

STATE OF MARYLAND



Request for Proposals

Audit Services for Maryland Teachers & State Employees Supplemental Retirement Plans

RFP No. MSRP 09-2006

**Board of Trustees
Maryland Supplemental Retirement Plans (MSRP)**



Issue Date: October 17, 2006

Proposals Due Date: December 22, 2006

NOTICE

Prospective Offerors who have received this document from the MSRP web site or eMarylandMarketplace.com, or who have received this document from a source other than the Procurement Officer, and who wish to assure receipt of any changes or additional materials related to this RFP, should immediately contact the Procurement Officer and provide their name and mailing address so that amendments to the RFP or other communications can be sent to them.

Minority Business Enterprises are encouraged to respond to this solicitation

VENDOR COMMENTS

In order to help us improve the quality of State proposal solicitations, and to make our procurement process more responsive and business friendly, we ask that you take a few minutes and provide comments and suggestions regarding the enclosed solicitation. Please fax this completed form to the attention of Roland Unger at (410)-659-0349. Thank you for your assistance.

RFP No: MSRP09-2006

Entitled: Audit Services for MTSESRP

I. If you have responded with a "no bid", please indicate the reason(s) below:

- Other commitments preclude our participation at this time.
- The subject of the solicitation is not in our business line.
- We lack experience in the work/commodities required.
- The scope of work is beyond our present capacity.
- We cannot be competitive. (Please explain below.)
- The specifications are either unclear or too restrictive (Please explain below.)
- Bid/proposal requirements, other than the specifications, are unreasonable or too risky. (Please explain below.)
- Time for completion is insufficient.
- Start-up time is insufficient.
- Bonding/Insurance requirements are prohibitive. (Please explain below.)
- Doing business with government is simply too complicated.
- Prior experience with State of Maryland contracts was unprofitable or otherwise unsatisfactory. (Please explain below.)
- Other: _____

II. Please explain your response further, offer suggestions, or express concerns. (Use back for additional information.)

REMARKS: _____

OPTIONAL:

Vendor Name: _____ Date: _____

Contact: _____ Phone: _____

Address or email: _____

THANK YOU!!!

KEY INFORMATION SUMMARY SHEET

**STATE OF MARYLAND
Maryland Teachers & State Employees Supplemental Retirement Plans
Request for Proposals**

**AUDIT SERVICES FOR
Maryland Teachers & State Employees Supplemental Retirement Plans**

RFP NO: MSRP09-2006

RFP Issue Date: October 17, 2006

RFP Issuing Office: Maryland Teachers & State Employees
Supplemental Retirement Plans

Procurement Officer: Mr. Roland L. Unger, CPA
Procurement Officer
Office Phone: (410) 767-8715
Fax: (410) 659-0349
E-mail: runger@msrp.state.md.us

Proposals are to be sent to: Maryland Supplemental Retirement Plans
6 St. Paul Street, Suite 200
Baltimore, MD 21202
Attn: Roland L. Unger, CPA

Pre-Proposal Conference: November 20, 2006, 10:00AM (Local Time)
Maryland Supplemental Retirement Plans
6 St. Paul Street, Suite 200
Baltimore, MD 21202
For directions, see [Attachment E](#)

Closing Date and Time: **December 22, 2006 at 2:00 PM (Local Time)**

Prospective bidders who have received this document from the MSRP web site or eMarylandMarketplace.com, or who have received this document from a source other than the Procurement Officer, and who wish to assure receipt of any changes or additional materials related to this RFP, should immediately contact the Procurement Officer and provide their name and mailing address so that amendments to the RFP or other communications can be sent to them.

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SECTION 1 - GENERAL INFORMATION

1.1 Summary Statement

The Maryland Supplemental Retirement Plans is issuing this Request for Proposals (RFP) to obtain a qualified auditing firms to complete annual audits of the following Supplemental Retirement Plans designed for Maryland State Employees.

457 Plan — The Maryland State Employees Deferred Compensation Plan was established by an executive order of the Governor of the State of Maryland on August 15, 1974. The Plan operates pursuant to the provision of Title 35 of the State Personnel & Pensions Article of the Annotated Code of Maryland and a plan document adopted by the Plan’s Board of Trustees (the Board).

401(k) Plan — The State of Maryland (the State) Savings and Investment Plan (the Plan) was established by the State on July 1, 1985. The Plan is designed to be a tax-qualified 401(k) profit sharing plan under Internal Revenue Code (the Code) Sections 401(a) and 401(k).

403(b) Plan — The State of Maryland (the State) Tax Sheltered Annuity Plan (the Plan) was established by the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plan (the Board) pursuant to Title 35 of the Annotated Code of Maryland.

401(a) Match Plan — The Plan was established by the State of Maryland on July 1, 1999 (commencement date). The Plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code (the Code) Section 401(a).

The purpose of this RFP is to procure, through competitive sealed proposals, the services of a Certified Public Accounting firm to audit and issue opinions on the financial statements of the supplemental retirement plans under the authority and supervision of the Board of Trustees: the §457 plan; the §401(k) savings and investment plan; the §403(b) tax-sheltered annuity plan; and the §401(a) optional defined contribution plan. The firm will also perform certain agreed-upon procedures to evaluate the administration of the Supplemental Retirement Plans.

1.2 Abbreviations and Definitions

For purposes of this RFP, the following abbreviations or terms have the meanings indicated below:

- (a) **ACCOUNT MANAGER** means the individual identified by the Contractor as the primary contact for the State in the management of the contract issued pursuant to this RFP.
- (b) The **BOARD**, means the Board of Trustees of the Maryland Supplemental Retirement Plans.

- (c) **COMAR** means the Code of Maryland Regulations.
- (d) **CONTRACTUAL EMPLOYEE** means a non-permanent employee of the State of Maryland who is not eligible for State subsidy of benefits.
- (e) **LOCAL TIME** means time in the Eastern Time zone as observed by the State of Maryland.
- (f) **MBE** means a Minority Business Enterprise that is certified as such by the Maryland Department of Transportation.
- (g) **MSRP** means Maryland Teachers & State Employees Supplemental Retirement Plans.
- (h) **OFFEROR** means a vendor who responds to the RFP by submitting a proposal to provide the requested services.
- (i) **PLAN YEAR** means the 12-month period beginning January 1 and ending December 31 of the same calendar year.
- (j) **RFP** means this Request for Proposals for audit services for the Maryland Supplemental Retirement Plans.
- (k) **STATE** means the State of Maryland.
- (l) **SUBCONTRACTOR** means an organization or entity that the Offeror plans to utilize for the purposes of services covered under this contract.

1.3 Contract Type

The contract that results from this RFP shall be a Firm Fixed Price contract for certain audit services pursuant to COMAR 21.06.03.02A.

1.4 Contract Duration

The services sought in Section 3 below will be provided for an approximate five-year period beginning upon contract approval in February 2007 and continuing until December 2011. Services will cover financial statements for the calendar years ending 12/31/2006, 12/31/2007, 12/31/2008, 12/31/2009 and 12/31/2010. There shall be a firm fixed price for each year of the contract. The fixed price will be shown separately for each year on the financial proposal summary form ([Attachment F](#)). There is no requirement that the price for each year be the same.

1.5 Procurement Officer and Contract Manager

The sole point of contact at the State for purposes of this RFP, prior to the award of any contract, is the Procurement Officer at the address listed below:

Roland L. Unger, CPA
Procurement Officer
Maryland Supplemental Retirement Plans
6 St. Paul Street, Suite 200
Baltimore, Maryland 21202
Telephone #: 410-767-8715
Fax #: 410-659-0349
E-mail: runger@msrp.state.md.us

The individual responsible for day-to-day administration and management of the Contract issued pursuant to this RFP shall be the Contract Manager identified below:

Roland L. Unger, CPA
Procurement Officer
Maryland Supplemental Retirement Plans
6 St. Paul Street, Suite 200
Baltimore, Maryland 21202
Telephone #: 410-767-8715
Fax #: 410-659-0349
E-mail: runger@msrp.state.md.us

The Board may change the Procurement Officer and/or the Contract Manager at any time during the term of the Contract by notice to the Contractor.

1.6 Pre-Proposal Conference

A Pre-Proposal Conference will be held on November 20, 2006, at 10:00 AM, local time, at 6 St. Paul Street, Suite 200, Baltimore, Maryland 21202. Attendance at the Pre-Proposal Conference is not mandatory, but all interested Offerors are encouraged to attend in order to facilitate better preparation of their proposals. In addition, attendance may facilitate the Offeror's understanding and ability to meet the State's Minority Business Enterprise (MBE) goals.

As promptly as is feasible subsequent to the Conference, a summary of the Pre-Proposal Conference and all questions and answers known at that time will be distributed to all prospective Offerors known to have received a copy of this RFP.

If there is a need for sign language interpretation and/or other special accommodations due to a disability, it is requested that at least five days advance notice be provided. MSRP will make reasonable efforts to provide such special accommodation.

1.7 Use of and Fee for e-Maryland Marketplace

[eMaryland Marketplace.com](http://www.marylandmarketplace.com) is an electronic commerce system administered by the Maryland Department of General Services. In addition to using the MSRP web site (<http://www.msrp.state.md.us>) and other means for transmitting the RFP and associated materials, the solicitation and minutes of the pre-bid/proposal conference, Offeror questions and MSRP responses, addenda, and other solicitation related information will be provided via [eMarylandMarketplace.com](http://www.marylandmarketplace.com).

This means that all such information is immediately available to organizations that subscribe to [eMarylandMarketplace.com](http://www.marylandmarketplace.com). Because of the instant access afforded by [eMarylandMarketplace.com](http://www.marylandmarketplace.com), we recommend that all Offerors interested in doing business with Maryland State agencies subscribe to [eMarylandMarketplace.com](http://www.marylandmarketplace.com). The successful bidder/Offeror must register with [e-Maryland Marketplace](http://www.marylandmarketplace.com) prior to contract award.

COMAR 21.02.03.06 requires that the successful Offeror under this solicitation pay a fee to support the operation of [eMarylandMarketplace](http://www.marylandmarketplace.com). The applicable fee is based on total contract value (including base contract plus all options). A total contract value that is other than an even dollar amount will be rounded to the nearest dollar to determine the appropriate fee level. For example, a total contract value of \$50,000.49 will be rounded to \$50,000 and a Level 1 fee will apply. A total contract value of \$50,000.50 will be rounded to \$50,001 and a Level 2 fee will apply. A copy of COMAR 21.02.03.06 can be found on the website at [www.eMarylandMarketplace.com](http://www.marylandmarketplace.com).

The fee amount must be included within the rate or price of the proposal/bid and may not be quoted as a separate add-on price.

In order to receive a contract award, an Offeror must be registered on e-Maryland Marketplace. Contractors shall pay the fee as provided by COMAR 21.02.03.06 and in accordance with guidelines issued by the Maryland Department of General Services. These guidelines can be found on the website at [www.eMarylandMarketplace.com](http://www.marylandmarketplace.com).

1.8 Questions

The Procurement Officer prior to the pre-proposal conference will accept written questions from prospective Offerors. If possible and appropriate, such questions will be answered at the pre-proposal conference. (No substantive question will be answered prior to the pre-proposal conference.) Questions may be submitted by mail, facsimile, or preferably, by e-mail to the Procurement Officer. Questions, both oral and written, will also be accepted from prospective Offerors attending the Pre-Proposal Conference. If possible and appropriate, these questions will be answered at the Pre-Proposal Conference.

Questions will also be accepted subsequent to the Pre-Proposal Conference. All post-conference questions should be submitted in a timely manner to the Procurement Officer only. The Procurement Officer shall, based on the availability of time to research and communicate an answer, decide whether an answer can be given before the proposal due date. Answers to all substantive questions that have not previously been answered, and are not clearly specific only to

the requestor, will be distributed to all Offerors who are known to have received a copy of the RFP.

1.9 Proposals Due (Closing) Date

An unbound original and six (6) bound copies of each proposal (technical and financial) must be received by the Procurement Officer, at the address listed in Section 1.5 no later than 2:00 PM (local time) on December 22, 2006 in order to be considered. One (1) electronic version on CD of the Technical Proposal (in MS WORD) must be enclosed with the original Technical Proposal. An electronic version on CD of the Financial Proposal in MS Word or Excel format must be enclosed with the original Financial Proposal. Offerors must ensure that the CDs are labeled with the RFP title, RFP number and Offeror name, and are packaged with the original copy of the appropriate proposal (technical or financial).

Requests for extension of this date or time will not be granted. Offerors mailing proposals should allow sufficient mail delivery time to ensure timely receipt by the Procurement Officer. Except as provided in COMAR 21.05.03.02F, proposals received by the Procurement Officer after December 22, 2006 at 2:00 PM (local time) will not be considered. Proposals may not be submitted by e-mail or facsimile.

1.10 Duration of Offer

Proposals submitted in response to this RFP are irrevocable for 120 days following the closing date of proposals. This period may be extended at the Procurement Officer's request only with the Offeror's written agreement.

1.11 Revisions to the RFP

If it becomes necessary to revise this RFP before the due date for proposals, amendments will be posted on the MSRP website and eMarylandMarketplace.com, and provided to all prospective Offerors who were sent this RFP or otherwise are known by the Procurement Officer to have obtained this RFP. Amendments made after the due date for proposals will be sent only to those Offerors who submitted a timely proposal.

Acknowledgment of the receipt of all amendments to this RFP issued before the proposal due date must accompany the Offeror's proposal in the Transmittal Letter accompanying the Technical Proposal submittal. Acknowledgement of the receipt of amendments to the RFP issued after the proposal due date shall be in the manner specified in the amendment notice. Failure to acknowledge receipt of amendments does not relieve the Offeror from complying with all terms of any such amendment.

