



Maryland Teachers & State Employees Supplemental Retirement Plans
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THE STATE OF MARYLAND

(§457)

DEFERRED COMPENSATION PLAN AND TRUST

RESOLUTION
OF THE
BOARD OF TRUSTEES OF THE MARYLAND TEACHERS &
STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

It is hereby RESOLVED that:

1. The Deferred Compensation Plan is AMENDED to: correct the typographical error that erroneously labeled Art. 8.5(i) as 8.5(e); and to add as Art. 8.5(j) the new section attached as Ex. A to this Resolution.
2. The State of Maryland Savings and Investment Plan is AMENDED to correct the typographical error that erroneously labeled Art. 8.4(i) as Art. 8.4(e); and to add, as Art. 8.4(j), the new section attached as Ex. A to this Resolution.
3. The State of Maryland Match Plan is amended to add, as Art. 8.4(j), the new section attached as Ex. A to this Resolution.
4. Pursuant to powers of retroactive amendment reserved in the Plans, these amendments are intended to be effective as of January 1, 2003.

I, Arthur Caple, Executive Secretary of the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans, CERTIFY that the foregoing Resolution was adopted by the Board of Trustees at a duly held meeting on October 27, 2003 by a vote of 7-0.


Arthur N. Caple

Exhibit A

A designated beneficiary who is receiving payments under the 5-year rule may make a new election to receive payments under the life expectancy rule until December 31, 2003, provided that all amounts that would have been required to be distributed under the life expectancy rule for all distribution calendar years before 2004 are distributed by the earlier of December 31, 2003 or the end of the 5-year period.

THE STATE OF MARYLAND
DEFERRED COMPENSATION PLAN AND TRUST

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THE STATE OF MARYLAND

DEFERRED COMPENSATION PLAN AND TRUST

THIS PLAN is adopted by The State of Maryland through action by the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans, under the authority of State Personnel and Pensions Art. §35-601. It is an amended and restated plan of the plan provisions adopted by the Board of Trustees by Resolution dated August 25, 1997, effective October 1, 1997. This amendment and restatement is adopted in part to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). The provisions herein reflecting changes are to be construed in accordance with EGTRRA and relevant Treasury guidance. Except as otherwise specifically provided herein, this amended and restated Plan is effective on January 1, 2002.

RECITALS

The State intends this plan to qualify as a governmental deferred compensation plan and trust under Section 457 of the Internal Revenue Code, so that contributions to the trust established under the plan will not be taxable to the employees prior to distribution from the plan.

NOW, THEREFORE, the State of Maryland hereby adopts The State of Maryland Deferred Compensation Plan and Trust under the terms and conditions set forth herein, as follows:

ARTICLE I

General

1.1 Name and Type of Plan - This Plan, which is intended to be a governmental 457 plan, may be referred to as "The State of Maryland Deferred Compensation Plan."

1.2 Applicability - The provisions of the Plan shall apply only to an individual who meets the definition of Employee set forth herein, and his or her Beneficiaries. If an Employee establishes an account under this plan a severance of employment shall not require distribution of an account.

END OF ARTICLE I

ARTICLE II

Definitions

The technical terms defined in this Article shall have the meaning expressed in these definitions wherever used in this Plan, unless a different meaning is explicitly stated.

Accrued Benefit - The balance in a Participant's or Beneficiary's account, including contributions, income, expenses, gains and losses (whether or not realized) allocated or attributable thereto, which account shall consist of its pro rata portion of all commingled Trust assets plus or minus other Trust assets, separately earmarked therefor. Said account balance shall be determined as of the most recent valuation date but adjusted for any additions or distributions subsequent thereto.

Each Accrued Benefit shall be divided into one or more of the following accounts, to the extent applicable:

Compensation Deferral Account
Rollover Account

The foregoing accounts, which are designated as functional accounts, are derived from the source of the funds contributed thereto, whereas the accounts referred to as Segregated Accounts, and the Separate Investment Funds described in Article 10.4, are investment accounts, derived from the investment of the functional accounts.

Administrator - The person, group or entity designated in accordance with the provisions of Article XI to administer and operate the Plan.

Applicable Dollar Amount - The maximum amount of annual elective deferral contributions permitted a Participant in a particular year, as determined under section 457(b)(2)(A) and (e)(15) or section 414(v), or both, as applicable. This definition shall be applied so that yearly changes in maximum elective deferral contributions occur automatically in the amount and time permitted by EGTRRA (including C/L Increases) and as set forth in the Internal Revenue Code.

Beneficiary - Any person or persons so designated in accordance with the provisions of ARTICLE IX.

Board - The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans, acting through its member Trustees as authorized and required under Title 35 of the Maryland Code, State Personnel & Pensions Article. Each of the individual Trustees shall exercise such responsibility according to the fiduciary standards of conduct required by Title 35 and related sections, for the exclusive benefit of Plan Participants.

Catch-Up Contributions - The special additional deferral contributions permitted for Participants over 50, as authorized by section 414(v), and as regulated and described in Article 5.1 of this plan.

C/L Increase - An automatic increase (without necessity of Plan amendment) in a dollar value set forth or described in the Plan, for the purpose of reflecting increases in the cost of living to the extent prescribed in or pursuant to regulations under the Internal Revenue Code.

Compensation - Compensation is defined as wages within the meaning of section 3401(a) and all other payments of compensation to an employee by the employer (in the course of the employer's trade or business) for which the employer is required to furnish the employee a written statement under I.R.C. sections 6041(d), 6051(a)(3) and 6052. Compensation shall be determined without regard to any rules under section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

Compensation Deferral Account - The portion of a Participant's Accrued Benefit Under the account established pursuant to Section 5.1.

Designation Date - The date or dates as of which a designation of investment categories, or any change in a prior designation, shall become effective. The Board shall have the right, at any time, without necessity of Plan amendment, to set or change any Designation Date, or to add or delete Designation Dates, on a temporary or permanent basis.

Distribution Date - The earliest date on which a Participant: (i) reaches retirement, (ii) dies while in the active employ of the State, (iii) is determined by the State, acting as Employer, to have become totally and permanently disabled, or (iv) otherwise has a severance of his or her employment with the State.

Distributee - A Participant or Beneficiary that receives a distribution from this Plan. An alternate payee that is the spouse or former spouse of an account holder under this Plan is also included as a Distributee.

Effective Date - The effective date for the amendments made by this Restated Plan is January 1, 2002.

Eligible Retirement Plan - A plan described in section 402(c)(8)(B) that is allowed under federal tax law to make an Eligible Rollover Distribution.

Eligible Rollover Distribution - A distribution as defined in section 402(c)(4). An Eligible Rollover Distribution is any distribution of all or any portion of the balance of an account to the credit of the Distributee except that an Eligible Rollover Distribution does not include:

(a) Any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and his or her designated beneficiary, or for a specified period of ten (10) years or more;

- (b) Any distribution to the extent such distribution is required under Internal Revenue Code Section 401(a)(9);
- (c) The portion of any distribution that is not includible in a Distributee's gross income;
- (d) Any corrective distribution of excess contributions and any corrective distribution of excess aggregate contributions and income allowable to such corrective distributions; or
- (e) Any distribution made on account of hardship of the Employee.

Employee - Any person employed by the State, and classified as an employee of the State under the State Personnel and Pensions Article of the Maryland Code, or other relevant provisions of Maryland law. Employee as used herein also includes persons specifically authorized to participate in this plan by State Personnel & Pensions Article, subtitle 35. Members of the General Assembly; members of the judiciary; employees of the legislative branch of the State; and contractual and temporary employees of the State shall be included within this definition. Employees of autonomous and independent units of State government are included within this definition, but persons employed by political subdivisions or local governments are not included as Employees eligible to participate in the Plan. A person is not an eligible Employee merely because the State provides a source of funding for the wages of such employee, directly or indirectly. There is no minimum age or period of initial service necessary to participate in the plan as an Employee.

Employer - The State of Maryland, or, if participation is permitted by State Law, the governmental entity whose employees are eligible to participate in the Plan.

Entry Date - The first day in each month.

457 Catch-Up - The special additional deferral allowed under section 457(b)(3) under which a Participant, in the last three years ending before the year in which he or she attains Normal Retirement Age, may defer additional Compensation into the Plan, in addition to the Applicable Dollar Amount, under the procedures and in the amounts described in Article 5.1(a).

Independent Contractor - A person that is performing services for the state who does not have an employment relationship. Except as specifically authorized by Title 35 of the State Personnel & Pension Article, Independent Contractors are not eligible to participate in this plan.

Internal Revenue Code - The Internal Revenue Code of 1986, or any provision or section thereof herein specifically referred to, as such Code, provision or section may from time to time be amended or replaced. As used in this Plan "section" refers to the Internal Revenue Code, unless the context clearly requires otherwise.

Includible Compensation - Compensation received from the state that is defined as includible compensation under section 415(c)(3).

