension Plan Limits, www.irs.gov

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> 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.

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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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# ***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.

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<sup>1</sup> Source: Nationwide Retirement Solutions, Inc. Administrator Report