1.12 Cancellations; Discussions

The State reserves the right to cancel this RFP, accept or reject any and all proposals, in whole or in part, received in response to this RFP, to waive or permit cure of minor irregularities, and to conduct discussions with all qualified or potentially qualified Offerors in any manner necessary to serve the best interests of the State of Maryland. The State also reserves the right, in its sole discretion, to award a contract based upon the written proposals received without prior discussions or negotiations.

1.13 Oral Presentation

Offerors may be required to make oral presentations to State representatives. Significant representations made by an Offeror during the oral presentation must be reduced to writing. All written representations will become part of the Offeror's proposal and are binding if the contract is awarded. The Procurement Officer will notify Offerors of the time and place of oral presentations. Typically, oral presentations occur approximately two weeks after the proposal due date.

1.14 Incurred Expenses

The State will not be responsible for any costs incurred by an Offeror in preparing and submitting a proposal, in making an oral presentation, in providing a demonstration, or in performing any other activities relative to this solicitation.

1.15 Economy of Preparation

Proposals should be prepared simply and economically, providing a straightforward, concise description of the Offeror's proposal to meet the requirements of this RFP.

1.16 Protests/Disputes

Any protest or dispute related respectively to this solicitation or the resulting contract shall be subject to the provisions of COMAR 21.10 (Administrative and Civil Remedies).

1.17 Unacceptable Selective, Multiple or Alternative Proposals

Selective proposals for fewer than all of the Plans listed in the RFP Section 1.1 will not be accepted. Neither multiple nor alternate proposals will be accepted for any of the Plans listed in the RFP Section 1.1.

1.18 Access to Public Records Act Notice

An Offeror should give specific attention to the clear identification of those portions of its proposal that it considers confidential, proprietary commercial information or trade secrets, and provide justification why such materials, upon request, should not be disclosed by the State under the Access to Public Records Act, Title 10, Subtitle 6, of the State Government Article of the Annotated Code of Maryland. (See Section 4.4.2.1)

Information, which is claimed to be confidential, is to be placed after the Title Page and before the Table of Contents in the Offeror's Technical Proposal, and if applicable, also in its Financial Proposal. Offerors are advised that, upon request for this information from a third party, the State will make an independent determination whether the information must be disclosed (see COMAR 21.05.08.01).

1.19 Offeror Responsibilities

The selected Offeror/Contractor shall be responsible for all products and services required by this RFP. Subcontractors must be identified, and a complete description of their roles relative to the proposals must be included in the Proposal. The selected Offeror retains the responsibility for all work performed by and any deliverable submitted by a subcontractor. Additional information regarding MBE subcontractors is provided in paragraph 1.23 below, and [ATTACHMENT D](#).

If an Offeror that seeks to perform or provide the services required by this RFP is the subsidiary of another entity, all information submitted by the Offeror such as, but not limited to, proposed services, description of the Offeror's ability to perform the scope of work, references and financial reports, shall pertain exclusively to the Offeror, unless the parent organization will guarantee the performance of the subsidiary. If applicable, the Offeror's proposal must contain an explicit statement that the parent organization will guarantee the performance of the subsidiary.

1.20 Mandatory Contractual Terms

By submitting an offer in response to this RFP, an Offeror, if selected for award, shall be deemed to have accepted the terms of this RFP. Any exceptions to this RFP or the Contract must be clearly identified in the Executive Summary of the technical proposal. A proposal that takes exception to these terms may be rejected. (See Section 4.3.2.2)

1.21 Proposal Affidavit

A proposal submitted by an Offeror must be accompanied by a completed Bid/Proposal Affidavit. A copy of this Affidavit is included as ATTACHMENT B of this RFP.

1.22 Contract Affidavit

All Offerors are advised that if a contract is awarded as a result of this solicitation, the successful Offeror will be required to complete a Contract Affidavit. A copy of this Affidavit is included for informational purposes as ATTACHMENT C of this RFP. This Affidavit must be completed and submitted within five business days of notification of proposed contract award.

1.23 Minority Business Enterprises

- A Minority Business Enterprise (MBE) subcontractor participation goal of ten percent (10%) of the total fees paid to the Contractor has been established for this procurement.

The Contractors shall structure their award(s) of subcontracts under the contracts in a good faith effort to achieve the goal in such subcontract awards by businesses certified by the State of Maryland as minority owned and controlled. MBE requirements are specified in ATTACHMENT D of this RFP. Subcontractors used to meet the MBE goal of this RFP must be identified in the Offeror's proposal.

Questions or concerns regarding the MBE requirements of this solicitation must be raised before the opening of bids or receipt of initial proposals.

ATTACHMENTS D-1 and D-2 must be completed and submitted with each Offerors proposal. Failure to submit these completed attachments will eliminate an Offeror from further consideration.

A current directory of MBEs is available through the Maryland State Department of Transportation, Office of Minority Business Enterprise, and P.O. BOX 8755, BWI AIRPORT, MARYLAND 21240-0755. The phone number is 410-865-1269. The directory is also available at <http://www.mdot.state.md.us>. Select the MBE Program label. The most current and up-to-date information on MBEs is available via the web site.

1.24 Arrearages

By submitting a response to this solicitation, each Offeror represents that it is not in arrears in the payment of any obligations due and owing the State of Maryland, including the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of the contract if selected for contract award.

1.25 Procurement Method

This contract will be awarded in accordance with the competitive sealed proposals process under COMAR 21.05.03.

1.26 Verification of Registration and Tax Payment

Before a corporation can do business in the State of Maryland it must be registered with the Department of Assessments and Taxation, State Office Building, Room 803, 301 West Preston Street, Baltimore, Maryland 21201 (see also their website at <http://www.dat.state.md.us>). It is strongly recommended that any potential Offeror complete registration prior to the due date for receipt of proposals. An Offeror's failure to complete registration with the Department of Assessments and Taxation may disqualify an otherwise successful Offeror from final consideration and recommendation for contract award.

1.27 False Statements

Offerors are advised that section 11-205.1 of the State Finance and Procurement Article of the Annotated Code of Maryland provides as follows:

- (a) In connection with a procurement contract a person may not willfully:
 - (1) falsify, conceal, or suppress a material fact by any scheme or device;
 - (2) make a false or fraudulent statement or representation of a material fact; or
 - (3) use a false writing or document that contains a false or fraudulent statement or entry of a material fact.
- (b) A person may not aid or conspire with another person to commit an act under subsection (a) of this section.
- (c) A person who violates any provision of this section is guilty of a felony and on conviction is subject to a fine not exceeding \$20,000 or imprisonment not exceeding 5 years or both.

1.28 Electronic Funds Transfers

By submitting a response to this solicitation, the Offeror agrees to accept payments by electronic funds transfer unless the State Comptroller's Office grants an exemption. The selected Offeror shall register using the COT/GAD X-10 Vendor Electronic Funds (EFT) Registration Request Form. Forms are available from the Comptroller's Offices (telephone 410-260-7464) or website (http://compnet.comp.state.md.us/General_Accounting_Division). Any request for exemption must be submitted to the State Comptroller's Office for approval at the address specified on the COT/GAD X-10 form and must include the business identification information as stated on the form and include the reason for the exemption.

1.29 Conflict of Interest

- 1.29.1** Potential Offerors should be aware that the State Ethics Law, State Government Article, § 15-508, might limit the selected Contractor's ability to respond to this solicitation, depending upon specific circumstances.
- 1.29.2** The successful Offeror will provide auditing services to the State and must do so impartially and without any conflicts of interest. The Contractor will be required to complete a Conflict of Interest Affidavit. A copy of this Affidavit is included as ATTACHMENT G of this RFP. If the Procurement Officer makes a determination that facts or circumstances exist that give rise to or could in the future give rise to a conflict of interest within the meaning of COMAR 21.05.08.08A, the Procurement Officer may reject an Offeror under COMAR 21.06.02.03B.

SECTION 2 – MINIMUM QUALIFICATIONS

Offerors must clearly demonstrate and document within their technical proposal that, as of the proposal due date, they meet the following minimum qualifications. The Executive Summary shall include reference to the page number(s) in the proposal where such evidence can be found. The Procurement Officer will verify that each Offeror meets these minimum qualifications before an Offeror's technical proposal will be fully evaluated. Any Offeror determined not to meet these minimum qualifications will be rejected without consideration of the technical proposal and its sealed financial proposal will be returned unopened.

2.1 Minimum Qualifications

2.1.1 Minimum Qualifications:

- ❑ Must hold a Maryland certified Public Accounting Firm Accountancy license in accordance with The Annotated Code Of Maryland, Business Occupations and Professions Article, Section 2-401.
- ❑ Must provide evidence that within the three (3) years preceding the date of proposal submission the Offeror was subject to a quality control (peer) review, in accordance with generally Accepted Government Auditing Standards, and received an unmodified report.
- ❑ Within the past three (3) years the Offeror must have performed, as defined in RFP section 3.4.1
 1. At least two (2) audit engagements of public or private entities with regards to the type of plans [457, 401(k), 401(a) and 403(b)] in Maryland and not less than assets of twenty million dollars with not less than 500 individual participants

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SECTION 3 - SCOPE OF WORK

3.1 Background

3.1.1 The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans (the "Board") is an independent Agency created under Title 35 of the State Personnel and Pensions Article of the Annotated Code of Maryland. The Board has general oversight authority and responsibility for certain tax-favored defined contribution plans for State employees: the §457 Plan; the §401(k) plan; the §403(b) plan; and the §401(a) plan. Financial statements of each plan are attached as Attachment I, and the Plans are generally described below.

The Board has appointed an executive director and a staff of sixteen employees. The Board does not directly administer the plans. Its executive director and staff conduct general supervisory activities of administrators, advisors or accountants that are hired, and conduct general educational efforts for State employees concerning the benefits of plan participation.

The purpose of this RFP is to procure, through competitive sealed proposals, the services of a Certified Public Accounting firm to audit and issue opinions on the financial statements of the supplemental retirement plans under the authority and supervision of the Board: the §457 plan; the §401(k) savings and investment plan; the §403(b) tax-sheltered annuity plan; and the §401(a) optional defined contribution plan. The audited financial statements for 2005 and 2004 are attached as Attachment I. Excerpts of Titles 32 and 35 of the State Personnel & Pensions Article of the Annotated Code of Maryland are attached as Attachment J.

3.1.2 Existing Advisors and Administrators

The Board has a contract with Mercer Investment Consulting (Mercer) for general pension consulting and investment advisory services. The Board consults with Mercer on various aspects of plan administration.

The Board also has an ongoing contract with Deutsche Investment Management Americas, Inc (Deutsche) for various services in procuring guaranteed investment contracts and similar investments for its Investment Contract Pool.

General record keeping, overall administration and preparation of both participant and plan financial statements are the primary responsibility of Nationwide Retirement Solutions (Nationwide), the plan administrator. Nationwide is a wholly owned subsidiary of Nationwide Corporation, and is headquartered in Columbus, Ohio, with regional offices around the country, including an office in Timonium, Maryland. Nationwide's contract expires December 31, 2007.

3.2 Purpose

- 3.2.1** The purpose of the annual audit is to assure that each of the statements reporting the results of plan activity and plan net assets are fairly presented in conformity with accounting principles generally accepted in the United States of America, and that all disclosures required by laws and regulations accompany such statements.

3.3 General Requirements

- 3.3.1** The Board intends to procure the following professional services:

An annual Financial Statement Audit of each of the 4 Plans in accordance with generally accepted auditing standards (GAAS). Financial books and records for the §457, §403(b), and §401(k) Deferral Accounts and the §401(a) optional defined contribution plan are maintained at Nationwide's home offices, located in Columbus, Ohio. If the third party administrator should change (the contract with Nationwide expires on 12/31/2007), and the financial books and records are in a location other than Columbus, Ohio, then the Contractor shall arrange to audit the books onsite at such other location(s). Work on the audit shall commence not later than January for the previous audit year. As provided in 3.4.1, complete reports shall be ready for delivery to the Board of Trustees no later than the April 15th following the year being audited.

- 3.3.2** In conjunction with the annual Plan audits certain "Agreed Upon Procedures" will be performed each contract year to evaluate the Plans' operations to determine that financial transactions of the Plans are in accordance with the Plan Documents, applicable Sections of the Internal Revenue Code and the Nationwide/Board Administration Agreement. See Attachment K – Agreed Upon Procedures.

- 3.3.3** For a complete example of the report types to be included under the contract, please see Attachment I.

3.4 Audit Reporting

3.4.1 Reports for Plans Audited – Content Requirements

The Contractor will provide written reports annually for each of the Plans: Audited Financial Statements, Management Letter, report on agreed-upon procedures and a Letter on Significant Matters, as required in Section 3.3.2 above. The audit manager or other designee is required to make oral progress reports every two weeks to the Chief Financial Officer for the Supplemental Retirement Plans and to the chairperson of the Audit Committee for the Board of Trustees. Such oral reports will disclose any delays or other problems in the audit process and field work. For a complete example of the reports to be included under the contract, please see ATTACHMENT I.

Draft copies of the audit opinions and financial statements shall be delivered to the Chief Financial Officer and Members of the Audit Committee of the Board of Trustees by April 15 following the year being audited. Draft versions of the Management letter and report on agreed-upon procedures shall be likewise delivered by April 15 of each year. All final reports (including 10 copies of the Audited Financial Statements) shall be delivered to the Chief Financial Officer by April 30 of each year.