Leave of Absence - An authorized absence from active service that does not constitute a termination or severance of employment under applicable provisions of Maryland law that govern the employer- employee relationship.

Normal Retirement Age - The age designated by the Participant, beginning no earlier than the earliest age at which the Participant may retire under the State retirement system in which he or she participates, and receive immediate retirement benefits (without consent of the State and without actuarial or similar reduction), and ending no later than the Participant attaining the age of 70½; provided, however, that if a Participant continues employment beyond the designated age, the normal retirement age shall be the age at which a Participant actually retires. Qualified police and firefighters (as defined in section 415(b)(2)(H)(ii)(I)) may designate a retirement age between the ages of 40 and 70½, without regard to their eligibility to retire without actuarial reduction in benefits. A Participant who does not participate in a state defined benefit retirement system shall have a Normal Retirement Age of 62. Said designation may be amended by the Participant at any time prior to reaching such designated age. If the Participant shall, for any reason, fail to designate a Normal Retirement Age, the Normal Retirement Age shall be 70½.

Participant - Any person so designated in accordance with the provisions of Article III, including, where appropriate according to the context of the Plan, any former Employee who is or may become (or whose Beneficiaries may become) eligible to receive a benefit under the Plan.

Plan - The Plan set forth herein, as amended from time to time.

Plan Year - The twelve-month period ending on a Valuation Date.

Rollover Account - The portion of a Participant's Accrued Benefit under an account established pursuant to Article 5.2.

Severance From Employment - The termination of a person's status as an employee of the state of Maryland under applicable provisions of Maryland law that govern the employer-employee relationship.

Segregated Account - That portion, or all, of an Accrued Benefit which is segregated from the remainder of the Trust (and excluded from any allocation of net earnings or losses of the Trust) and placed in one or more interest bearing accounts, certificates of deposit or other savings or time deposit instruments or any federally or state supervised bank or similar financial institution and/or invested in obligations of the United States government, as determined by the Trustees or pursuant to Participant elections as described in Article 6.7. The Board may from time-to-time designate other specific investment vehicles to serve as the investment media of a Segregated Account.

All income earned by the Segregated Account shall be deemed to be charged thereto, in addition to any directly attributable fees and expenses, and a pro-rata portion of total Trust fees and expenses.

Special Valuation Date - The last day of each of the first three fiscal quarters of each Plan Year, or any other date designated by the Board, pursuant to Article 6.6, as an accounting or valuation date. If a daily valuation method of administration is adopted and used for any particular assets or accounts, each day on which such valuation occurs is a special valuation date.

Trust - The trust fund established pursuant to the Plan, maintained in accordance with the terms of this Plan as from time to time amended.

Trustees - Those persons serving as Trustees and as members of the Board of the Maryland State Teachers and Employees Supplemental Retirement Plans under State Personnel and Pensions Article Section 35-202. Each of such persons shall be a Trustee of the Trust defined in Article II of this Plan.

Valuation Date - The last day of December in each year.

END OF ARTICLE II

ARTICLE III

Eligibility and Participation

3.1 Requirements - On or after the Effective Date, every Employee shall be eligible to become a Participant on the date he or she first performs service for the Employer for which he or she is entitled to Compensation. No individual is eligible to become a Participant, however, if he or she is not an Employee as defined in Article II.

Participation in the Plan is voluntary. An otherwise eligible Employee may not participate unless he or she has made written application in such manner as may be required by the Board, including an agreement to: (a) permit deferral contributions as provided in Section 5.1; (b) establish a Rollover account pursuant to Article 5.2. Compensation will be deferred and contributed to this Plan for a particular month only if an election providing for such deferral and contribution is in effect prior to the beginning of the monthly period in which the compensation is payable to the Employee.

3.2 Re-employment - If an Employee or Participant has had a severance from employment, his or her status with respect to the Plan shall be governed by the following rules:

(a) Eligibility - A re-employed individual's participation in the Plan shall commence immediately upon the resumption of status as an Employee and an agreement to permit deferral contributions to be made on his or her behalf as provided in Section 5.1.

(b) Benefit Payments - If, at the time of re-employment, the Participant is eligible to receive or is receiving benefits under the Plan, then it shall be in the sole discretion of the Board to determine whether such benefits shall continue or shall cease until such time as they may be paid in conjunction with the benefits accrued with respect to the Participant's subsequent employment.

END OF ARTICLE III

ARTICLE IV

Service

4.1 Leaves of Absence - Employment and Plan participation shall not be deemed to have terminated even if it is interrupted by a temporary absence from active service by reason of: (a) a Leave of Absence granted by the Employer on account of vacation, holiday, illness, incapacity (including disability), layoff or jury duty; (b) a Leave of Absence required by law or granted by the Employer on account of service in the Armed Forces of the United States, (c) any other Leave of Absence during which the individual remains in active pay status (irrespective of whether the employment relationship has terminated), or (d) any other Leave of Absence, extending for not more than two years, under conditions which are not treated by the Employer as a termination of employment.

4.2 Severance From Employment - A right to distribution under this plan by reason of retirement or other termination of employment shall occur only if there has been a Severance From Employment within the meaning of Article I.

END OF ARTICLE IV

ARTICLE V

Contributions

5.1 Compensation Deferral Account - Participants shall be permitted to make elective compensation deferrals into a Compensation Deferral Account in accordance with rules and procedures established by the Board and the following:

(a) Amount of Deferrals-General - A Participant may elect to defer Compensation, that would otherwise have been paid to him or her, in any amount permitted by the Board under ordinary payroll procedures, provided that such amount does not exceed the lesser of: 100% of Includible Compensation for the calendar year, or the Applicable Dollar Amount. If a Participant is age 50 or older in any Plan year, his or her Applicable Dollar Amount for the Plan year includes the regular elective deferral amount as in effect under section 457(b)(2)(A) and (e)(15), and the additional Catch-up Contribution amount under section 414(v). All such employees shall be eligible to make Catch-up Contributions in accordance with and subject to the limitations of section 414(v).

(b) Additional Contribution Amounts - In the last three years ending before the Participant attains Normal Retirement Age he or she may elect to defer additional amounts into the Plan through use of the 457 Catch-up provisions of section 457(b)(3). The maximum amount that may be deferred under this Plan in any one of such years is the lesser of: (1) twice the Applicable Dollar Amount, or; (2) the sum of the maximum amounts contributable by the Participant to a section 457 plan since January 1, 1979, less amounts the Participant actually deferred in such years after 1978. In calculating the maximum eligible catch-up contributions under this Plan the following rules shall be observed. The Applicable Dollar Amount shall never include the section 414(v) catch-up contribution amount in any year when a Participant is eligible to elect, and does elect, the 457 Catch-up, and shall not be part of the calculation of prior years contributions that occurs under this section. A Participant must affirmatively elect to make 457 Catch-up contributions by filing required forms and designation of Normal Retirement Age with the administrator. Such affirmative election may only be made once by a Participant in relation to the Participant's service with the State of Maryland, and his or her eligibility for this Plan, including plans previously adopted by the State of Maryland. In determining the maximum amounts that may be deferred under the 457 Catch-Up provision, the Participant may only take into account contributions not made in prior years to the extent that in years after 1978 he or she was eligible to participate in either this Plan, or a similar Plan maintained by a governmental entity in the State of Maryland, and either did not participate, or had deferred salary under either Plan that was less than limits set forth in Article 5.1, or the similar limits in the other Plan in which he or she was eligible to participate. In calculating the relevant maximum and under-utilized contributions for years prior to 2002, the law in effect for such years shall be applied as required by applicable I.R.S. regulation.

(c) Contribution Procedures - Deferral contributions shall be made through, and only through, regular payroll deductions. Deferral contributions shall be deducted by the State from the pay of the contributing Participants, and shall be paid by the relevant State authority having management authority over said payroll to the Board, acting as Trustees of the Plan, and credited to the Compensation Deferral Account of the contributing Participants with reasonable promptness, and in any event credited within 15 business days of the month following the month in which such amounts would otherwise have been paid.

The Board, in conjunction with relevant State authority having management authority over payroll, may establish procedural rules for the administration of a payroll deduction system, including limitations on the frequency of, and minimum notice periods for, changes, suspensions and terminations of payroll deductions by Participants. These procedural rules include the right of the Board, or other relevant payroll authority, to limit or reduce otherwise allowable deferral contributions to allow for payment of FICA tax or other mandatory payroll deductions.

Any FICA or other payroll tax that may be imposed on the Participant with respect to deferral contributions shall, unless otherwise determined by the State, be deducted from the non-deferred remainder of the Participant's compensation.

(d) Accumulated Sick and Vacation Pay - An eligible employee may defer sick, vacation or other accumulated pay to the Plan if the agreement to defer such compensation is entered into: (i) before the beginning of the month in which the compensation is payable; (ii) prior to the actual date of severance from employment. Such a special deferral may not be made in any amount that would cause the Participant to exceed the limits on annual deferrals expressed in section 457 and this Article.

(e) Distribution of Excess Deferrals - Amounts contributed to this Plan in excess of the limitations on contributions set forth in Article V shall be distributed to the Participant together with any income allocable thereto. The Administrator shall also distribute to the participant any amount that, when combined with deferrals to other 457 plans not administered by the Board, causes the Participant's total yearly contributions to all such plans to exceed the maximum amount of contributions specified in section 457(c). In both such cases the excess contribution shall be distributed with income (but not loss) allocable to the contribution, and the distribution shall occur as soon as it is administratively practical to determine the amount of the excess contribution, and to make the distribution.

No such amount shall be distributed unless the Administrator has determined that an excess deferral has actually occurred.

(f) The Separate Account - There shall be established and maintained a separate Compensation Deferral Account in the name of each Participant, which shall be fully vested at all times, and to which shall be credited or charged: (i) his or her deferral contributions, (ii) withdrawals thereof, and (iii) any income, expenses, gains or losses (whether or not realized, based upon fair market value of invested assets) attributable or allocable thereto. Notwithstanding any provisions to the contrary which may be set forth in Article 6.2 or 6.4, the Board shall have the discretion to allocate income, expenses, gains or losses of the Trust among the Compensation Deferral Accounts pursuant to such allocation rules as the Trustees deem to be reasonable, administratively practicable, and equitable for all Participants. The Board may, but shall not be required to, invest the Participant's Compensation Deferral Account separately from other accounts maintained in trust under the Plan, or offer a different series of investments for Participant designation for such accounts.

5.2 Rollovers and Inter-Plan Transfers - An Employee (or former Employee who retains an account within the Plan) may pay over to the Plan any amount which constitutes an Eligible Rollover Distribution from an Eligible Retirement Plan. An Employee may also direct that such an Eligible Rollover Distribution be made directly from an Eligible Retirement Plan as defined in section 402(c)(8)(B). Such rollover or direct rollover to the Plan shall constitute a part of the Employee's Accrued Benefit (although accounted for separately) and shall be fully vested at all times. If a rollover or transfer is made by or on behalf of an Employee who has not yet become a Participant, the rollover account shall constitute his or her entire Accrued Benefit (and his or her sole interest in the Plan), and he or she shall not be deemed a Participant for any other purpose, until he or she becomes a Participant pursuant to Article 3.1. No rollover contribution or transfer made to this Plan may include any amount not otherwise includable in the gross income of the Participant, and the Plan Trustees shall not accept any such after tax amounts. The Administrator and the Trustees shall in all cases separately account for rollover contributions and accounts, and shall record for each such separate account whether it originated from an eligible section 457 Plan authorized to make Eligible Rollover Distributions, or from some other type of Eligible Retirement Plan. The Plan may require a Participant to furnish, prior to receipt of any rollover contribution or transfer, adequate assurance that the funds constituting the transfer are in fact an Eligible Rollover Distribution from an Eligible Retirement Plan.

5.3 Transfers for Purchase of Service Credit - A Participant (whether or not he or she is still employed) may direct that all or a portion of the account balance be paid as a direct trustee-to-trustee transfer to a retirement system to purchase permissive service credit or for the repayment of service credits, provided that (a) the retirement system permits such a transfer, and (b) the Participant demonstrates to the Administrator's satisfaction that the transfer is to a defined benefit governmental plan (as defined in IRC Section 414(d)) and the transfer is permissible for the purchase of service credit (as defined in Code Section 415(n)(3)(A)) or for the repayment of service credits permissible by IRC Section 415(k)(3).

5.4 457 Plan-To-Plan Transfers - An employee eligible to participate in this Plan and another eligible 457 governmental plan maintained within the State of Maryland may direct the respective plan or administrators to transfer to this Plan his or her entire account balance from the other 457 plan or transfer to the other plan his or her entire account balance under this plan. In either case the transfer to or from this plan may only be made or received if: (a) the entire balance is transferred; (b) the Employee has, during the year the transfer occurs, includible compensation from his or her employer that is eligible for deferral into the recipient plan; (c) both plans are maintained within the State of Maryland. If such a transfer occurs to this plan the transferred amount shall be part of the Employees Compensation Deferral Account, and need not be separately accounted for, and is not otherwise distributable prior to severance from employment.

END OF ARTICLE V

ARTICLE VI

Allocation of Funds

6.1 Separate Accounts - Separate Accounts, consisting of Compensation Deferral Accounts and Rollover Accounts shall be established for each Participant.

6.2 Allocation of Earnings or Losses of Trust - Subject to the provisions of Article 10.4, as of each Valuation Date and Special Valuation Date, the net earnings or losses of the Trust (including capital gains and losses, whether or not realized) since the preceding Valuation Date or Special Valuation Date, whichever last occurred, shall be allocated among all Participants in accordance with the ratio which the Accrued Benefit of each Participant, determined as provided herein, bears to the aggregate of all such Accrued Benefits so determined. For purposes of this allocation, the Accrued Benefit of each Participant will consist of the balances in all of the functional accounts contained therein as of the preceding Valuation Date or Special Valuation Date, whichever last occurred, adjusted pursuant to the next paragraph and pursuant to Article 6.4; provided, however, that the allocation of earnings and losses, as herein provided, need not be made if the method used to account for the respective interest of each Participant is such that, in an equitable manner, it includes a revaluation at current market values of each such interest as of each valuation date (e.g., the Unit Method of accounting).

In its allocations of income, gains or losses, and changes in value occurring in the Trust, the Board may make reasonable assumptions as to the timing of Employer and Participant contributions received, and distributions made, between valuation dates (e.g., an assumption that all Participant contributions made pursuant to periodic payroll deductions on a regular basis are deemed to have been received at the midpoint of a valuation period).

The Board, acting as Trustees, may adopt a system of daily valuation of each account. If a daily valuation system is adopted it need not be used for all accounts.

6.3 Valuations - In determining the earnings or losses of the Trust, the Trust (excluding amounts transferred to Segregated Accounts) shall be valued at fair market value, as of each Valuation Date and Special Valuation Date. Investments or investment pools that are measured by daily income accruals and fair or book value of the contracts contained therein shall be valued in that manner, and shall not require independent appraisals of value. Whenever the marketability of an investment within an account has been suspended at a time when value must be determined, the Board may make such reasonable estimates of value of all accounts within that particular class as is necessary to determine the value of any Participant's interest therein.

6.4 Accounting for Distributions - As of the preceding valuation date, special valuation date, or daily valuation date, whichever last occurred, all withdrawals of Participant contributions, and all transfers to Segregated Accounts, shall be charged to such Participant's Accrued Benefit.

6.5 Full and Immediate Vesting - Each Participant shall always be fully vested in his or her Accrued Benefit.

6.6 Interim Valuations - In the event it is determined that the value of the Trust fund as of any date on which distributions are to be made differs materially from the value of the Trust on the Valuation Date or prior Special Valuation Date upon which the distribution is to be based, the Board, in its discretion, shall have the right to designate any date in the interim as a Special Valuation Date for the purpose of revaluing the Trust so that the account from which the distribution is being made will, prior to the distribution, reflect its share of such material difference in value. Similarly, the Board may adopt a policy of providing for regular interim valuations (e.g. designation of the last day of each fiscal quarter as a Special Valuation Date) without regard to the materiality of changes in the value of the Trust. The Board may also adopt, by special vote, methods of valuation to be used for a given asset class that is not subject to daily valuation.

6.7 Right of Participants to Specify Investments - Subject to such limitations as may from time to time be required by law, or imposed by the Board or contained elsewhere in the Plan, and subject to such operating rules and procedures as established by the Board, each Participant shall have the right to designate the percentage of his or her Accrued Benefit which is to be invested in any one or more of such categories of investments as may be made available from time to time by the Board, pursuant to Article 10.4, and shall have the right to thereafter designate amounts to be withdrawn from any one or more investment categories and invested in one or more other investment categories then available, in accordance with the following:

(a) Such change in designation shall occur under rules and procedures established by the Board and by: (i) filing necessary signed forms, in good order, with the Administrator or other person or entity designated to effect such changes, or (ii) through electronic means and methods of investment allocation adopted by the Board. The maintenance by the Board of electronic or automated method of investment selection, or of methods that permit daily change in investment selection, shall not constitute a guarantee against any loss in value that may accrue through temporary inability to change such selection through use of such methods.

(b) All contributions and other amounts added to a Participant's Accrued Benefit, and all distributions subtracted therefrom, shall be invested or withdrawn in accordance with the then effective investment category designation. As of the effective date of any new investment category designation, the entire balance of the Participant's Accrued Benefit at that date shall be reallocated among the designated investment funds according to the percentages specified in the investment category designations (unless the Board permits, and the Participant has designated, different allocations as between existing balances and future contributions), but no re-allocations of the Participant's Accrued Benefit are to be made by the Board without the consent of the Participant merely to adjust for disproportionate investment growth among such funds (other than in response to a subsequent investment category designation filed with respect to the Participant's Accrued Benefit).