A presentation of the final audit report to the Board of Trustees will be arranged to take place at the next regular meeting of the Board of Trustees in Baltimore, Maryland.

3.5 Retainage and Invoices

3.51 Retainage

Ten percent (10%) of each applicable invoice shall be held by MSRP as retainage. Disbursement of the total retainage will be dependent upon and occur within 30 days of Contractor's invoicing of the retainage.

3.5.2 Invoice Format

- A. All invoices must include the following information:
- Name, address and federal tax identification number of the Contractor
 - Remittance address
 - Invoice period (i.e. the period during which services covered by the invoice were performed)
 - Invoice date and invoice number
 - Amount due
 - The part of the job being billed
 - An expenditures report or detailed billing report that provides a description of the work performed
- B. A pre-authorized representative of the Contractor must sign each invoice. Invoices submitted without the required information will not be processed for payment until the Contractor provides the required information. The Contractor's Account Manager should be the authorized representative that signs each invoice, but the Contractor may choose a different individual, so long as the Contractor notifies the State of their representative's name, phone number and e-mail address within 15 business days of contract execution.
- C. The Contractor shall submit monthly invoices that bill a comparable percentage of the total fixed price for the audits being performed as the amount of work actually performed during the month billed is to the total amount of work. All such payments are progress payments only.

- D. When all elements of the scheduled audits under the Contract have been completed for an audit period, the Contractor may submit an invoice to recover retained amount related to that audit period.

3.5.3 Administrative and Travel Expenses

Reimbursement for travel, parking and mileage will not be paid by the State under the terms of the Contract. The State will not pay for administrative or clerical services; such services must be accounted for in the Contractor's fully-loaded labor rates.

3.6 Staffing Requirements and Categories for Primary Audit Services

3.6.1 Staffing

3.6.1.1 The Contractor shall adequately staff this Contract such that the State's auditing needs are met, including, as appropriate, an account team.

3.6.1.2 The Contractor shall designate an Account Manager to serve as the primary contact for this Contract and for all billing/invoice matters.

3.6.1.3 The Contractor shall also designate additional key personnel to perform specific functions for the annual audits:

- Audit Manager – Person(s) who oversee, supervise, monitor or approve the work of others performing auditing activities. Only personnel who have minimum of five (5) years experience providing auditing services relevant to the audits being performed may fill this role.
- Lead Auditor – Individual(s) responsible for on site supervision of audit staff. Only personnel who have minimum of three (3) years experience providing auditing services relevant to the audits being performed may fill this role.

3.6.1.4 The Contractor may use the same personnel for such functions, e.g. the Account Manager may also be the Audit Manager for the audits performed.

3.6.2 Availability of Key Personnel

Contractors shall ensure the key personnel identified in its proposal will be available to perform Contract requirements. Contractor key personnel shall not be reassigned to another task without the written concurrence of the State's Contract Manager for 180 calendar days from the Contract award date. If any key personnel leave the employment of the Contractor, or are approved for reassignment by the State's Contract Manager, the replacement must have equal or better qualifications than the incumbent and be approved by the State's Contract Manager.

3.6.3 Substitution of Key Personnel

During the first 180 calendar days of the Contract performance period, no substitutions of key personnel will be permitted unless such substitutions are necessitated by extraordinary circumstances such as sudden illness, death, or as otherwise approved by the Contract Manager. In any of these events, the Contractor shall promptly notify the Contract Manager and provide the information required below. After the initial 180 calendar day period, all proposed substitutions of key personnel must be submitted in writing, at least 15 business days in advance of the proposed substitution, to the Contract Manager, with the information required in below. The Contract Manager must agree to the substitution in writing before such substitution shall become effective.

All proposed substitutes of key personnel must have qualifications at least equal to that of the person initially proposed by the Contractor and evaluated and accepted by the Contract Manager. The Contract shall bear the burden of illustrating this comparison. The resumes of the initially assigned key personnel shall become the minimum requirement for qualifications for the duration of the total Contract term. If one or more of the key personnel are unavailable for work under this Contract for a continuous period exceeding 15 business days during the performance of an audit, the Contractor shall immediately notify the Contract Manager and propose to a replacement with key personnel of equal or better qualifications within 15 business days of notification. All substitutions shall be made in accordance with this provision.

All requests for substitutions must provide a detailed explanation of the circumstances necessitating the proposed substitution, a resume of the proposed substitute (See below), and any other information requested by the Contract Manager to make a determination as to the appropriateness of the proposed substitution. All proposed substitutes must have educational qualifications and work experience equal to or better than the resume initially proposed for other personnel; the burden of illustrating this comparison shall be the Contractor's.

Resumes shall be signed by all substituting individuals and their formal supervisor, and the official resume of the previous employee shall be provided for comparison purposes.

The State shall, at any time, have the right to require the Contractor to replace any of its key personnel assigned to this Contract if any such Contractor personnel are uncooperative, inefficient, unprofessional in their appearance or actions, or otherwise demonstrate an inability to perform the requirements specified in the RFP.

3.7 Conflicts of Interest

3.7.1 The State Ethics Law, State Government Article, §15-508, might limit the selected Contractor's ability to participate in future related procurements or to provide advice or consultation services to organizations or companies that do business with or plan to do business with the State, depending upon specific circumstances.

3.7.2 The Contractor shall perform all duties relating to this contract impartially and without any conflict of interest. The Contractor's first priority in performing the duties of this Contract shall be the protection of the State's interests. The Contractor shall not

undertake any interpretation of the contract without the express approval of the Contract Manager.

- 3.9.3** The Contractor shall provide periodic updates to MSRP and the Procurement Officer, providing information such as that required by the Conflict of Interest affidavit attached as ATTACHMENT G, certifying whether a conflict of interest or potential conflict of interest exists. The Contractor shall notify MSRP and the Procurement Officer whenever the Contractor provides services to, contracts with, or receives any compensation or remuneration from an organization or company that provides services in connection with the Program.

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SECTION 4 - PROPOSAL SUBMISSION FORMAT

4.1 Two Part Submission

4.1.1 Offerors must submit proposals in two parts:

Volume I - Technical Proposal

Volume II - Financial Proposal. The Financial Proposals must be sealed separately from the Technical Proposals.

All pages should be numbered.

4.2 Submission

Each Offeror is required to submit a separate sealed package for each Volume, to be labeled “Volume I-Technical Proposal” and “Volume II-Financial Proposal” respectively. Each sealed package must bear the RFP title and number, name and address of the Offeror, the volume number (I or II), and the closing date and time for receipt of the proposals on the outside of the package. Please label the electronic media with Volume I-Technical Proposal and Volume II-Financial Proposal, as appropriate.

All pages of both proposal volumes must be consecutively numbered from beginning (Page 1) to end (Page “x”).

4.3 Volume I – Technical Proposal

4.3.1 Transmittal Letter

A transmittal letter on the vendor's stationery should accompany the proposal. The purpose of this letter is to transmit the proposal and to acknowledge receipt of any addenda. The original proposal should have the letter with original signatures. It should be brief and signed by an individual who is authorized to bind the company to all statements in the proposal and the services and requirements as stated in the solicitation.

4.3.2 Format of Technical Proposal; Required Submissions

Inside a sealed package described in Section 4.3, above, an unbound original, to be so labeled, six (6) copies, and a CD-ROM version in MS Word format shall be provided. Sections 2 and 3 of this RFP provide requirements and Section 4 provides reply instructions. The paragraphs in these RFP sections are numbered for ease of reference. In addition to the instructions below, the Offeror’s Technical Proposals should be organized and numbered in the same order as this RFP. This proposal organization will allow State officials and the Evaluation Committee to “map” Offeror responses directly to RFP requirements by paragraph number.

The Technical Proposal shall include the following sections in this order:

4.3.2.1 Title and Table of Contents

The technical proposal should begin with a title page bearing the name and address of the Offeror and the name and number of this RFP. A table of contents for the technical proposal should follow the title page. Information, which is claimed to be confidential, is to be identified after the Title Page and before the Table of Contents in the Offeror's Technical Proposal, and if applicable, also in the Offeror's Financial Proposal. An explanation for each claim of confidentiality shall be included.

4.3.2.2 Executive Summary

The Offeror shall condense and highlight the contents of the Technical Proposal in a separate section titled "Executive Summary" including how the Offeror meets the minimum qualifications outlined in Section 2.

The summary shall also identify any exceptions the Offeror has taken to the requirements of this RFP, the contract (ATTACHMENT A), or any other attachments. If there are no exceptions, the summary should so state.

Note: Exceptions to terms and conditions of the RFP, the contract, or any other attachment may result in having the proposal deemed unacceptable or classified as not reasonably susceptible of being selected for award.

4.4.2.3 Offeror Technical Response to RFP Requirements

In a concise manner, the Offeror shall address each requirement in Section 3 "Scope of Work" of this RFP and describe how the Offeror's proposed services will meet those requirements. The Offeror should use the sub-headings provided by this RFP to organize the response (e.g. describe auditing capabilities in the Technical Proposal section noted as a response to Section 3.3.1. The response to the audit requirements should take into account the background information provided in Section 3.1.

If the State is seeking Offeror agreement to a requirement, the Offeror shall state agreement or disagreement. However, the Offeror should not merely rely on a stated agreement to perform the requested work; rather the Offeror should outline **how the Offeror can fulfill the requested tasks in a manner that best meets the State's needs.**

4.3.2.4 Offeror Minimum Qualifications

Offerors must provide documentation on how they meet the Minimum Qualifications stated in Section 2 of this RFP.

4.3.2.5 Corporate Experience and Capability

- A. The Offeror shall describe its overall experience and past performance in providing services similar to those solicited.
- B. As part of its offer, each Offeror is to provide a list of all contracts with any entity of the State of Maryland that it is currently performing or which has been completed within the last 5 years. For each identified contract the Offeror is to provide in its Technical Proposal:
- The State contracting entity
 - A brief description of the services/goods provided
 - The dollar value of the contract
 - The term of the contract
 - The State employee contact person (name, title, telephone number and if possible e-mail address)
 - Whether the contract was terminated before the end of the term specified in the original contract, including whether any available renewal option was not exercised.

The Procurement Officer or a designee will contact the identified State agencies or the most appropriate ones if many contracts are involved, to ascertain the Offeror's level of performance of State contracts.

Information obtained regarding the Offeror's level of performance on State contracts will be considered as part of the experience and past performance evaluation criteria of the RFP.

- C. As part of its offer, each Offeror is to provide a list of references for which similar consulting services have been provided, in the following categories:
- Three current references including at least one from governmental accounts/clients
 - Three past references from non-current accounts/clients

The references shall be structured to permit validation that the minimum qualifications shown in Section 2 have been met.

4.3.2.6 Subcontractors

- A. In the Technical Proposal (in addition to the requirements of Attachment D), Offerors must identify both MBE and non-MBE subcontractors and the role these subcontractors will have in the performance of the contract.
- B. A summary of the experience and expertise of the proposed subcontractors shall be provided as part of the Offeror's Technical Proposal.

4.3.2.7 Staffing Plan, Personnel Qualification and Professional Experience

The Offeror shall provide a staffing plan that describes how the Offeror intends to staff this Contract to meet the State's needs. The Offeror shall identify its proposed Account Manager and any other key personnel. As part of the staffing plan, the Offeror shall submit the resumes of the proposed key personnel to complete the work required by the Contract.

The Offeror shall provide a short summary of the professional experience, achievements and capabilities of those staff and personnel proposed to perform the requirements of the Contract. The resumes and staffing plan may also include a description of whether the proposed staff worked on the accounts submitted as references by the Contractor.

4.3.2.8 Economic Benefit Factors

- A. The Offeror shall describe the benefits that will accrue to the State of Maryland economy as a direct or indirect result of the Offeror's performance of the contract resulting from this RFP. The Offeror will take into consideration the following elements. **(Do not include any detail of the financial proposal with this technical information):**
- The estimated percentage of contract dollars to be recycled into Maryland's economy in support of the contract, through the use of Maryland subcontractors, suppliers and joint venture partners. Offerors should be as specific as possible and provide a percentage breakdown of expenditures in this category.
 - The estimated number and types of jobs for Maryland residents resulting from this contract. Indicate job classifications, number of employees in each classification, and the aggregate Maryland payroll percentages to which the contract has committed at both prime and, if applicable, subcontract levels.
 - Tax revenues to be generated for Maryland and its political subdivisions as a result of this contract. Indicate tax category (sales tax, inventory taxes and estimated personal income taxes for new employees). Provide a forecast of the total tax revenues resulting from the contract.
 - The estimated percentage of subcontract dollars committed to Maryland small businesses and MBEs.
- B. In addition to the factors listed above, the Offeror should explain any other economic benefit to the State of Maryland that would result from the Offeror's proposal.

4.3.2.9 Conflict of Interest

Each Offeror must complete and submit a Conflict of Interest Affidavit with the Technical Proposal. A copy of this Affidavit is included as ATTACHMENT G of this RFP. If the Procurement Officer makes a determination that facts or circumstances exist that give rise to or could in the future give rise to a conflict of interest within the meaning of COMAR 21.05.08.08A, the Procurement Officer may reject an Offeror under COMAR 21.06.02.03B.

4.3.2.10 Financial Capability and Statements

The Offeror shall provide evidence that the Offeror has the financial capacity to provide the services by providing copies of the last two (2) year end abbreviated Profit and Loss (P&L) and Balance Sheets (independently audited preferred). The financial statements must be for the entity proposing to provide services under this RFP and not for any prospective owners or parent companies not directly involved in the provision of services.

The Offeror shall provide a list of applicable insurance the Offeror carries for liability purposes.