(c) In the event the Board receives an initial or revised investment designation which appears incomplete, unclear or improper, the Participant's investment category designation then in effect shall remain in effect.

(d) It is intended that all Participants and Beneficiaries be required to direct the investment of their Accrued Benefits to the extent set forth in this Section 6.7. In the event that the Board possesses at any time instructions as to the investment of less than all of the Participant's Accrued Benefit, the Participant or Beneficiary shall be deemed to have designated that the non-directed portion of his Accrued Benefit be invested in the Stable Value Fund, Money Market Fund, or fund with similar investment characteristics. If the Board is removing a particular investment option that had been available for designation by Participants, it may automatically transfer to a replacement option having similar investment characteristics the account balances of Participants that have been sent notice that the option is being removed from the Plan, and have failed to take action to redesignate the investment selection for their account.

END OF ARTICLE VI

ARTICLE VII

Entitlement to Benefits

7.1 Retirement - Every Participant who is not disentitled by reason of prior Severance From Employment with the State, shall be deemed to have reached retirement upon the attainment of his or her Normal Retirement Age, or, if he or she remains in the employ of the State after such dates, the effective date of actual retirement. As of his or her Distribution Date, a retired Participant shall be entitled to the full value of this Accrued Benefit, payable according to the provisions of Article VIII.

7.2 Disability - If a Participant, at any time prior to retirement or other termination of employment with the State, shall become totally and permanently disabled, and if proof of such disability satisfactory to the Board shall be furnished (which proof shall include a written statement of a licensed physician appointed or approved by the State), such Participant, as of the Distribution Date, shall be entitled to the full value of his Accrued Benefit, payable according to the provisions of Article VIII. Total and permanent disability shall mean a medically determinable physical or mental impairment which can be expected to result in death or to last at least twelve months, and by reason of which the Participant will be prevented from performing his or her usual duties or any other similar duties available in the State's employment.

7.3 Death - In the event of the death of a Participant prior to his or her retirement, disability or other termination of employment, then, as of his or her Distribution Date, the full value of the Accrued Benefit shall become payable, according to the provisions of Articles VIII and IX, to his or her designated Beneficiary, upon submission of proof of death satisfactory to the Board.

7.4 Other Terminations - In the event of a severance of employment by a Participant for any reason other than retirement, disability or death, then, as of the Distribution Date, he or she shall become entitled to the full value of the Accrued Benefit, payable according to the provisions of Article VIII.

7.5 Hardship Distributions - In addition to the in-service withdrawal rights described in Article 8.7, a Participant, in the event of financial hardship as hereinafter defined, may apply to the Board for withdrawal from his Compensation Deferral Account. The Board shall fully consider the circumstances of each case, and the best interests of the Participant and his or her family, and shall have the right, in its sole discretion, to allow such withdrawal, or to allow the Participant to withdraw a part of the sum requested, or to refuse to allow any withdrawal. Upon a finding of financial hardship, the Board shall make the appropriate distribution to the Participant from the Compensation Deferral Account. In no event shall the aggregate amount of the distribution exceed the amount determined by the Board to be necessary to alleviate the Participant's financial hardship, and which is not reasonably available from reimbursement or compensation by insurance; by liquidation of the assets of the Participant, to the extent that liquidation of such assets would not itself cause financial hardship; or by stopping the Participants deferral of salary under this or any other pension plan.

“Financial hardship” as used herein means: severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant, or his or her spouse or one or more of his or her dependents (as defined in sec. 152(a)), or for funeral expenses for a member of the Employee’s family. “Financial Hardship” shall also mean financial hardship to the Participant caused by loss of the Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising from events beyond the control of the Participant. While other instances of emergency circumstances will depend upon the facts and circumstances of the individual case, in no event shall normally budgetable expenditures, such as purchase of an automobile, or home, or provision for educational expenditures, be considered as an emergency.

In administration of the financial hardship provisions hereunder the Board shall make or restrict such distributions, and impose such requirements, as are established in the Internal Revenue Code and applicable regulations.

END OF ARTICLE VII

ARTICLE VIII

Distribution of Benefits

8.1 Amount - Upon reaching his or her Distribution Date, a Participant (or his or her Beneficiary) shall become entitled to receive his or her Accrued Benefit; provided, however, that any benefits shall be distributed only as provided in this Article. Determination of the amount to be distributed shall be based upon the valuation of the Trust made as of the Valuation Date or Special Valuation Date, whichever last occurred, coincident with or otherwise immediately preceding the Distribution Date, plus the value of any contributions made pursuant to Article V after the Valuation Date or Special Valuation Date, as the case may be.

Notwithstanding the foregoing, any distribution based upon an amount invested in a Segregated Account shall be valued as of the date of distribution.

8.2 Method of Payment - The Board shall determine, in its discretion, whether the amount to which a Participant who has reached his or her Distribution Date (or his or her Beneficiary) is entitled shall be distributed in cash or in property valued at its fair market value, or partly in each. In accordance with the election procedure set forth in the next paragraph, the distribution shall be made in a lump sum, in a fixed (or estimated) number of installments, or by the purchase of a paid-up annuity contract for the Participant and/or the Beneficiary, or, subject to the consent of the Board, a combination of such methods of distribution.

Subject to the remaining provisions of this Article 8.2, and subject to such conditions and limitations as may be prescribed by the Board, the Participant shall have the right to elect the method by which his or her Accrued Benefit is to be distributed. In the absence of such election by the Participant, the method of distribution shall be determined by the Board. The election by the Participant must be in writing and filed with the Board prior to the date on which benefits are due to commence (for which purpose the purchase of an annuity contract shall be deemed to be a benefit commencement date). The election shall specify the portion of the account to be distributed, and/or the type and manner of installment payments.

8.3 Rules for Distribution - Distribution of the Accrued Benefit of a Participant shall be subject to the following rules:

(a) Installment Payments - If all or any part of the distribution is to be in installments, the Participant shall determine (subject to paragraphs(d)and (e)) the period over which such installments are to be paid and, in the discretion of the Board, payments shall be made monthly, quarterly, semiannually, annually, or otherwise. At the election of the Participant, but subject to such rules as may be established by the Board, the total to be so distributed shall either: (i) continue to be invested in those assets currently retained in the Trust, in which case any income, gain or loss attributable thereto shall be reflected in the installment distributions, in such equitable manner as the Board shall determine, or (ii) transferred to a Segregated Account. The Participant may change his or her installment election at any time, but the Board may impose

rules that limit the frequency of such changes, so long as such rules allow a change in election at least once a year. No such change in payment election, however, is permitted for purchased annuities under Article 8.3(b) .

(b) Annuity Options - If all or any part of the amount to be distributed shall be used to purchase a paid-up annuity contract, the Board shall select such form of contract (including a variable annuity) to be so purchased and such payment option thereunder as reflects the election made by the Participant, and the Board shall pay the premium of such contract to the issuing company. The Board shall direct that all right, title or interest in such contact shall remain within the Plan as a Segregated Account under the terms of the Plan and the Participant shall have no right, title or interest therein except to receive the payments therefrom as provided therein, and to change the Beneficiary from time to time.

(c) Prior Elections - Any Participant who, under prior versions of this Plan, has made an irrevocable election for payment of benefits or account values prior to January 1, 2002 may revoke said election. The election may be revoked by filing with the Administrator, in writing, a revocation of prior irrevocable election. Such election can revoke either a designation of the year in which benefits were to commence, the form and time under which benefits were to be paid, or both. Unless and until a Participant makes such an affirmative revocation of pre-2002 elections, the prior election (and payments thereunder) shall continue. No Participant however, may revoke an election for which the Participant designated his or her benefit payments to come from a fixed annuity contract purchased by the Board on his or her behalf.

(d) Limitations - Any distribution shall be made only in accordance with regulations prescribed by the Internal Revenue Service and shall begin not later than the April 1 immediately following the calendar year (hereinafter referred to as the "Commencement Year") in which the Participant reaches age 70½ or in which he or she subsequently retires. Distribution in the form of installment payments or the purchase of an annuity policy shall be made over: (A) the life of the Participant; (B) the lives of the Participant and his designated Beneficiary; (C) a period certain not extending beyond the life expectancy of the Participant; (D) a period certain not extending beyond the joint life and last survivors' expectancy of the Participant and his or her designated Beneficiary; or (E) any combination thereof. For this purpose life expectancies shall be determined through use of actuarial tables required under applicable Internal Revenue Service regulations concerning minimum required distributions under section 401(a)(9).

(e) All distributions (including the amount of the distribution) shall comply with the minimum distribution rules of section 401(a)(9)(including the requirements of section 401(a)(9)(G)). Such distributions (including the amount of the distributions) shall comply with IRS Regulation 1.401(a)(9)-1 through 1.401(a)(9)-8. The amount of the distribution shall be calculated by use of the non-spousal beneficiary table specified in the regulations, unless the Participant is eligible to elect, and does elect, the spousal beneficiary method. The provisions of section 401(a)(9) and applicable regulation shall control, regardless of any other provision of this plan.