4.3.2.11 SUMMARY OF REQUIRED TECHNICAL SUBMISSIONS

- Transmittal Letter (Sec 4.3.1)
- Technical Proposal, Volume I (Sec 4.3.2.1 through 4.3.2.8 and 4.3.2.10)
- Conflict of Interest Affidavit (Sec 4.3.2.9)
- Bid/Proposal Affidavit (Attachment B)
- MBE Forms (Attachment D-1 and D-2)

4.4 Volume II - Financial Proposal

Under separate sealed cover from the Technical Proposal and clearly identified with the same information noted on the Technical Proposal, the Offeror must submit an original unbound copy, six (6) bound copies, and one (1) electronic copy (in MS Word format) in a separate envelope labeled as described in Section 4.2, of the Financial Proposal. The Financial Proposal must contain all price information in the format specified in ATTACHMENT F.

SECTION 5 - EVALUATION CRITERIA AND SELECTION PROCEDURE

5.1 Evaluation Criteria

Evaluation of the proposals will be performed by a committee organized for that purpose. Evaluations will be based on the criteria set forth below.

5.2 Technical Criteria

Offerors that meet or exceed the Minimum Qualifications will have their technical proposals considered.

The criteria to be applied to each technical proposal are as follows, listed in descending order of importance:

1. Offeror Technical Response to RFP Requirements (RFP Section 4.3.2.4)
2. Corporate Experience and Capability; and Subcontractors (RFP Sections 4.3.2.5 and 4.3.2.6)
3. Staffing Plan, Personnel, Qualification and Professional Experience (RFP Section 4.3.2.7)
4. Economic Benefit Factors (RFP Section 4.3.2.8)

5.3 Financial Criteria

All qualified Offerors will be ranked from the lowest to the highest price based on the total price proposed as shown in ATTACHMENT F. An Offeror must comply with the instructions provided in Attachment F.

5.4 Reciprocal Preference

Although Maryland law does not authorize procuring agencies to favor resident Offerors in awarding procurement contracts, many other states do grant their resident businesses preferences over Maryland contractors. Therefore, as described in COMAR 21.05.01.04, a resident business preference will be given if: a responsible Offeror whose headquarters, principal base of operations, or principal site that will primarily provide the services required under this RFP is in another state submits the most advantageous offer; the other state gives a preference to its residents through law, policy, or practice; and, the preference does not conflict with a Federal law or grant affecting the procurement contract. The preference given shall be identical to the preference that the other state, through law, policy or practice gives to its residents.

5.5 Selection Procedures

5.5.1 General Selection Process

The contract will be awarded in accordance with the competitive sealed proposals process under Code of Maryland Regulations 21.05.03. The competitive sealed proposals method is based on discussions and revision of proposals during these discussions.

Accordingly, the State may hold discussions with all Offerors judged reasonably susceptible of being selected for award, or potentially so. However, the State also reserves the right to make an award without holding discussions. In either case of holding discussions or not doing so, the State may determine an Offeror to be not responsible and/or an Offeror's proposal to be not reasonably susceptible of being selected for award, at any time after the initial closing date for receipt of proposals and the review of those proposals.

5.5.2 Selection Process Sequence

- A. The first level of review will be an evaluation for technical merit. During this review oral presentations and discussions may be held. The purpose of such discussions will be to assure a full understanding of the State's requirements and the Offeror's ability to perform, and to facilitate arrival at a contract that will be most advantageous to the State. For scheduling purposes, Offerors should be prepared to make an oral presentation and participate in discussions within two to four weeks of the delivery of proposals to the State. The Procurement Officer will contact Offerors when the schedule is set by the State.
- B. Offerors must confirm in writing any substantive oral clarification of, or change in, their proposals made in the course of discussions. Any such written clarification or change then becomes part of the Offeror's proposal.
- C. The financial proposal of each Offeror will be evaluated separately from the technical evaluation. After a review of the financial proposals of Offerors, the Procurement Officer may again conduct discussions.

5.6 Award Determination

Upon completion of all discussions and negotiations, reference checks, and site visits, if any, the Procurement Officer will recommend award of the contract to the responsible Offeror whose proposal is determined to be the most advantageous to the State considering technical evaluation factors and price factors as set forth in this RFP. In making the most advantageous Offeror determination, technical factors will be given greater weight than price factors.

ATTACHMENTS

ATTACHMENT A—CONTRACT

ATTACHMENT B—BID/PROPOSAL AFFIDAVIT

ATTACHMENT C—CONTRACT AFFIDAVIT

ATTACHMENT D—MINORITY BUSINESS ENTERPRISE PARTICIPATION

ATTACHMENT E—PRE-PROPOSAL CONFERENCE RESPONSE FORM

ATTACHMENT F—PRICE PROPOSAL INSTRUCTIONS AND FORM

ATTACHMENT G—CONFLICT OF INTEREST AFFIDAVIT/DISCLOSURE

ATTACHMENT H—PROCUREMENT OFFICER'S CHECKLIST

ATTACHMENT I—MSRP FINANCIAL STATEMENTS FOR 2005 AND 2004

ATTACHMENT J— EXCERPTS OF TITLES 32 AND 35 OF THE ANNOTATED CODE OF MARYLAND

ATTACHMENT K—AGREED UPON PROCEDURES

ATTACHMENT A - CONTRACT

AUDIT SERVICES CONTRACT

THIS CONTRACT is made this _____ day of _____, 2006 by and between the BOARD OF TRUSTEES FOR THE MARYLAND TEACHERS & STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS (the "Board"), an agency of the STATE OF MARYLAND (the "State"), and _____ (the "Contractor"), Federal Tax Identification Number _____ .

IN CONSIDERATION of the promises and the covenants herein contained, the parties agree as follows:

1. Definitions

In this Contract, the following words have the meanings indicated:

- 1.1 "Contract" means this Contract for Audit Services, Category _____.
- 1.4 "Contractor" means _____ whose principal business address is _____.
- 1.5 "Contract Manager" means the individual identified in section 1.5 of the RFP or a successor designated by the Department.
- 1.6 "Board" means the Board of Trustees for the Maryland Teachers & State Employees Supplemental Retirement Plans.
- 1.7 "Financial Proposal" means the Contractor's Financial Proposal dated _____.
- 1.8 "MSRP" means the Maryland Teachers & State Employees Supplemental Retirement Plans, and also the Maryland Supplemental Retirement Plans.
- 1.9 "Procurement Officer" means the individual identified in section 1.5 of the RFP or a successor designated by the Department.
- 1.10 "RFP" means the Request for Proposals for Audit Services for the Board of Trustees for the Maryland Teachers & State Employees Supplemental Retirement Plans, No. MSRP 09-2006 dated October XX, 2006.
- 1.11 "State" means the State of Maryland.
- 1.12 "Technical Proposal" means the Contractor's Technical Proposal, dated _____.

2. SCOPE OF WORK

2.1 General Services. The Contractor shall provide annual audits of the Maryland deferred compensation plan, governed by Section 457(b) of the Internal Revenue Code, the tax-sheltered annuity plan, governed by Section 403(b) of the Internal Revenue Code, the savings and investment plan, governed by Section 401(k) of the Internal Revenue Code, and the Maryland match plan, governed by Section 401(a) of the Internal Revenue Code. The audits are to be conducted in accordance with generally accepted auditing standards. These services shall be provided in accordance with the terms and conditions of this Contract and the following exhibits, which hereby are incorporated as part of this Contract:

Exhibit A: Request for Proposals for Auditing Services, dated October XX, 2006;
Exhibit B: Contractor's Technical Proposal (Volume I) dated December XX, 2006;
Exhibit C: Contractor's Financial Proposal (Volume II) dated December XX, 2006;
Exhibit D: State Contract Affidavit.

2.2 This agreement and Exhibits A through D shall constitute the scope of services provided under this Contract; provided, however, that the Board shall retain the unilateral right to require changes in the scope of services provided so long as such changes are within the general scope of work to be performed hereunder. If there are any inconsistencies between this Agreement, the Request for Proposals, and the Contractor's Technical and Financial Proposal, the terms of this Agreement shall control.

2.3 Specific Services. The Contractor agrees to provide the following services in accordance with standards and procedures established by the Board:

2.3.1 An annual Financial Statement Audit of each of the four Plans for the calendar years 2006 through and including 2010, in accordance with generally accepted auditing standards;

2.3.2 In conjunction with the annual Plan audits, certain "agreed upon procedures" will be performed to evaluate the Plans and the Third Party Administrator's operations to determine that financial transactions of the Plans are in accordance with the Plan Documents, applicable Sections of the Internal Revenue Code and the Board's agreement with the Third Party Administrator;

2.3.3 Three written reports annually for each of the Plans: Audit Opinion, Management Letter, and Audited Financial Statements;

2.3.4 The audit supervisor is required to make oral, biweekly progress reports to the designated audit contact for the supplemental retirement agency, and to the Chairperson of the Audit Committee for the Board of Trustees, disclosing any delays or other problems in the audit process and field work;

2.3.5 Draft copies of the audit opinion, management letter, financial statements and report on the agreed upon procedures shall be delivered to the agency audit contact and Members of the Audit Committee of the Board of Trustees by April 15th of each year;

2.3.6 All final reports (including 30 copies of the Audited Financial Statements) shall be delivered to the agency audit contact by April 30th of each year; and

2.3.7 A presentation of the final audit report to the Board of Trustees will be arranged for the earliest subsequent regular meeting of the Board in Baltimore, Maryland.

2.4 The Procurement Officer may, at any time, by written order, make changes in the work within the general scope of the Contract. No other order, statement or conduct of the Procurement Officer or any other person shall be treated as a change or entitle the Contractor to an equitable adjustment under this section. Except as otherwise provided in this Contract, if any change under this section causes an increase or decrease in the Contractor's cost of, or the time required for, the performance of any part of the work, whether or not changed by the order, an equitable adjustment in the Contract price shall be made and the Contract modified in writing accordingly. The Contractor must assert in writing its right to an adjustment under this section within thirty (30) days of receipt of written change order and shall include a written statement setting forth the nature and cost of such claim. No claim by the Contractor shall be allowed if asserted after final payment under this Contract. Failure to agree to an adjustment under this section shall be a dispute under Article 8, Disputes. Nothing in this section shall excuse the Contractor from proceeding with the Contract as changed.

3. TIME FOR PERFORMANCE

The Contractor shall begin providing services under this Contract upon the later of execution by the Board or February 1, 2007. Unless terminated earlier as provided in this Contract, the Contractor shall continue to provide services until December 31, 2011.

4. CONSIDERATION AND PAYMENT

In consideration of the satisfactory performance of the work set forth in this Contract, the Board shall pay the Contractor in accordance with the terms of Exhibits A and C, as follows for each annual audit period: \$_____ for audit period ending 12/31/2006; \$_____ for audit period ending 12/31/2007; \$_____ for audit period ending 12/31/2008; \$_____ for audit period ending 12/31/2009; and \$_____ for audit period ending 12/31/2010.

4.1 Invoices must be provided in the format and on the schedule identified in the RFP. Each invoice must reflect the Contractor's federal tax identification number, which is _____. The Contractor's [e-MarylandMarketplace](#) identification number is _____. Payments to the Contractor pursuant to this Contract shall be made no later than 30 days after the State's receipt of a proper invoice from the Contractor. Charges for late payment of invoices, other than as prescribed by Title 15, Subtitle 1, of the State Finance and Procurement Article, Annotated Code of Maryland, as from time to time amended, are prohibited. The final payment under this Contract will not be made until after certification is received from the Comptroller of the State that all taxes have been paid.

4.2 In addition to any other available remedies if, in the opinion of the Procurement Officer, the Contractor fails to perform in a satisfactory and timely manner, the Procurement Officer may refuse or limit approval of any invoice for payment, and may cause payments to the Contractor to be reduced or withheld until such time as the Contractor meets performance standards as established by the Procurement Officer pursuant to this Contract

4.3 Electronic funds transfer will be used by the State to pay the Contractor for this Contract and any other State payments due Contractor unless the State's Comptroller Office grants the Contractor an exemption.

5. RIGHTS TO RECORDS

5.1 The Contractor agrees that all documents and materials, including but not limited to, reports, drawings, studies, specifications, estimates, tests, maps, photographs, designs, graphics, mechanical, artwork, computations and data prepared by the Contractor for purposes of this Contract shall be the sole property of the Board and shall be available to the Board at any time. The Board shall have the right to use the same without restriction and without compensation to the Contractor other than that specifically provided by this Contract. Nothing in this Article 5 shall abrogate or transfer any intellectual property rights of the Contractor in its proprietary information related to its methodologies, methods of analysis, ideas, know-how, methods, techniques and skills possessed prior to this Contract.

5.2 The Contractor agrees that at all times during the term of this Contract and thereafter, the works created and services performed under this Contract shall be "works made for hire" as that term is interpreted under U.S. copyright law. To the extent that any products created under this Contract are not works for hire for the Board, the Contractor hereby relinquishes, transfers, and assigns to the State all of its rights, title, and interest (including all intellectual property rights) to all such products created under this Contract, and will cooperate reasonably with the State in effectuating and registering any necessary assignments.

5.3 The Contractor shall report to the Board, promptly and in written detail, each notice or claim of copyright infringement received by the Contractor with respect to all data delivered under this Contract.

5.4 The Contractor shall not affix any restrictive markings upon any data and if such markings are affixed, the Board shall have the right at any time to modify, remove, obliterate, or ignore such warnings.

5.5 Upon termination of this Contract, the Contractor, at its own expense, shall deliver any equipment, software or other property provided by the State to the place designated by the Procurement Officer.

6. CONFIDENTIALITY

Subject to the Maryland Public Information Act and any other applicable laws, including the Health Insurance Portability and Accountability Act, the Maryland Confidentiality of Records

Act and the implementing regulations promulgated pursuant thereto, all confidential or proprietary information and documentation relating to either party (including without limitation, any information or data stored within the Contractor's computer systems) shall be held in absolute confidence by the other party. Each party shall, however, be permitted to disclose relevant confidential information to its officers, agents and employees to the extent that such disclosure is necessary for the performance of their duties under this Contract, provided the data may be collected, used, disclosed, stored and disseminated only as provided by and consistent with the law and the confidentiality provisions of the RFP. The provisions of this section shall not apply to information that (a) is lawfully in the public domain; (b) has been independently developed by the other party without violation of this Contract; (c) was already in the possession of such party; (d) was supplied to such party by a third party lawfully in possession thereof and legally permitted to further disclose the information; or (e) which such party is required to disclose by law.

7. Non-Hiring of Employees

No official or employee of the State of Maryland as defined under State Government Article section 15-102, Annotated Code of Maryland, whose duties as such official or employee include matters relating to or affecting the subject matter of this Contract shall, during the pendency and term of this Contract and while serving as an official or employee of the State become or be an employee of the Contractor or any entity that is a subcontractor on this Contract.

8. DISPUTES

This Contract shall be subject to the provisions of Title 15, Subtitle 2, of the State Finance and Procurement Article of the Annotated Code of Maryland, as from time to time amended, and COMAR 21.10 (Administrative and Civil Remedies). Pending resolution of a claim, the Contractor shall proceed diligently with the performance of the Contract in accordance with the Procurement Officer's decision. Unless a lesser period is provided by applicable statute, regulation, or the Contract, the Contractor must file a written notice of claim with the Procurement Officer within 30 days after the basis for the claim is known or should have been known, whichever is earlier. Contemporaneously with or within 30 days of the filing of a notice of claim, but no later than the date of final payment under the Contract, the Contractor must submit to the Procurement Officer its written claim containing the information specified in COMAR 21.10.04.02.

9. MARYLAND LAW

This Contract shall be construed, interpreted, and enforced according to the laws of the State of Maryland.

10. NONDISCRIMINATION IN EMPLOYMENT

The Contractor agrees: (a) not to discriminate in any manner against an employee or applicant for employment because of race, color, religion, creed, age, sex, marital status, national origin, ancestry, or disability of a qualified individual with a disability; (b) to include a provision similar

to that contained in subsection (a), above, in any subcontract except a subcontract for standard commercial supplies or raw materials; and (c) to post and to cause subcontractors to post in conspicuous places available to employees and applicants for employment, notices setting forth the substance of this clause.

11. Contingent Fee Prohibition

The Contractor warrants that it has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee, bona fide agent, bona fide salesperson, or commercial selling agency working for the Contractor to solicit or secure this Contract, and that it has not paid or agreed to pay any person, partnership, corporation or other entity, other than a bona fide employee, bona fide salesperson or commercial selling agency, any fee or other consideration contingent on the making of this Contract.

12. NONAVAILABILITY OF FUNDING

If the General Assembly fails to appropriate funds or if funds are not otherwise made available for continued performance for any fiscal period of this Contract succeeding the first fiscal period, this Contract shall be canceled automatically as of the beginning of the fiscal year for which funds were not appropriated or otherwise made available; provided, however, that this will not affect either the State's rights or the Contractor's rights under any termination clause in this Contract. The effect of termination of the Contract hereunder will be to discharge both the Contractor and the State from future performance of the Contract, but not from their rights and obligations existing at the time of termination. The Contractor shall be reimbursed for the reasonable value of any nonrecurring costs incurred but not amortized in the price of the Contract. The State shall notify the Contractor as soon as it has knowledge that funds may not be available for the continuation of this Contract for each succeeding fiscal period beyond the first.

13. TERMINATION FOR CAUSE

If the Contractor fails to fulfill its obligations under this Contract properly and on time, or otherwise violates any provision of the Contract, the State may terminate the Contract by written notice to the Contractor. The notice shall specify the acts or omissions relied upon as cause for termination. All finished or unfinished work provided by the Contractor shall, at the State's option, become the State's property. The State of Maryland shall pay the Contractor fair and equitable compensation for satisfactory performance prior to receipt of notice of termination, less the amount of damages caused by the Contractor's breach. If the damages are more than the compensation payable to the Contractor, the Contractor will remain liable after termination and the State can affirmatively collect damages. Termination hereunder, including the termination of the rights and obligations of the parties, shall be governed by the provisions of COMAR 21.07.01.11B.

14. TERMINATION FOR CONVENIENCE

The performance of work under this Contract may be terminated by the State in accordance with this clause in whole, or from time to time in part, whenever the State shall determine that such termination is in the best interest of the State. The State will pay all reasonable costs associated with this Contract that the Contractor has incurred up to the date of termination, and all reasonable costs associated with termination of the Contract; provided, however, the Contractor shall not be reimbursed for any anticipatory profits that have not been earned up to the date of termination. Termination hereunder, including the determination of the rights and obligations of the parties, shall be governed by the provisions of COMAR 21.07.01.12 (A)(2).

15. DELAYS AND EXTENSIONS OF TIME

The Contractor agrees to perform the work under this Contract continuously and diligently. No charges or claims for damages shall be made by the Contractor for any delays or hindrances from any cause whatsoever during the progress of any portion of the work specified in this Contract. Time extensions will be granted only for excusable delays that arise from unforeseeable causes beyond the control and without the fault or negligence of the Contractor, including but not restricted to acts of God, acts of the public enemy, acts of the State in either its sovereign or contractual capacity, acts of another contractor in the performance of a contract with the State, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, or delays of subcontractors or suppliers arising from unforeseeable causes beyond the control and without the fault or negligence of either the Contractor or the subcontractors or suppliers.

16. SUSPENSION OF WORK

The State unilaterally may order the Contractor in writing to suspend, delay, or interrupt all or any part of its performance for such period of time as the Procurement Officer or Contract Manager may determine to be appropriate for the convenience of the State.

17. PRE-EXISTING REGULATIONS

In accordance with the provisions of Section 11-206 of the State Finance and Procurement Article, Annotated Code of Maryland, as from time to time amended, the regulations set forth in Title 21 of the Code of Maryland Regulations (COMAR 21) in effect on the date of execution of this Contract are applicable to this Contract.

18. Financial Disclosure

The Contractor shall comply with the provisions of Section 13-221 of the State Finance and Procurement Article of the Annotated Code of Maryland, as from time to time amended, which requires that every business that enters into contracts, leases, or other agreement with the State of Maryland or its agencies during a calendar year under which the business is to receive in the aggregate \$100,000 or more, shall within 30 days of the time when the aggregate value of these contracts, leases or other agreements reaches \$100,000, file with the Secretary of the State of Maryland certain specified information to include disclosure of beneficial ownership of the business.

19. POLITICAL CONTRIBUTION DISCLOSURE

The Contractor shall comply with the Election Law Article, Sections 14-101 through 14-108, of the Annotated Code of Maryland, which requires that every person that enters into contracts, leases, or other agreements with the State, a county or an incorporated municipality or their agencies, during a calendar year under which the person receives in the aggregate \$100,000 or more, shall file with the State Board of Elections a statement disclosing contributions in excess of \$500 made during the reporting period to a candidate for elective office in any primary or general election. The statement shall be filed with the State Board of Elections: (1) before a purchase or execution of a lease or contract by the State, a county, an incorporated municipality, or their agencies, and shall cover the preceding two calendar years; and (2) if the contribution is made after the execution of a lease or contract, then twice a year, throughout the contract term, on: (a) February 5, to cover the 6-month period ending January 31; and (b) August 5, to cover the 6-month period ending July 31.

20. RETENTION OF RECORDS

The Contractor shall retain and maintain all records and documents in any way relating to this Contract for six years after final payment by the State of Maryland under this Contract or any applicable statute of limitations, whichever is longer, and shall make them available for inspection and audit by authorized representatives of the State, including the Procurement Officer or the Procurement Officer's designee, at all reasonable times. All records related in any way to the Contract are to be retained for the entire time provided under this section.

21. COMPLIANCE WITH LAWS

The Contractor hereby represents and warrants that:

- A. It is qualified to do business in the State of Maryland and that it will take such action as, from time to time hereafter, may be necessary to remain so qualified;
- B. It is not in arrears with respect to the payment of any monies due and owing the State of Maryland, or any department or unit thereof, including but not limited to the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of this Contract;
- C. It shall comply with all federal, State and local laws, regulations, and ordinances applicable to its activities and obligations under this Contract; and
- D. It shall obtain, at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Contract.

22. Cost and Price Certification

By submitting cost or price information, the Contractor certifies to the best of its knowledge that the information submitted is accurate, complete, and current as of a mutually determined specified date prior to the conclusion of any price discussions or negotiations.

The price under this Contract and any change order or modification hereunder, including profit or fee, shall be adjusted to exclude any significant price increases occurring because the Contractor furnished cost or price information which, as of the date agreed upon by the parties, was inaccurate, incomplete, or not current.

23. SUBCONTRACTING; ASSIGNMENT

The Contractor may not subcontract any portion of the services provided under this Contract without obtaining the prior written approval of the State of Maryland, nor may the Contractor assign this Contract or any of its rights or obligations hereunder, without the prior written approval of the State. Any such subcontract or assignment shall include the terms of sections 7, and 9 through 22 of this Contract and any other terms and conditions that the State deems necessary to protect its interests. The State shall not be responsible for the fulfillment of the Contractor's obligations to the subcontractors.

24. INDEMNIFICATION

24.1 The Contractor shall indemnify and hold harmless the State and the Board of Trustees, jointly and severally, from and against any and all losses, claims, damages, judgments, liabilities, fines or penalties of any nature whatsoever (any and all of which is/are referred to as "Damages"), to which the State or Board of Trustees may become subject, insofar as such Damages are caused by or arise directly out of the negligence, willful misconduct, breach of fiduciary duty, bad faith, improper or unethical practice, infringement of intellectual property rights, breach of trust, breach of confidentiality, breach of contract, or violation of any Legal Requirements on the part of the Contractor and its agents acting in connection with this Agreement. This indemnification shall survive the termination of this Agreement.

24.2 The State of Maryland has no obligation to provide legal counsel or defense to the Contractor or its subcontractors in the event that a suit, claim or action of any character is brought by any person not party to this Contract against the Contractor or its subcontractors as a result of or relating to the Contractor's obligations under this Contract.

24.3 The State has no obligation for the payment of any judgments or the settlement of any claims against the Contractor or its subcontractors as a result of or relating to the Contractor's obligations under this Contract.

24.4 The Contractor shall immediately notify the Procurement Officer of any claim or suit made or filed against the Contractor or its subcontractors regarding any matter resulting from or relating to the Contractor's obligations under the Contract, and will cooperate, assist, and consult with the State in the defense or investigation of any claim, suit, or action made or filed against the State as a result of or relating to the Contractor's performance under this Contract.

25. ADMINISTRATIVE

25.1 Procurement Officer. The work to be accomplished under this Contract shall be performed under the direction of the Procurement Officer and the Contract Manager. All matters relating to the interpretation of this Contract shall be referred to the Procurement Officer for determination.

25.2 Notices. All notices hereunder shall be in writing and either delivered personally or sent by certified or registered mail, postage prepaid as follows:

If to the State: Roland L. Unger, Procurement Officer
 Chief Financial Officer
 Maryland Supplemental Retirement Plans
 William Donald Schaefer Tower, Suite 200
 6 Saint Paul Street
 Baltimore MD 21202-1608

Copy to: Chairman, Board of Trustees
 Maryland Teachers & State Employees
 Supplemental Retirement Plans
 William Donald Schaefer Tower, Suite 200
 6 Saint Paul Street
 Baltimore MD 21202-1608

If to the Contractor:

IN WITNESS THEREOF, the parties have executed this Contract as of the date hereinabove set forth.

CONTRACTOR

STATE OF MARYLAND
Board of Trustees for the
Maryland Teachers & State Employees
Supplemental Retirement Plans

By:

By: Michael T. Halpin
Executive Director/Secretary

Date

Date

Witness

Witness

Approved for form and legal
sufficiency this _____ day
of _____ 2006.

Assistant Attorney General

APPROVED BY BPW: _____
(Date)

(BPW Item #)

ATTACHMENT B - BID/PROPOSAL AFFIDAVIT

(Authorized Representative and Affiant)

A. AUTHORIZED REPRESENTATIVE

I HEREBY AFFIRM THAT:

I am the (title) _____ and the duly authorized representative of (business) _____ and that I possess the legal authority to make this Affidavit on behalf of myself and the business for which I am acting.