8.4 Timing of Benefit Commencement - Unless the Participant otherwise elects pursuant to any elective provision which may be present in the plan, the payment of benefits under the Plan to each Participant will commence within a reasonable period of time after the last of the possible Distribution Dates, but in no event shall benefits begin later than April 1 after the end of the year in which occurs the latest of: (i) the date on which the Participant attains age 70½; or (ii) the termination of the Participant's service with the Employer.

8.5 Special Provisions - Death Benefits - The following provisions shall govern the payment of death benefits following the death of a Participant:

(a) In all events minimum annual benefits shall be paid in accordance with section 401(a)(9) and applicable regulations. Such distributions (including the amount of the distributions) shall comply with IRS Regulation 1.401(a)(9)-1 through 1.401(a)(9)-8.

(b) Upon the death of a Participant prior to receipt of all of his or her benefits under this Plan, the entire remaining value of the Accrued Benefit shall be paid to the person or person designated in accordance with Article IX.

(c) If the Participant dies prior to the required beginning date of the minimum distributions under section 401(a)(9), distributions to the Beneficiary shall begin by payment of the required minimum distribution on or before December 31st of the year after the year of the Participant's death. Such distributions shall continue annually over the life expectancy of the Beneficiary under methods and amounts determined by applicable IRS regulations. The Beneficiary may take a lump sum of the required yearly minimum amount, or such designated monthly or quarterly amount that will in all events equal or exceed the required yearly minimum amount. In any year the Beneficiary may elect to receive additional amounts up to the then existing value of the Accrued Benefit.

(d) If the Participant dies prior to the required beginning date of minimum distribution under section 401(a)(9), and if the Beneficiary entitled to a payment affirmatively elects prior to receipt of a payment, and prior to December 31st of the year after the Participant's death, not to receive an immediate distribution, no distribution will be required under Article 8.5(c), but in that event the entire Accrued Benefit must be distributed by December 31st coincident with or next following the fifth anniversary of the death of the Participant.

(e) If the Participant dies after the required beginning date of minimum distributions under section 401(a)(9), distributions to a Beneficiary shall occur under Article 8.5(c), but the Beneficiary shall have no right to defer receipt of minimum distributions for the 5-year period after the Participant's death.

(f) If the Beneficiary is the spouse of the Participant, the section 401(a)(9) required minimum distribution to the spouse must be made before the later of: (i) the December 31st of the year following the Participant's death; (ii) December 31st of the year in which the Participant would have turned 70½ .

(g) In the event that a Participant dies with no designated Beneficiary, or if there is no designated Beneficiary by December 31st of the year following the death of the Participant, then: (i) if death of the Participant occurred before the required beginning date of section 401(a)(9) required minimum distributions, distribution of the entire Accrued Benefit shall occur on or before December 31st coincident with or next following the 5th anniversary of the death of the Participant, but; (ii) if death occurs after the required beginning date, distribution of the Accrued Benefit shall be made and distributed under applicable IRS regulation over a period measured by the life expectancy of the Participant at the time of his or her death.

(h) Nothing contained in this Article 8.5 shall prevent the purchase of, or distribution under, an annuity policy that meets the requirements of Article 8.2 or 8.5.

(e) If a deceased Participant was receiving benefits under an annuity option, and such annuity contains provisions for survivorship payments, such survivorship payments shall be made in accordance with the annuity contract. If a deceased Participant was to have received benefits under an annuity option, and death occurs prior to the completed purchase of an annuity by the Trustees, the entire amount which would have been utilized for such purchase shall be paid to the person or persons designated in accordance with Article VIII and IX.

8.6 Benefits on Termination of Employment - Payment of benefits to a Participant shall begin within a reasonable period of time following his or her Severance From Employment unless the Participant (subject to the minimum distribution rules of section 401(a)(9)), elects to defer distribution to a later date. A failure to request payment of benefits shall constitute such an election. Prior to the commencement of benefits, the Accrued Benefit of a Participant whose benefits are deferred shall continue to be invested according to the elections last made by the Participant, and such Participant shall continue to have full rights to designate his or her investments as if he or she were still employed. No such failure to make an affirmative election to request payment of benefits shall postpone distribution beyond the latest date to begin distribution under Article 8.4 hereof.

8.7 In-Service Withdrawals and Distributions -

Withdrawals from the Plan while the Participant remains employed may only be made as follows:

(a) A Participant who has attained age 70½, but who has not severed his or her employment with the State, may withdraw from his or her Accrued Benefit any amount not in excess of the then value of such Accrued Benefit, pursuant to the election and payment of benefit procedures described in Articles 8.1 and 8.2.

(b) Any Participant who has not severed his or her employment with the State may withdraw from his or her Rollover Account of Article 5.2 hereof any amount not in excess of the value of the Account. The Board shall have the right to determine the date or dates as of which

withdrawals will be permitted, but at least one such withdrawal date shall be provided in any Plan Year; regardless of the number of withdrawal dates which are so provided, an individual Participant shall not be permitted to make more than one withdrawal in any Plan Year without the consent of the Board.

(c) A Participant eligible to receive a hardship distribution as defined and regulated in Article 7.5 may apply for and receive such a distribution.

(d) If the Participant has more than one account he or she may specify the account from which distributions are to be made, but such specification may not be used to violate or avoid the minimum distribution requirements of this Plan, or section 401(a)(9).

8.8 Rollovers from the Plan - Any Participant may elect to have any Eligible Rollover Distribution transferred directly to an Eligible Retirement Plan specified by him or her. The administrator of the Plan shall provide such notices to Participants of their rights under this section as are required by the Internal Revenue Code.

END OF ARTICLE VIII

ARTICLE IX

Beneficiaries; Participant Data

9.1 Designation of Beneficiaries - Each Participant from time to time may designate any person or persons (who may be named contingently or successively) to receive such benefits as may be payable under the Plan upon or after his or her death, and such designation may be changed from time to time by the Participant by filing a new designation. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Board, and will be effective only when filed in writing with the Board during his or her lifetime. A Beneficiary that has an account in the Plan because of the death of a Participant, or a person maintaining an account with the Plan under the terms of a Domestic Relations Order, may also designate a Beneficiary under the provisions of this Article. If the Beneficiary does not make such a designation and dies before the account is fully distributed, any remaining value of the account shall be paid to his or her estate.

In the absence of a valid Beneficiary designation (except in conjunction with the election of a form of benefit payment which does not require the designation of a specific Beneficiary), or if, at the time any benefit payment is due to a Beneficiary, there is no living Beneficiary eligible to receive the payment, validly named by the Participant, the Board shall distribute any such benefit payment to the Participant's spouse, if then living, otherwise to the Participant's then living descendants, if any, per stirpes, otherwise to the Participant's then living parent or parents, equally, otherwise to the Participant's estate. In determining the existence or identity of anyone entitled to a benefit payment, the Board may rely conclusively upon information supplied by the Participant's Personal Representative. In the event of a lack of adequate information having been supplied to the Board, or in the event that any question arises with respect to any such payment, then, notwithstanding the foregoing, the Board, in its sole discretion, may distribute such payment to the Participant's estate without liability for any tax or other consequences which might flow therefrom.

9.2 Information to be Furnished by Participant and Beneficiaries - Any communication, statement or notice addressed to a Participant or Beneficiary at his or her last post office address filed with the Administrator, or if no such address was filed with the Administrator then at the last post office address as shown on the State's records as Employer, shall be binding on the Participant or Beneficiary for all purposes of the Plan. If the Board notifies any Participant or Beneficiary of a deceased Participant that he or she is entitled to an amount under the Plan and the Participant or Beneficiary fails to claim such amount or make their location known to the Board within three years thereafter, then the Board may: (a) direct distribution of such amount to any one or more or all of the next of kin of the Participant, and in such proportions as the Board may determine, or; (b) pay over such funds due a known Participant or Beneficiary to the administrator of the Maryland Unclaimed Property Unit, to be held by the State for such person until he or she can be found. The Board shall not be liable to any person for payment made in accordance with such escheat or unclaimed property law.

END OF ARTICLE IX

ARTICLE X

The Trust Fund

10.1 Investment of Funds - All contributions under the Plan shall be paid to the Board of Trustees of the Plan and deposited in the Trust. Such contributions, all investments made therewith and proceeds thereof, and all earnings and profits thereon, less the authorized disbursements therefrom, shall constitute the Trust, which Trust, and any agreement under which it is maintained, shall in all respects constitute a part of the Plan. The State of Maryland, acting as Employer, reserves the right to select, and from time to time to change, the Trustees, as provided in Title 35 of the State Personnel & Pensions Article, or any amendment thereto. The Board reserves the right to amend the Trust, or to create separate or additional trusts and by express appointment designate additional trustees of such entities, or to create and administer master or group trusts that hold assets of this and other tax qualified plans, or other plans permitted to participate in group trusts under the Internal Revenue Code.