B. AFFIRMATION REGARDING BRIBERY CONVICTIONS

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business (as is defined in Section 16-101(b) of the State Finance and Procurement Article of the Annotated Code of Maryland), or any of its officers, directors, partners, controlling stockholders, or any of its employees directly involved in the business's contracting activities has been convicted of, or has had probation before judgment imposed pursuant to Criminal Procedure Article, §6-220, Annotated Code of Maryland, or has pleaded nolo contendere to a charge of, bribery, attempted bribery, or conspiracy to bribe in violation of Maryland law, or of the law of any other state or federal law, except as follows (indicate the reasons why the affirmation cannot be given and list any conviction, plea, or imposition of probation before judgment with the date, court, official or administrative body, the sentence or disposition, the name(s) of person(s) involved, and their current positions and responsibilities with the business):

_____.

C. AFFIRMATION REGARDING OTHER CONVICTIONS

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business, or any of its officers, directors, partners, controlling stockholders or any of its employees directly involved in the business's contracting activities, has:

(1) Been convicted under state or federal statute of:

(a) a criminal offense incident to obtaining, attempting to obtain, or performing a public or private contract; or

(b) fraud, embezzlement, theft, forgery, falsification or destruction of records, or receiving stolen property;

(2) Been convicted of any criminal violation of a state or federal antitrust statute;

(3) Been convicted under the provisions of Title 18 of the United States Code for violation of the Racketeer Influenced and Corrupt Organization Act, 18 U.S.C. §1961, et seq., or the Mail Fraud

Act, 18 U.S.C. §1341, et seq., for acts in connection with the submission of bids or proposals for a public or private contract;

(4) Been convicted of a violation of the State Minority Business Enterprise Law, Section 14-308 of the State Finance and Procurement Article of the Annotated Code of Maryland;

(5) Been convicted of a violation of the Section 11-205.1 of the State Finance and Procurement Article of the Annotated Code of Maryland;

(6) Been convicted of conspiracy to commit any act or omission that would constitute grounds for conviction or liability under any law or statute described in subsection (1) through (5) above;

(7) Been found civilly liable under a state or federal antitrust statute for acts or omissions in connection with the submission of bids or proposals for a public or private contract; or

(8) Admitted in writing or under oath, during the course of an official investigation or other proceedings, acts or omissions that would constitute grounds for conviction or liability under any law or statute described in Section B and subsections (1) through (7) above, except as follows (indicate reasons why the affirmations cannot be given, and list any conviction, plea, or imposition of probation before judgment with the date, court, official or administrative body, the sentence or disposition, the name(s) of the person(s) involved and their current positions and responsibilities with the business, and the status of any debarment):

D. AFFIRMATION REGARDING DEBARMENT

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business, or any of its officers, directors, partners, controlling stockholders, or any of its employees directly involved in the business's contracting activities, has ever been suspended or debarred (including being issued a limited denial of participation) by any public entity, except as follows (list each debarment or suspension providing the dates of the suspension or debarment, the name of the public entity and the status of the proceedings, the name(s) of the person(s) involved and their current positions and responsibilities with the business, the grounds of the debarment or suspension, and the details of each person's involvement in any activity that formed the grounds of the debarment or suspension):

E. AFFIRMATION REGARDING DEBARMENT OF RELATED ENTITIES

I FURTHER AFFIRM THAT:

(1) The business was not established and it does not operate in a manner designed to evade the application of or defeat the purpose of debarment pursuant to Sections 16-101, et seq., of the State Finance and Procurement Article of the Annotated Code of Maryland; and

(2) The business is not a successor, assignee, subsidiary, or affiliate of a suspended or debarred business, except as follows (you must indicate the reasons why the affirmations cannot be given without qualification):

F. SUB-CONTRACT AFFIRMATION

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business, has knowingly entered into a contract with a public body under which a person debarred or suspended under Title 16 of the State Finance and Procurement Article of the Annotated Code of Maryland will provide, directly or indirectly, supplies, services, architectural services, construction related services, leases of real property, or construction.

G. AFFIRMATION REGARDING COLLUSION

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business has:

- (1) Agreed, conspired, connived, or colluded to produce a deceptive show of competition in the compilation of the accompanying bid or offer that is being submitted;
- (2) In any manner, directly or indirectly, entered into any agreement of any kind to fix the bid price or price proposal of the bidder or Offeror or of any competitor, or otherwise taken any action in restraint of free competitive bidding in connection with the contract for which the accompanying bid or offer is submitted.

H. FINANCIAL DISCLOSURE AFFIRMATION

I FURTHER AFFIRM THAT:

I am aware of, and the above business will comply with, the provisions of Section 13-221 of the State Finance and Procurement Article of the Annotated Code of Maryland, which require that every business that enters into contracts, leases, or other agreements with the State of Maryland or its agencies during a calendar year under which the business is to receive in the aggregate \$100,000 or more shall, within 30 days of the time when the aggregate value of the contracts, leases, or other agreements reaches \$100,000, file with the Secretary of State of Maryland certain specified information to include disclosure of beneficial ownership of the business.

I. POLITICAL CONTRIBUTION DISCLOSURE AFFIRMATION

I FURTHER AFFIRM THAT:

I am aware of, and the above business will comply with, Election Law Article, §§14-101—14-108, Annotated Code of Maryland, which requires that every person that enters into contracts, leases, or other agreements with the State of Maryland, including its agencies or a political subdivision of the State, during a calendar year in which the person receives in the aggregate \$100,000 or more shall file with the State Board of Elections a statement disclosing contributions in excess of \$500 made during the reporting period to a candidate for elective office in any primary or general election.

J. DRUG AND ALCOHOL FREE WORKPLACE

(Applicable to all contracts unless the contract is for a law enforcement agency and the agency head or the agency head's designee has determined that application of COMAR 21.11.08 and this certification would be inappropriate in connection with the law enforcement agency's undercover operations.)

I CERTIFY THAT:

- (1) Terms defined in COMAR 21.11.08 shall have the same meanings when used in this certification.
- (2) By submission of its bid or offer, the business, if other than an individual, certifies and agrees that, with respect to its employees to be employed under a contract resulting from this solicitation, the business shall:
 - (a) Maintain a workplace free of drug and alcohol abuse during the term of the contract;
 - (b) Publish a statement notifying its employees that the unlawful manufacture, distribution, dispensing, possession, or use of drugs, and the abuse of drugs or alcohol is prohibited in the business' workplace and specifying the actions that will be taken against employees for violation of these prohibitions;
 - (c) Prohibit its employees from working under the influence of drugs or alcohol;
 - (d) Not hire or assign to work on the contract anyone whom the business knows, or in the exercise of due diligence should know, currently abuses drugs or alcohol and is not actively engaged in a bona fide drug or alcohol abuse assistance or rehabilitation program;
 - (e) Promptly inform the appropriate law enforcement agency of every drug-related crime that occurs in its workplace if the business has observed the violation or otherwise has reliable information that a violation has occurred;
 - (f) Establish drug and alcohol abuse awareness programs to inform its employees about:
 - (i) The dangers of drug and alcohol abuse in the workplace;
 - (ii) The business' policy of maintaining a drug and alcohol free workplace;
 - (iii) Any available drug and alcohol counseling, rehabilitation, and employee assistance programs; and
 - (iv) The penalties that may be imposed upon employees who abuse drugs and alcohol in the workplace;
 - (g) Provide all employees engaged in the performance of the contract with a copy of the statement required by §J(2)(b), above;
 - (h) Notify its employees in the statement required by §J(2)(b), above, that as a condition of continued employment on the contract, the employee shall:
 - (i) Abide by the terms of the statement; and

- (ii) Notify the employer of any criminal drug or alcohol abuse conviction for an offense occurring in the workplace not later than 5 days after a conviction;
- (i) Notify the procurement officer within 10 days after receiving notice under §J(2)(h)(ii), above, or otherwise receiving actual notice of a conviction;
- (j) Within 30 days after receiving notice under §J(2)(h)(ii), above, or otherwise receiving actual notice of a conviction, impose either of the following sanctions or remedial measures on any employee who is convicted of a drug or alcohol abuse offense occurring in the workplace:
 - (i) Take appropriate personnel action against an employee, up to and including termination; or
 - (ii) Require an employee to satisfactorily participate in a bona fide drug or alcohol abuse assistance or rehabilitation program; and
- (k) Make a good faith effort to maintain a drug and alcohol free workplace through implementation of §J(2)(a)—(j), above.
- (3) If the business is an individual, the individual shall certify and agree as set forth in §J(4), below, that the individual shall not engage in the unlawful manufacture, distribution, dispensing, possession, or use of drugs or the abuse of drugs or alcohol in the performance of the contract.
- (4) I acknowledge and agree that:
 - (a) The award of the contract is conditional upon compliance with COMAR 21.11.08 and this certification;
 - (b) The violation of the provisions of COMAR 21.11.08 or this certification shall be cause to suspend payments under, or terminate the contract for default under COMAR 21.07.01.11 or 21.07.03.15, as applicable; and
 - (c) The violation of the provisions of COMAR 21.11.08 or this certification in connection with the contract may, in the exercise of the discretion of the Board of Public Works, result in suspension and debarment of the business under COMAR 21.08.03.

K. CERTIFICATION OF CORPORATION REGISTRATION AND TAX PAYMENT

I FURTHER AFFIRM THAT:

(1) The business named above is a (domestic ___) (foreign ___) corporation registered in accordance with the Corporations and Associations Article, Annotated Code of Maryland, and that it is in good standing and has filed all of its annual reports, together with filing fees, with the Maryland State Department of Assessments and Taxation, and that the name and address of its resident agent filed with the State Department of Assessments and Taxation is (IF NOT APPLICABLE, SO STATE):

Name: _____
 Address: _____

(2) Except as validly contested, the business has paid, or has arranged for payment of, all taxes due the State of Maryland and has filed all required returns and reports with the Comptroller of the Treasury, the State Department of Assessments and Taxation, and the Department of Labor, Licensing, and Regulation, as applicable, and will have paid all withholding taxes due the State of Maryland prior to final settlement.

L. CONTINGENT FEES

I FURTHER AFFIRM THAT:

The business has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee, bona fide agent, bona fide salesperson, or commercial selling agency working for the business, to solicit or secure the Contract, and that the business has not paid or agreed to pay any person, partnership, corporation, or other entity, other than a bona fide employee, bona fide agent, bona fide salesperson, or commercial selling agency, any fee or any other consideration contingent on the making of the Contract.

M. Repealed.

N. ACKNOWLEDGEMENT

I ACKNOWLEDGE THAT this Affidavit is to be furnished to the Procurement Officer and may be distributed to units of: (1) the State of Maryland; (2) counties or other subdivisions of the State of Maryland; (3) other states; and (4) the federal government. I further acknowledge that this Affidavit is subject to applicable laws of the United States and the State of Maryland, both criminal and civil, and that nothing in this Affidavit or any contract resulting from the submission of this bid or proposal shall be construed to supersede, amend, modify or waive, on behalf of the State of Maryland, or any unit of the State of Maryland having jurisdiction, the exercise of any statutory right or remedy conferred by the Constitution and the laws of Maryland with respect to any misrepresentation made or any violation of the obligations, terms and covenants undertaken by the above business with respect to (1) this Affidavit, (2) the contract, and (3) other Affidavits comprising part of the contract.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF.

Date: _____

By: _____
(Authorized Representative and Affiant)

ATTACHMENT C - CONTRACT AFFIDAVIT

COMAR 21.07.01.25

A. AUTHORIZED REPRESENTATIVE

I HEREBY AFFIRM THAT:

I am the _____(title) and the duly authorized representative of _____(business) and that I possess the legal authority to make this Affidavit on behalf of myself and the business for which I am acting.

B. CERTIFICATION OF CORPORATION REGISTRATION AND TAX PAYMENT

I FURTHER AFFIRM THAT:

(1) The business named above is a (domestic_____) (foreign_____) corporation registered in accordance with Corporations and Associations Article, Annotated Code of Maryland, and that it is in good standing and has filed all of its annual reports, together with filing fees, with the Maryland State Department of Assessments and Taxation, and that the name and address of its resident agent filed with the State Department of Assessment and Taxation is:

Name: _____

Address: _____

(2) Except as validly contested, the business has paid, or has arranged for payment of, all taxes due the State of Maryland and has filed all required returns and reports with Comptroller of the Treasury, the State Department of Assessments and Taxation, and the Department of Labor Licensing and Regulation, as applicable, and will have paid all withholding taxes due the State of Maryland prior to final settlement.

C. CERTAIN AFFIRMATIONS VALID

I FURTHER AFFIRM THAT:

To the best of my knowledge, information, and belief, each of the affirmations, certifications, or acknowledgments contained in that certain Bid/Proposals Affidavit dated _____, 20____, and executed by me for the purposed of obtaining the contract to which this Exhibit is attached remains true and correct in all respects as if made as of the date of this Contract Affidavit and as if fully set forth herein.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF.

DATE: _____

BY: _____
(Signature)

(Authorized Representative and Affiant)

ATTACHMENT D - MINORITY BUSINESS ENTERPRISE PARTICIPATION

State of Maryland
MARYLAND SUPPLEMENTAL RETIREMENT PLANS

PURPOSE

COMAR 21.11.03 Provide maximum contracting opportunities be extended to certified minority business enterprises, and establishes.

The Prime Contractor shall structure its procedures for the performance of the work required in this contract to attempt to achieve the Minority Business Enterprise (MBE) goal stated in the Invitation for Bids (IFB) or Request for Proposals (RFP). MBE performance must be in accordance with this Exhibit, as authorized by Minority Business Enterprise Policies as set forth by 21.11.03 of the Code of Maryland Regulations (COMAR). Accordingly, the Contractor agrees to exercise all good faith efforts to carry out the requirements set forth in this Exhibit.

To meet the goal using MBE subcontractors, all Prime Contractors must:

- Identify work areas for subcontracting
- Solicit minority business enterprises through written notice or personal contact
- Help minority businesses meet bonding requirements or grant them a waiver of bonding requirements
- Identify their MBE subcontractors at the time they submit their bids or proposals

MBE GOALS AND SUB GOALS

- MBE subcontract participation goals of the total contract dollar amount for each respective contract have been established for this procurement as follows:
 - 10% percent

By submitting a response to this solicitation, the bidder or Offeror agrees that this dollar amount of the contract will be performed by certified minority business enterprises

OR

- An overall MBE subcontract participation goal of ___ percent of the total contract dollar amount has been established for this procurement. This dollar amount includes:
 - A sub-goal of ___ percent of the total contract dollar amount to be allocated to certified minority business enterprises classified as women-owned businesses.
 - A sub-goal of ___ percent of the total contract dollar amount to be allocated to certified minority business enterprises classified as African American-owned businesses.