10.2 Prohibition Against Diversion of Funds - It shall be impossible by operation of the Plan or Trust, by natural termination of either, by power of revocation or amendment, by the happening of any contingency, by collateral arrangement or by other means, for any part of the corpus or income of the Trust, or any funds contributed thereto, to inure to the benefit of the State or otherwise be used for or diverted to purposes other than providing benefits to Participants and Beneficiaries and defraying reasonable expenses of administering the Plan.

10.3 Loans to Participants - Notwithstanding any other provision in the Plan to the contrary, the Board may make loans to Participants. Each loan shall be based upon a written application made to the Board by the Participant setting forth the desired loan amount and such other information as may be deemed pertinent by the Board. The Board shall have the final and exclusive right to determine the propriety, amount and terms of any loan to be made.

In addition to such rules and regulations as the Board may from time to time adopt, all loans shall comply with the following terms and conditions:

(a) Each loan shall be deemed to be, and shall be accounted for as, a specific investment of the borrowing Participant's Accrued Benefit, which shall be the sole source of, and a limit on the amount of, such loans.

(b) Except as otherwise permitted by the Board and permitted on a non-discriminatory basis under the Internal Revenue Code, the amount of any loan, when added to the outstanding balance of all other loans to the Participant from the Plan or any other qualified retirement plan of the State or any related employer (as defined in Section 414(b), (c) or (m) of the Internal Revenue Code), shall not exceed the lesser of: (i) \$50,000 reduced by the excess of: (A) the outstanding balance of loans from the Plan to the Participant during the twelve months ending on the day before the loan is made, over (B) such balance on the day the loan is made, or (ii) 50% of

the Participant's Accrued Benefit, valued as of the Valuation Date or Special Valuation Date, whichever last occurred, preceding the date on which the loan is approved (adjusted for subsequent contributions and/or distributions).

(c) The period of repayment for any loan shall be arrived at by mutual agreement between the Board and the Participant, but, except for home loans (as defined in Section 72(p)(2)(B)(ii) of the Internal Revenue Code), shall in no event exceed five years. Except as otherwise permitted in regulations issued by the Internal Revenue Service, and subject to any acceleration or early repayment provisions in the loan agreement, each loan shall be repaid in substantially level payments, not less frequently than quarterly, over the term of the loan.

(d) Each loan shall be secured by the Participant's promissory note for the amount of the loan, including interest, payable to the order of the Board of Trustees, and by an assignment (notwithstanding any contrary provisions in the Trust) of all or any portion of the Participant's right, title and interest in and to his Accrued Benefit, provided, however, that the terms of the assignment may not permit the Board, prior to the Participant's death or other termination of employment, the attainment of age 59½ or the termination of the Plan, to charge the Participant's Accrued Benefit, for which purpose the Board may charge the Participant's Accrued Benefit for any amount of principal or interest which may be in default under the terms of the loan. The loan shall also be secured with such other collateral, if any, as the Board, in its sole discretion, may deem necessary to adequately secure the repayment of the loan and interest.

(e) Each loan shall bear interest at a reasonable rate to be fixed by the Board, but not to exceed the maximum rate permitted under all applicable usury laws. The Board shall not discriminate among Participants in the matter of interest rates, but loans granted at different times may bear different interest rates if, in the opinion of the Board, the difference in rates is justified by a change in general economic conditions, or the method selected for determining the interest rate on a routine basis.

(f) No distribution shall be made to any Participant or Beneficiary unless and until all unpaid loans made to the Participant, including accrued interest thereon, have been liquidated.

(g) In the event of default the Board will take such action as may be necessary to protect the interests of the Trust and best secure maximum repayment of the outstanding debt. The Participant shall be liable for all costs incurred by the Board in connection with the default, including reasonable attorneys' fees. In no event shall the fact that a loan is secured by a Participant's interest in his Accrued Benefit be construed as limiting the Participant's personal obligation to repay the loan in full in accordance with its terms. The Board may, if permitted by the Internal Revenue Code and applicable regulations, declare a default and, after notice to the Participant, cure said default by declaring a taxable distribution of the then outstanding loan amount.

(h) Notwithstanding any other provisions of this Article X to the contrary, the Board shall not have any liability, fiduciary or otherwise, for any loss, or by reason of any breach of fiduciary responsibility, arising from or as a result of a loan to a Participant.

(i) The Board, at any time and in its sole discretion, may suspend the operation of this Section 10.3; provided, however, that such suspension shall not affect any loan then outstanding. Further, the Board shall have the right from time to time to adopt such rules, limitations and procedures as it may deem appropriate with respect to Participant loans, including provisions for payment of identifiable loan expenses by the Participant that receives the loan or a requirement that loans be repaid through automatic payroll deduction.

(j) The effective date for this provision of the Plan is January 1, 2003, and no loan shall be made prior to that date.

(k) Loans under this Article may only be made in accordance with relevant regulations under Section 457 and 72(p).

(l) In determining the maximum available loan under this Plan all loan balances outstanding for the Participant on all 457 and qualified plans shall be aggregated.

10.4 Separate Investment Funds - The Board shall establish and maintain separate investment funds, and shall allocate the assets of the Trust among such funds pursuant to the investment category designations of the Participants described in Article 6.8, in accordance with the following:

(a) The separate investment funds shall consist of those funds offered by the Board as available to the Plan, including at least one of each of the following types of funds:

(i) Common Stock Fund - The common stock fund shall be a regulated investment company designed to provide income and/or capital appreciation through investment primarily in capital stock and other forms of equity and equity-related investments.

(ii) Stable Value Fund - The Stable Value fund shall be an investment pool primarily designed to provide preservation of capital and liquidity, and the maximization of current income consistent with these objectives, through investment primarily in annuity contracts with fixed duration, or other investment vehicles having similar provisions.

(b) The Board, without necessity of Plan amendment, may change the number and type of investment funds available for Participant selection, may add additional funds, and may limit or terminate the availability of, or modify the investment policy of, any separate investment fund, and/or terminate the availability of separate investment funds entirely (in which case the plan shall be administered without regard to the provisions of Articles 6.7 and 10.4 providing for Participant designation).

(c) The Board may select for Participant designation such additional investment funds as it deems appropriate, including regulated investment companies, annuity or investment contracts, real estate investment trusts, or funds or common investment pools composed of stocks or bonds, whether such funds are managed by the Board itself or other entities selected by the Board

to perform said function, and whether or not such investment funds are generally available to the public. In titling such investments the Board may use such vehicles as Master Trust Agreements that allow or provide for collective investment by one or more plans.

(d) The investment policy described in this Article 10.4 for each investment fund shall not be interpreted to restrict the types of investments that may be held in such funds from time to time.

(e) Notwithstanding any provision in Article 6.2 to the contrary, the assets of each investment fund or designated option shall be invested and administered separately and the income, gains, expenses and losses shall be determined separately for each fund. The Board shall charge to each separate investment fund all costs, expenses, taxes or other charges which are separately identifiable as attributable to that investment fund. To the extent that any such charges or any portion thereof shall not be separately identifiable, in whole or in part, the Board shall allocate such charges among any two or more of the funds in any reasonable manner that is equitable to all Participants. In accounting for such expenses the Board may provide for reasonable methods of crediting to Participants such amounts as are returned to the Trust from a fund as a reduction of expenses, including crediting such amounts to: (i) all Participants, or; (ii) only those Participants participating in the particular investment option that generates the reduced expense.

(f) To the extent necessary and to give effect to any new Participant investment category designations, adjustment of the relative balances in the separate investment funds may be accomplished either by transfer of any of the assets of any fund to any of the other funds, or by the liquidation of any of the assets of a fund and the transfer of the cash received upon such liquidation to any of the other funds, as may be determined by the Board to be appropriate.

(g) Notwithstanding any other provision of the Plan, neither the Board nor any individual member, nor the State, nor any other person who may be a fiduciary with respect to the Plan shall have any liability, fiduciary or otherwise, for any loss arising from or as a result of any investment designation by the Participant pursuant to Article 6.7, or from the inability of the Participant to change his investment category designation until the next Designation Date or by reason of the inability to make a change in designation on any particular date, and all such persons are specifically absolved of any statutory, judicial, legal or other responsibility with respect thereto (including any responsibility to determine the appropriateness of any individual Participant's investment designations). Nothing in this provision is intended to eliminate, lessen or restrict any liability of any such person under State Personnel & Pensions Article §21-208.

END OF ARTICLE X

ARTICLE XI

Administration

11.1 Administrative Authority - Except as otherwise specifically provided herein, the Board shall have the sole responsibility for and the sole control of the operation and administration of the Plan, and shall have the power and authority to take all action and to make all decisions and interpretations which may be necessary or appropriate in order to administer and operate the Plan, including, without limiting the generality of the foregoing, the power, duty and responsibility to:

(a) Resolve and determine all disputes or questions arising under the Plan, including the power to determine the rights of Employees, Participants and Beneficiaries, and their respective benefits, and to remedy any ambiguities, inconsistencies or omissions.