By submitting a response to this solicitation, the bidder or Offeror agrees that these dollar amounts of the contract will be performed by certified minority business enterprises as specified.

- ◆ A prime contractor — including an MBE prime contractor — must accomplish an amount of work not less than the MBE subcontract goal with certified MBE subcontractors. (COMAR 21.11.03.09B(2))
- ◆ A prime contractor comprising a joint venture that includes MBE partner(s) must accomplish the MBE subcontract goal with certified MBE subcontractors.

SOLICITATION AND CONTRACT FORMATION

- ◆ A bidder or Offeror must include with its bid or offer:
 - (1) A completed Certified MBE Utilization and Fair Solicitation Affidavit (Attachment D-1) whereby the bidder or Offeror acknowledges the certified MBE participation goal or requests a waiver, commits to make a good faith effort to achieve the goal, and affirms that MBE subcontractors were treated fairly in the solicitation process.
 - (2) A completed MBE Participation Schedule (Attachment D-2) whereby the bidder or Offeror responds to the expected degree of Minority Business Enterprise participation as stated in the solicitation, by identifying the specific commitment of certified Minority Business Enterprises at the time of submission. The bidder or Offeror shall specify the percentage of contract value associated with each MBE subcontractor identified on the MBE Participation Schedule.
 - a. **COMAR 21.11.03.09C(5) The failure of a bidder to complete and submit the MBE utilization affidavit and the MBE participation schedule shall result in a determination that the bid is not responsive.**
 - b. **COMAR 21.11.03.09C(6) The failure of an Offeror to complete and submit the MBE utilization affidavit and the MBE participation schedule shall result in a determination that the proposal is not susceptible of being selected for award.**
- ◆ Within 10 working days from notification that it is the apparent awardee or from the date of the actual award, whichever is earlier, the apparent awardee must provide the following documentation to the Procurement Officer.
 - (1) Outreach Efforts Compliance Statement (Attachment D-3)
 - (2) Subcontractor Project Participation Statement (Attachment D-4)
 - (3) If the apparent awardee has requested a waiver (in whole or in part) of the overall MBE goal or of any sub-goal as part of the previously submitted Attachment D-1, it must submit documentation supporting the waiver request that complies with COMAR 21.11.03.11.
 - (4) Any other documentation required by the Procurement Officer to ascertain bidder or Offeror responsibility in connection with the certified MBE participation goal.

NOTE: If the apparent awardee fails to return each completed document within the required time, the Procurement Officer may determine that the

apparent awardee is not responsible and therefore not eligible for contract award. If the contract has already been awarded, the award is voidable.

MBE REPORTING INSTRUCTIONS

Prime Contractor shall:

1. Submit by the 15th of each month to the Department a separate report for each (Attachment D-5) Subcontractor. The report shall lists:
 - a) all payments made to the MBE subcontractor during the previous 30 days
 - b) **any unpaid invoices over 30 days old received from any certified MBE subcontractor, the amount of each invoice and the reason payment has not been made.**
2. Include in its written agreements with the MBE subcontractors as listed on the MBE Participation Schedule a requirement that those subcontractors submit monthly to the Department a report (**Attachment D-6**) that identifies the prime contract. The D-6 report shall lists:
 - a) all payments received from the Prime Contractor during the previous 30 days
 - b) any outstanding invoices to include number and date, and the invoice amount
3. Maintain such records as are necessary to confirm compliance with its MBE participation obligations. These records must indicate the identity of certified minority and non-minority subcontractors employed on the contract, the type of work performed by each, and the actual dollar value of work performed. **Subcontract agreements documenting the work performed by all MBE participants must be retained by the Contractor and furnished to the Procurement Officer on request.**
4. Consent to provide such documentation as reasonably requested and to provide right-of-entry at reasonable times for purposes of the State's representatives verifying compliance with the MBE participation obligations. **Contractor must retain all records concerning MBE participation and make them available for State inspection for three years after final completion of the contract.**
5. At the option of the Procurement Agency, upon completion of the contract and before final payment and/or release of retainage, submit a final report in affidavit form and under penalty of perjury, of all payments made to, or withheld from MBE subcontractors.

Attachments

- D-1 Certified MBE Utilization and Fair Solicitation Affidavit (must be submitted with bid or offer)
- D-2 MBE Participation Schedule (must be submitted with bid or offer)

- D-3 Outreach Efforts Compliance Statement (must be submitted within 10 working days of notification of apparent award or actual award, whichever is earlier)
- D-4 Subcontractor Project Participation Statement (must be submitted within 10 working days of notification of apparent award or actual award, whichever is earlier)
- D-5 Prime Contractor Paid/Unpaid MBE Invoice Report (must be submitted monthly by the Prime Contractor)
- D-6 Subcontractor Paid/Unpaid MBE Invoice Report (must be submitted monthly by the MBE subcontractor)

Attachment D-1
Certified MBE Utilization and Fair Solicitation
Affidavit

This document shall be included with the submittal of the bid or offer. If the bidder or Offeror fails to submit this form with the bid or offer, the Procurement Officer shall deem the bid non-responsive or shall determine that the offer is not reasonably susceptible of being selected for award. (COMARS 21.11.03.09C(5) and 21.11.03.09C(6))

In conjunction with the bid or offer submitted in response to Solicitation No. F10R7200018, I affirm the following:

I acknowledge the overall certified Minority Business Enterprise (MBE) participation goals MBE subcontract participation goals of the total contract dollar amount for each respective contract have been established for this procurement as follows:

- 10% percent

I have made a good faith effort to achieve this goal.

OR

After having made a good faith effort to achieve the MBE participation goal, I conclude I am unable to achieve it. Instead, I intend to achieve an MBE goal of _____% and request a waiver of the remainder of the goal. If I submit the apparent low bid or am selected as the apparent awardee (competitive sealed proposals), I will submit written waiver documentation that complies with COMAR 21.11.03.11 within 10 business days of receiving notification that our firm is the apparent low bidder or the apparent awardee.

2. I have identified the specific commitment of certified Minority Business Enterprises by completing and submitting an MBE Participation Schedule (Attachment D-2) with the bid or proposal.
3. I acknowledge that the MBE subcontractors/suppliers listed in the MBE Participation Schedule will be used to accomplish the percentage of MBE participation that I intend to achieve.
4. I understand that if I am notified that I am the apparent awardee, I must submit the following documentation within 10 working days of receiving notice of the potential award or from the date of conditional award (per COMAR 21.11.03.10), whichever is earlier.
 - (a) Outreach Efforts Compliance Statement (Attachment D-3)
 - (b) Subcontractor Project Participation Statement (Attachment D-4)
 - (c) MBE Waiver Documentation per COMAR 21.11.03.11 (if applicable)

- (d) Any other documentation required by the Procurement Officer to ascertain bidder or Offeror responsibility in connection with the certified MBE participation goal.

If I am the apparent awardee, I acknowledge that if I fail to return each completed document within the required time, the Procurement Officer may determine that I am not responsible and therefore not eligible for contract award. If the contract has already been awarded, the award is voidable.

5. In the solicitation of subcontract quotations or offers, MBE subcontractors were provided not less than the same information and amount of time to respond as were non-MBE subcontractors.

I solemnly affirm under the penalties of perjury that the contents of this paper are true to the best of my knowledge, information, and belief.

Bidder/Offeror Name

Signature of Affiant

Address

Printed Name, Title

Date

SUBMIT THIS AFFIDAVIT WITH BID/PROPOSAL

Attachment D-2
MBE Participation Schedule
(for submission with bid or proposal)

This document shall be included with the submittal of the bid or offer. If the bidder or Offeror fails to submit this form with the bid or offer, the procurement officer shall deem the bid non-responsive or shall determine that the offer is not reasonably susceptible of being selected for award.

Prime Contractor (Firm Name, Address, Phone)	Project Description
Project Number	
List Information For Each Certified MBE Subcontractor On This Project	
Minority Firm Name	MBE Certification Number
Work To Be Performed/NAICS	
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Work To Be Performed/NAICS	
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Work To Be Performed/NAICS	
Percentage of Total Contract	

USE ATTACHMENT D-2 CONTINUATION PAGE AS NEEDED

SUMMARY

TOTAL MBE PARTICIPATION:	%
TOTAL WOMAN-OWNED MBE PARTICIPATION:	%
TOTAL AFRICAN AMERICAN-OWNED MBE PARTICIPATION:	%

Document Prepared By: (please print or type)

Name: _____ Title: _____

ATTACHMENT D-2
 MBE Participation Schedule (continued)

List Information For Each Certified MBE Subcontractor On This Project	
Minority Firm Name	MBE Certification Number
Work To Be Performed/NAICS	
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Work To Be Performed/NAICS	
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Work To Be Performed/NAICS	
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Work To Be Performed/NAICS	
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Work To Be Performed/NAICS	
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Work To Be Performed/NAICS	
Percentage of Total Contract	
Minority Firm Name	MBE Certification Number
Work To Be Performed/NAICS	
Percentage of Total Contract	

Attachment D-3
Outreach Efforts Compliance
Statement

In conjunction with the bid or offer submitted in response to Solicitation No. MSRP09-2006, I state the following:

1. Bidder/ Offeror took the following efforts to identify subcontracting opportunities in these specific work categories:

2. Attached to this form are copies of written solicitations (with bidding instructions) used to solicit certified MBEs for these subcontract opportunities.

3. Bidder/Offeror made the following attempts to contact personally the solicited MBEs:

4. Bidder/Offeror assisted MBEs to fulfill or to seek waiver of bonding requirements. (DESCRIBE EFFORTS)

- This project does not involve bonding requirements.

5. Bidder/Offeror did/did not attend the pre-bid/proposal conference
 No pre-bid/proposal conference was held.

Bidder/Offeror Name

By: _____
Name

Address

Title

Date

**ATTACHMENT D-4
Subcontractor Project Participation
Statement**

**Submit one form for each MBE
listed on the MBE Participation Schedule**

Provided that _____ is awarded the State contract in conjunction with
(Prime Contractor Name)
Solicitation No. MSRP09-2006, it and _____,
(Subcontractor Name)

MDOT Certification No. _____, intend to enter into a contract by which subcontractor shall:

(describe work) _____

- No bonds are required of Subcontractor
- The following amount and type of bonds are required of Subcontractor:

By: _____

Prime Contractor Signature

Name

Title

Date

By: _____

Subcontractor Signature

Name

Title

Date

ATTACHMENT D-5

This form is to be completed monthly by the prime contractor.

**Maryland Supplemental Retirement Plans
Minority Business Enterprise Participation**

Contractor

Prime Contractor:		Contact Person:																									
Address:																											
City:		State:	ZIP:																								
Phone:	FAX:																										
Subcontractor Name:		Contact Person:																									
Phone:	FAX:																										
Subcontractor Services Provided:																											
List all payments made to MBE subcontractor named above during this reporting period: <table border="1"> <thead> <tr> <th><u>Amount</u></th> <th><u>Invoice#</u></th> </tr> </thead> <tbody> <tr><td>1.</td><td></td></tr> <tr><td>2.</td><td></td></tr> <tr><td>3.</td><td></td></tr> <tr><td colspan="2">Total Dollars Paid:</td></tr> <tr><td colspan="2">\$ _____</td></tr> </tbody> </table>		<u>Amount</u>	<u>Invoice#</u>	1.		2.		3.		Total Dollars Paid:		\$ _____		List dates and amounts of any outstanding invoices: <table border="1"> <thead> <tr> <th><u>Amount</u></th> <th><u>Invoice #</u></th> </tr> </thead> <tbody> <tr><td>1.</td><td></td></tr> <tr><td>2.</td><td></td></tr> <tr><td>3.</td><td></td></tr> <tr><td colspan="2">Total Dollars Unpaid:</td></tr> <tr><td colspan="2">\$ _____</td></tr> </tbody> </table>		<u>Amount</u>	<u>Invoice #</u>	1.		2.		3.		Total Dollars Unpaid:		\$ _____	
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<u>Amount</u>	<u>Invoice #</u>																										
1.																											
2.																											
3.																											
Total Dollars Unpaid:																											
\$ _____																											

Paid/Unpaid MBE Invoice Report

**If more than one MBE subcontractor is used for this contract, you must use separate D-5 forms.

****Return one copy (hard or electronic) of this form to the following address (electronic copy with signature and date is preferred):**

Chief Financial Officer Maryland Supplemental Retirement Plans 6 St. Paul Street, Suite 200 Baltimore, MD 21202 runger@msrp.state.md.us
--

Signature: _____ Date: _____

ATTACHMENT D-6
 Minority Business Enterprise Participation
 Subcontractor Paid/Unpaid MBE Invoice Report

Report#: _____ Reporting Period (Month/Year): _____ Report is due by the 15th of the month following the month the services were performed.	Contract # _____ Contracting Unit: _____ MBE Subcontract Amount: _____ Project Begin Date: _____ Project End Date: _____ Services Provided: _____
---	--