(b) Adopt such rules of procedure as in its opinion may be necessary for the proper and efficient administration of the Plan and are consistent with the Plan.

(c) Implement the Plan in accordance with such rules.

(d) Decide upon the eligibility of any Employee as a Participant, and the crediting and distribution of a Participant's interest in the Trust, which are to be made only upon the basis of instructions from the Participant pursuant to the terms of the Plan.

11.2 Administration - The Plan shall be operated and administered on behalf of the Board by an Administrator. The Administrator shall be governed by the following:

(a) In the absence of a specific designation to the contrary by the Board, and subject to the power to delegate pursuant to this Section, the Administrator shall be the Executive Secretary of the Board and his or her staff. Except as the Board shall otherwise expressly determine, the Administrator shall have full authority to act for the Board before all persons in any matter directly pertaining to the Plan, including the exercise of any power or discretion otherwise granted to the Board pursuant to the terms of the Plan, other than the power to amend or terminate the Plan, to determine State contributions, to exercise authority to direct the Board with respect to investment of the Trust, to affect the employer-employee relationship between the State and any Employee, and to retain and/or discharge any separately appointed Trustees, all of which powers are reserved to the Board unless expressly granted to the Administrator. Fiduciary duties, powers and responsibilities may be allocated among the fiduciaries to whom such duties, powers and responsibilities have been delegated, so long as such allocation is pursuant to action of the Board or by written agreement executed by the involved fiduciaries and approved by the Board, in which case, no such fiduciary shall have any liability, with respect to any duties, powers or responsibilities not allocated to him, for the acts or omissions of any other fiduciary. Any person may serve in more than one fiduciary capacity under the Plan, including those of Administrator and Trustee.

(b) The Administrator may appoint any persons or firms, or otherwise act to secure specialized advice or assistance, as he or she deems necessary or desirable in connection with the administration and operation of the Plan; the Administrator shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by him or her in good faith reliance upon, the advice or opinion of such firms or persons. The Administrator shall have the power and authority to delegate from time to time by written instrument all or any part of his or her duties, powers or responsibilities. Any action of such person in the exercise of such delegated duties, powers or responsibilities shall have the same force and effect for all purposes hereunder as if such action had been taken by the Administrator. Further, the Administrator may authorize one or more persons to execute any certificate or document on behalf of the Administrator, in which event any person notified by the Administrator of such authorization shall be entitled to accept and conclusively rely upon any such certificate or document executed by such person as representing action by the Administrator until such third person shall have been notified of the revocation of such authority. The Administrator shall not be liable for any act or omission of any person to whom the Administrator's duties, powers or responsibilities have been delegated, nor shall any person to whom any duties, powers or responsibilities have been delegated have any liabilities with respect to any duties, powers or responsibilities not delegated to him, except to the extent required by the relevant provisions of the State Personnel & Pensions Article, or the State Government Article, providing for liability of public officials and indemnity therefore.

(c) All representatives of the Board, its staff, or other persons to whom they delegate responsibility, shall use ordinary care and diligence in the performance of their duties pertaining to the Plan, but, except to the extent required by law, no such individual shall incur any liability: (i) by virtue of any contract, agreement, bond or other instrument made or executed in their official capacity with respect to the Plan, (ii) for any act or failure to act, or any mistake or judgment made, in their official capacity with respect to the Plan, unless resulting from gross negligence or willful misconduct, or (iii) for the neglect, omission or wrongdoing of any other person involved with the Plan. Such persons shall be entitled to the indemnification provisions of Maryland law for the effects and consequences of their acts, omissions and conduct in their official capacity with respect to the Plan, except to the extent that such effects and consequences shall result from their own willful misconduct or gross negligence. If any matter arises as to which an individual is entitled to indemnity hereunder, the indemnitees shall give the Board or the State, as the case may be, prompt written notice thereof. The Board, at its own expense, shall then take charge of the disposition of the asserted liability, including compromise or the conduct of litigation. The indemnitees may, at their own expense, retain their own counsel and share in the conduct of any such litigation, but the failure to do so shall not adversely affect their right to indemnity.

(d) The Plan may purchase, as an expense of the Plan, liability insurance for the Plan and/or for its fiduciaries to cover liability or losses occurring by reason of an act or omission of a fiduciary. Any fiduciary may purchase, from and for his or her own account, insurance to protect against liability in the event of a breach of fiduciary duty.

(e) Nothing in the Plan shall be construed so as to prevent any fiduciary from (i) receiving any benefit to which he or she may be entitled as a Participant or Beneficiary, or: (ii) receiving any reasonable compensation for services rendered, or for the reimbursement of expenses properly incurred in the performance of his duties under the Plan (except that no person so serving who receives compensation as an Employee shall receive compensation from the Plan, except for reimbursement of expenses properly incurred), or (iii) serving as a fiduciary in addition to being an officer, employee, agent or other representative of the State or any related entity.

11.3 Uniformity of Discretionary Acts - Whenever in the administration or operation of the Plan discretionary actions by the Employer, the Administrator or the Board are required or permitted, such action shall be consistently and uniformly applied to all persons similarly situated.

The sole criterion for determining whether or not, pursuant to any applicable provision of the Plan, the Board exercises its discretion to transfer all or any part of a Participant's Accrued Benefit to a Segregated Account shall be whether the Board determines it to be in the best interests of the Participant to insulate such Accrued Benefit from fluctuations in market value of Trust assets, and the Board shall have no liability by reason of any increase in market value in which the funds transferred to the Segregated Account do not share.

11.4 Fiduciary Standards - The Administrator and all other persons in any fiduciary capacity with respect to the Plan shall discharge their duties with respect to the Plan: (i) solely in the interest of the Participants and Beneficiaries and for the exclusive purposes of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering and operating the Plan, (ii) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims and (iii) in accordance with the statutes, documents and instruments governing the Plan.

11.5 Litigation - In any action or judicial proceeding affecting the Plan and/or the Trust, it shall be only necessary to join the Board as a party. Except as may be otherwise required by law, no Participant or Beneficiary shall be entitled to any notice or service of process, and any final judgment entered in such action shall be binding on all persons interested in, or claiming under, the Plan.

11.6 Payment of Administration Expenses - Expenses incurred in the administration and operation of the Plan shall be paid by the Trustees out of the Trust. In allocating such expenses among the accounts within the Trust, the Board may calculate same as a percentage of a Participant's deferred salary, or account value in or at the end of any period or year (including assessment as part of any daily valuation system), or as a sum in dollars assessed upon the status and/or value of a Participant's Account as of the closing date for statements of such account. In allocating such expenses the Board need not assess the same charge or type of charge against every account, but may establish different charges based on the size of the account, the investment option the Participant has selected, or the type and number of transactions with respect to an individual Participant. The

Board, in its discretion, may adopt methods under which Participants can elect to pay directly (rather than through reduction of account values or by deferral of salary) their proportionate share of Plan Administration expense.

11.7 Statements of Account - Statements of each Participant's account shall be furnished to each Participant at least annually, within 90 days after the end of each calendar year, and at such more frequent intervals as determined by the Board.

11.8 Plan Statements - Within 90 days after the end of the year the Administrator, or such other person or entity as is from time-to-time designated by the Board, shall file with the Board a written report of the assets of the Plan, a schedule of all receipts and disbursements, and a report of all material transactions of the Plan during the preceding year. The report shall be in such form and contain such other information as the Board shall determine.

11.9 Board Records - The Board's records, and any records of the Administrator pertaining to a Participant's account, shall be open to inspection during normal business hours by a Participant or his or her designated representative.

11.10 Claims Procedure - In the event that any Participant or Beneficiary (hereinafter referred to as the "Claimant") believes that he or she is entitled to a benefit under the Plan (including a hardship distribution under Article VIII) that has been rejected in whole or in part by the Administrator, and such benefit has not been paid or commenced, or if such benefit has been paid or commenced under terms or in an amount with which the Claimant is not in agreement, said Claimant shall have the right to file a written claim with the Board setting forth the reason he or she believes they are entitled to the benefit, or setting forth the nature of the dispute with the terms or amount of the benefit, as the case may be. Such claim shall be delivered or mailed to the Board, to the attention of its Executive Secretary.

Unless it is determined that the matter is to be resolved in accordance with the wishes of the Claimant as set forth in the claim, the Administrator shall provide the Claimant with a written notice setting forth the specific reason or reasons for the denial and the Plan provisions on which it is based. If the claimant desires further review, the claimant shall, within 60-days, file with the Administrator a written objection to the decision. The Administrator shall then appoint a designated person from Board staff to decide upon the claimant's objection. The claimant shall have the right to meet with the designated staff person to explain the claim, and present additional written material in support of the claim. The designated staff person shall decide the validity of the claim and shall provide a written notice of the decision to the Claimant. Once such decision has been made the Claimant may appeal the decision of the staff member to the Board by filing a written claim with the Executive Secretary of the Board; but no such claim shall be heard by the Board unless a majority of members present at a duly held meeting of the Board vote to hear the claim. If the Board votes to hear the claim it shall establish the procedures for determining the claim at the same time it authorizes the appeal.

Any reference herein to the "Claimant" shall be deemed to include any person named by the Claimant as his or her duly authorized representative, provided that such representative delivers to the Employer a written power of attorney or otherwise satisfies the Employer that he or she has been duly authorized to act for the Claimant.

END OF ARTICLE XI

ARTICLE XII

Amendment

12.1 Right to Amend - The Board shall have the right to amend the Plan in writing, at any time, and with respect to any provisions thereof (subject to the provisions of Article 10.2 and Article 6.5), and all parties thereto or claiming any interest thereunder shall be bound thereby. No amendment can be made that modifies or limits the requirement that Plan assets be held for the exclusive benefit of Participants and their Beneficiaries. All amendments shall become effective on the first day of the month following the giving of not less than 30 days prior notice of the amendment. Notice shall be deemed given when the amendment is posted in the office of the Administrator and the office of the Secretary to the Board. The Board shall notify each participant at the time he or she receives his or her statement of account values if the Plan has been amended during the preceding statement period.

12.2 Amendment Required by Federal Law - Notwithstanding the provisions of Article 12.1, the Plan and Trust may be amended at any time, retroactively if required, if found necessary in order to conform to the provisions and requirements of the Internal Revenue Code, or any similar act or any amendments thereto or regulations promulgated thereunder; no such amendment shall be considered prejudicial to any interest of a Participant or Beneficiary hereunder.

END OF ARTICLE XII

ARTICLE XIII

Termination and Combination

13.1 Right to Terminate - It is the present intention of the State to maintain the Plan. Nevertheless, the State, acting through the Board, or by passage of statutory amendment duly enacted under law, reserves the right, at any time, to terminate its obligation to allow contributions to be made to the Trust or to terminate the entire Plan and may do so by amending or repealing the statutes authorizing the Plan.

13.2 Suspension of Contributions - In the event that contributions under the Plan are suspended, the Board shall continue all aspects of the Plan, other than contributions during the period of suspension, in which event distributions will be made, as each Participant reaches his Distribution Date, in accordance with the provisions of this Plan allowing the distribution of benefits.

13.3 Complete Termination - In the event of a complete termination of the Plan the Board, by Resolution amending the Plan, may provide for: (a) automatic distribution of all accounts, at the earliest times permitted by the Internal Revenue Code; (b) automatic transfer of account values to special investment options; (c) special methods of charging termination or winding-up expenses.

13.4 Plan Combinations and Transfers - In the case of any merger or consolidation of the Plan with, or transfer of assets or liabilities of the Trust to, any other Plan, the transaction shall be structured so that each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the transaction which is at least equal to the benefit he would have been entitled to receive immediately before the transaction (if the Plan had then terminated).

END OF ARTICLE XIII

ARTICLE XIV

Trust Provisions

14.1 Declaration of Trust - All funds held under this Plan are held in trust for the exclusive benefit of the Participants and their Beneficiaries, to be held and administered according to the terms of this Plan and Trust. No provision of this Plan and Trust, including the reserved power of amendment, may allow any portion of the Trust to be used for any purpose other than the exclusive benefit described herein.

14.2 Trustees - The Trustees of the Trust Fund created hereunder are the individual members appointed and serving as Trustees of the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans, the governmental body created under Title 35 of the State Personnel & Pensions Article of the Maryland Code. No individual Trustee shall have any power over the Trust Fund, any portion thereof, or asset held therein, other than such power as is delegated to him or her by the Board as a whole. Each Trustee shall have the authority, responsibility and power (including the power to delegate responsibility) as set forth in Title 35 and Title 21, Subtitle 2 of the State Personnel & Pensions Article of the Maryland Code. The Trustees shall determine any matter with respect to the Plan and Trust by majority vote of the individuals then serving as Trustees under the provisions of State Personnel & Pensions Article 35-202.

14.3 Identification of Funds, Pooled Investments and Transactions with the State - The Trustees, in their management of the Trust funds, shall sufficiently identify each account, investment, share, bond, contract or other investment asset so that it can at all times be identified as an asset of this Trust, and so that the interest of each Participant in the Trust can be determined. This requirement shall not prevent: (i) the maintenance of accounts for future Plan administration expense with the State; (ii) the use by the Trustees of common, group or collective trust vehicles as authorized under Revenue Ruling 81-100 and applicable provisions of the Internal Revenue Code; (iii) the use of such common, group or Master Trust arrangements with other plans under the authority of the Board, or; (iv) the delegation of authority (and consequent transfer of trust funds to) a Trustee or Trustees separate and distinct from themselves, such as a bank or Trust Company authorized by law to maintain Trust investments. Use of any such vehicles or Trustees shall not lessen or increase the fiduciary responsibility of the Board members/Trustees under Maryland law to ensure that the interests of the Participants and Beneficiaries are protected, and adequately accounted for.

14.4 Investment Powers - The Trustees shall have the authority set forth in Article X to select the investment options under this Plan that are available for Participant selection. To the extent that funds come into their hands that are not currently allocable to a Participant directed account, the Trustees shall have full authority to invest such sums in any type of investment authorized for Participants under this Plan, subject to relevant standards of fiduciary responsibility under State Personnel & Pensions Article Title 21, Subtitle 2.

END OF ARTICLE XIV

ARTICLE XV

Miscellaneous

15.1 Limitations on Liability of Employer - Neither the establishment of the Plan or Trust nor any modification thereof, nor the creation of any fund or account, nor the payment of any benefits, shall be construed as giving to any Participant or other person any legal or equitable right against the State (or any person connected therewith), the Trustees or any insurance or investment company, except as provided by law or by any Plan provision. Neither the State nor the Board in any way guarantees the Trust from loss or depreciation, nor does the Board guarantee the payment of any money which may be or become due to any person from the Trust. Any person having a right or claim under the Plan shall look solely to the Trust assets, and in no event shall the State or the Board (or any person connected therewith) be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary or other person to be entitled to any particular tax consequences with respect to the Plan, the Trust or any contribution thereto or distribution therefrom. Neither the State nor the Board shall be liable to any person for failure on its part to make contributions, nor shall any action lie to compel such contributions. Neither the State nor the Board (or any person connected therewith) shall have any liability to any person by reason of the failure of the Plan to attain and/or maintain status as an eligible plan under section 457 of the Internal Revenue Code, or the failure of the Trust to attain and/or maintain tax exempt status under Section 501(a) of the Internal Revenue Code, regardless of whether or not such failure is due to any act or omission (willful, negligent or otherwise) of the Board (or any person connected therewith).

15.2 Construction - The Plan is intended to comply with all requirements for status as an eligible plan under section 457 of the Internal Revenue Code and, if any provision of the Plan is subject to more than one interpretation or construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with the Plan having such status. When the word "section" is used in this Plan, the reference is to (unless clearly required otherwise by the context) the applicable section of the United States Internal Revenue Code then in effect. In case any provision of the Plan shall be held to be illegal or void, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provisions had never been inserted herein. For all purposes of the Plan, where the context admits, words in the masculine gender shall include the feminine and neuter genders, the singular shall include the plural, and the plural shall include the singular. Headings of Article and Sections are inserted only for convenience of reference and are not to be considered in the construction of the Plan. Except to the extent preempted by federal law, the laws of Maryland shall govern, control and determine all questions arising with respect to the Plan and the interpretation and validity of its respective provisions. If the indefinite continuance of the Plan would be in violation of the law, then the Plan shall continue for the maximum period permitted by law and shall then terminate, whereupon distribution of the Trust shall be made as

provided in Section 13.3 hereof. Participation under the Plan will not give any Participant the right to be retained in the service of the State nor any right or claim to any benefit under the Plan unless such right or claim has specifically accrued hereunder.

15.3 USERRA - Notwithstanding any provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Internal Revenue Code.

15.4 Anti-Alienation - (a) Subject to section (b) below, no portion of any account or benefit, or interest of a Participant or Beneficiary in the Trust Fund, may be sold, transferred, assigned, pledged, charged or used as collateral; and no such account or interest shall be subject to attachment or seizure by a creditor, including the State of Maryland acting as a creditor.

(b) This provision does not apply to domestic relations orders that are authorized under both the Internal Revenue Code and Maryland law. The administrator may divide or transfer a Participant's account according to the terms of such an order; and the administration and distribution of the new account created by the Order shall be governed by the terms of the Plan, with the new account holder or alternate payee having the right to make investment and distribution decisions available under the Plan. Distributions may be made from the account to the spouse or former spouse in advance of an otherwise earliest distribution date under the terms of this Plan.

END OF ARTICLE XV

IN WITNESS WHEREOF, this Plan is executed this 18th day of November 2002.

THE STATE OF MARYLAND

By: Arthur N. Caple, Jr. (SEAL)

Arthur Caple
Executive Secretary of the Board
Pursuant to Resolution of the Board

Adopted November 18, 2002