MBE Subcontractor Name: _____																															
MDOT Certification #: _____																															
Contact Person: _____																															
Address: _____																															
City: _____	State: Maryland	ZIP: _____																													
Phone: _____	FAX: _____																														
Subcontractor Services Provided:																															
List all payments received from Prime Contractor during reporting period indicated above. <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:5%;"></th> <th style="width:40%; text-align: center;"><u>Invoice Amt</u></th> <th style="width:15%; text-align: center;"><u>Date</u></th> </tr> </thead> <tbody> <tr><td>1.</td><td></td><td></td></tr> <tr><td>2.</td><td></td><td></td></tr> <tr><td>3.</td><td></td><td></td></tr> <tr> <td colspan="2">Total Dollars Paid: \$ _____</td> <td></td> </tr> </tbody> </table>		<u>Invoice Amt</u>	<u>Date</u>	1.			2.			3.			Total Dollars Paid: \$ _____			List dates and amounts of any unpaid invoices over 30 days old. <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:5%;"></th> <th style="width:40%; text-align: center;"><u>Invoice Amt</u></th> <th style="width:15%; text-align: center;"><u>Date</u></th> </tr> </thead> <tbody> <tr><td>1.</td><td></td><td></td></tr> <tr><td>2.</td><td></td><td></td></tr> <tr><td>3.</td><td></td><td></td></tr> <tr> <td colspan="2">Total Dollars Unpaid: \$ _____</td> <td></td> </tr> </tbody> </table>		<u>Invoice Amt</u>	<u>Date</u>	1.			2.			3.			Total Dollars Unpaid: \$ _____		
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3.																															
Total Dollars Unpaid: \$ _____																															
Prime Contractor: _____ Contact Person _____																															

****Return one copy (hard or electronic) of this form to the following address (electronic copy with signature and date is preferred):**

Chief Financial Officer Maryland Supplemental Retirement Plans 6 St. Paul Street, Suite 200 Baltimore, MD 21202 runger@msrp.state.md.us
--

Signature: _____ Date: _____

ATTACHMENT E - PRE-PROPOSAL CONFERENCE RESPONSE FORM

RFP No. MSRP 09-2006

Project Title: Audit Services for the Maryland Teachers & State Employees
Supplemental Retirement Plans

A Pre-proposal Conference will be held on November 20, 2006 at 10:00 local time at:

Maryland Supplemental Retirement Plans
6 St. Paul Street, Suite 200
Baltimore, Md. 21201

Directions to the Pre-proposal meeting site:

From Charles & Pratt Street: Proceed North on Charles Street to Lexington Street, make a right on Lexington to St. Paul Street. Make a right on St. Paul Street. Proceed down St. Paul to Baltimore Street. Building is at St. Paul & Baltimore Streets, northwest corner.

Please e-mail, Fax (410-659-0349) or return this form by 1:00 PM on Tuesday, October 10, 2006 advising whether or not you plan to attend this Conference.

E-mail or fax this form to the Procurement Officer:

Mr. Roland L. Unger, CPA
Office Phone: (410) 767-8715
Fax: (410) 659-0349
E-mail: runger@msrp.state.md.us

Please indicate:

_____ Yes, the following representatives will be in attendance:

- 1.
- 2.
- 3.

_____ No, we will not be in attendance.

Company/Firm/Vendor Name

Telephone

Contact Name

ATTACHMENT F - PRICE PROPOSAL INSTRUCTIONS AND FORM

General Instructions:

In order to assist Offerors in the preparation of their price proposal and to comply with the requirements of this solicitation, Price Instructions and Price Forms have been prepared. Offerors shall submit their price proposal on the forms in accordance with the instructions on the forms and as specified herein. Do not alter the forms or the price proposal shall be rejected. The Price Form is to be signed and dated, where requested, by an individual who is authorized to bind the Offeror to all proposed prices.

Offerors are required to record the fully loaded prices they are proposing for each listed item, and compute the total. The price forms are used to calculate the Offeror's TOTAL PRICE.

- A) All Fixed must be clearly entered with dollars and cents, e.g., \$24.15
- B) All Fixed Prices must be the actual price the State shall pay for the proposed item per this RFP and may not be contingent on any other factor or condition in any manner.
- C) All calculations shall be rounded to the nearest cent, i.e. .344 shall be 34 and .345 shall be 35.
- D) All goods or services required or requested by the State and proposed by the Offeror at No Cost to the State must be clearly entered in the Unit Price and Extended Price with \$0.00.
- E) Every blank in the price sheet shall be filled in.
- F) Except as instructed on the forms, nothing shall be entered on the forms that alters or proposes conditions or contingencies on the prices or percentages.
- G) It is imperative that the prices included on the Price Proposal Forms have been entered correctly and calculated accurately by the Offeror and that the respective total prices agree with the entries on the Price Proposal Forms.

Attachment F - PRICE PROPOSAL FORM for MSRP 09-2006

SECTION 1. PROPOSED ANNUAL PRICE, Auditing SERVICES	
Auditing Services for	Proposed Audit Price*
Audit Year 1 – January 1, 2007 to December 31, 2007	\$
Audit Year 2 – January 1, 2008 to December 31, 2008	\$
Audit Year 3 – January 1, 2009 to December 31, 2009	\$
Audit Year 4 – January 1, 2010 to December 31, 2010	\$
Audit Year 5 – January 1, 2011 to December 31, 2011	\$
1A. Total, Audit Services Price	\$

*Note: The proposed Audit Price may vary year-to-year depending on how an Offeror wishes to compensate for overhead, cost of labor, profit and inflation. Important to note the price proposed is all-inclusive and fully loaded with no other fees, surcharges, taxes or any other factor allowed as a supplemental charge for services.

Authorized Signature

Printed Name and Title

Phone # & Fax #

Company Name

Company Tax ID #

ATTACHMENT G - CONFLICT OF INTEREST AFFIDAVIT/DISCLOSURE

A. "Conflict of interest" means that because of other activities or relationships with other persons, a person is unable or potentially unable to render impartial assistance or advice to the State, or the person's objectivity in performing the contract work is or might be otherwise impaired, or a person has an unfair competitive advantage.

B. "Person" has the meaning stated in COMAR 21.01.02.01B(64) and includes a bidder, Offeror, Contractor, consultant, or subcontractor or sub consultant at any tier, and also includes an employee or agent of any of them if the employee or agent has or will have the authority to control or supervise all or a portion of the work for which a bid or offer is made.

C. The bidder or Offeror warrants that, except as disclosed in §D, below, there are no relevant facts or circumstances now giving rise or which could, in the future, give rise to a conflict of interest.

D. The following facts or circumstances give rise or could in the future give rise to a conflict of interest (explain in detail—attach additional sheets if necessary):

E. The bidder or Offeror agrees that if an actual or potential conflict of interest arises after the date of this affidavit, the bidder or Offeror shall immediately make a full disclosure in writing to the procurement officer of all relevant facts and circumstances. This disclosure shall include a description of actions which the bidder or Offeror has taken and proposes to take to avoid, mitigate, or neutralize the actual or potential conflict of interest. If the contract has been awarded and performance of the contract has begun, the Contractor shall continue performance until notified by the procurement officer of any contrary action to be taken.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF.

Date: _____

By: _____
(Authorized Representative and Affiant)

ATTACHMENT H - PROCUREMENT OFFICER'S CHECKLIST

RFP	Requirement	Y/N	Remarks
4.1	Was Vol I sealed separately from Vol II but submitted simultaneously?		
4.3.2	Were there an unbound original and six copies of the Vol I-Technical Proposal?		
4.3.2	Was an electronic version submitted in MS Word format for Vol I enclosed in the original copy of the Tech Proposal?		
4.2	Was the electronic media labeled with the RFP title/number, Offeror name and Vol I?		
4.2	Were separate volumes labeled Vol I—Technical Proposal and Vol II—Financial Proposal, in sealed packages bearing RFP title & number, name/address of Offeror, and closing date/time on outside of the packages? Were tech proposal pages numbered consecutively?		
4.3.1	Was there a letter, which transmitted the technical proposal, acknowledged the receipt of addenda, and did an individual authorized to commit the Offeror to the services and requirements of the RFP sign the letter?		
4.3.2	Were proposals numbered to match numbering in RFP?		
4.3.2.1	Did the technical proposal begin with a title page bearing the name and address of the Offeror and the name and number of the RFP followed by a table of contents for the tech proposal? Was confidential info identified after title page?		
4.3.2.2	Is there a separate executive summary, which condenses and highlights the contents of the technical proposal?		
4.3.2.2	Does the executive summary identify any exceptions the Offeror has taken to the requirements of the RFP, the contract (Atch A) or any other attachments? And if not, does the Executive Summary so state?		
4.3.2.4	Does Corp Exp & Capabilities info include a description of past experience in providing similar services, MD contract history, and 6 references?		
4.3.2.7	Did the Offeror submit subcontractor info, a staffing plan, resumes, a personnel summary, econ benefit factors, Conflict of Interest affidavit, financial statements and the Review of Contracts affidavit?		
4.3.2.11	Did the Offeror provide a completed Bid/Proposal Affidavit (Atch B—with original of technical proposal only) and MBE Forms D-1 and D-2? Were all the blocks filled in and were the Affidavits signed?		

**DEFERRED COMPENSATION PLAN
SECTION 457
Baltimore, Maryland**

**FINANCIAL STATEMENTS
December 31, 2005 and 2004**

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Independent Auditor's Report

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

We have audited the accompanying statements of net assets available for plan benefits of the Maryland State Employees Deferred Compensation Plan (the Plan), a fiduciary fund of the State of Maryland as of December 31, 2005 and 2004, and the related statements of changes in net assets available for plan benefits for the years then ended, which collectively comprise the Plan's basic financial statements. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits as of December 31, 2005 and 2004, and the changes in net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Baltimore, Maryland
March 31, 2006

**MARYLAND STATE EMPLOYEES
DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the Maryland State Employees Deferred Compensation Plan financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2005 and 2004. Please read it in conjunction with the Plan's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets available for plan benefits increased by \$42.8 million during the current year from \$1.128 billion at December 31, 2004 to \$1.171 billion at December 31, 2005. Net assets available for plan benefits increased by \$65.3 million from \$1.062 billion at December 31, 2003 to \$1.128 billion at December 31, 2004. Increases are due to the combination of market increases and payroll contributions in excess of distributions.
- The Plan had a net investment gain of \$89 million for the year ended December 31, 2004 and a \$62 million investment gain for the year ended December 31, 2005. The Plan had a net investment gain of \$152 million for the year ended December 31, 2003. These investment gains are attributable to the favorable market conditions.
- Employee contributions increased from \$55.3 million for the year ended December 31, 2004 to \$57.8 million for the year ended December 31, 2005. Employee contributions increased from \$53.1 million for the year ended December 31, 2003 to \$55.3 million for the year ended December 31, 2004. This increase is primarily due to changes in maximum deferral amounts as a result of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) effective January 1, 2002.
- Mutual fund rebates increased from \$1.1 million for the years ended December 31, 2004 and 2003 to \$1.3 million for the year ended December 31, 2005.
- Distributions to participants decreased from \$76.9 million for the year ended December 31, 2004 to \$75.3 million for the year ended December 31, 2005. Distributions to participants increased from \$65.8 million for the year ended December 31, 2003 to \$76.9 million for the year ended December 31, 2004.
- Administrative expenses increased from \$2.6 million for the year ended December 31, 2004 to \$3.3 million for the year ended December 31, 2005. Administrative expenses decreased from \$2.9 million for the year ended December 31, 2003 to \$2.6 million for the year ended December 31, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the Statement of Fiduciary Net Assets in the State of Maryland's financial statements.

**MARYLAND STATE EMPLOYEES
DEFERRED COMPENSATION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Plan's net assets available for plan benefits increased during the year ended December 31, 2005 by \$42,827,998 from \$1,128,146,822 to \$1,170,974,820. The Plan's net assets available for plan benefits increased during the year ended December 31, 2004 by \$65,346,458 from \$1,062,800,364 to \$1,128,146,822. These increases are a result of favorable market conditions and increases in employee contributions partially offset by distributions to participants. The analysis below focuses on net assets available for plan benefits (Table 1) and changes in net assets available for plan benefits (Table 2).

**Table 1
Net Assets Available for Plan Benefits**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Investments	\$ 1,159,663,061	\$ 1,118,042,168	\$ 1,056,020,926
Cash surrender value of life insurance contracts	3,767,628	3,912,494	4,123,709
Cash	887,767	887,757	-
Receivables	<u>6,675,750</u>	<u>5,336,759</u>	<u>2,694,029</u>
Total assets	1,170,994,206	1,128,179,178	1,062,838,664
Accounts payable	<u>19,386</u>	<u>32,356</u>	<u>38,300</u>
Net assets available for plan benefits	<u>\$ 1,170,974,820</u>	<u>\$ 1,128,146,822</u>	<u>\$ 1,062,800,364</u>

**Table 2
Changes in Net Assets Available for Plan Benefits**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Additions:			
Employee contributions	\$ 57,805,559	\$ 55,252,547	\$ 53,138,993
Mutual fund rebates	1,320,784	1,093,117	1,031,594
Investment income	62,425,619	88,629,416	152,088,972
Deductions:			
Distributions	75,307,660	76,922,437	65,777,380
Administrative expenses	3,331,462	2,609,053	2,892,684
Life insurance premiums	<u>84,842</u>	<u>97,132</u>	<u>113,026</u>
Increase in plan net assets	<u>\$ 42,827,998</u>	<u>\$ 65,346,458</u>	<u>\$ 137,476,469</u>

FINANCIAL CONTACT

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Chief Financial Officer of the Maryland Teachers and State Employees Retirement Plans at the William Donald Schaefer Tower, Suite 200, 6 St. Paul Street, Baltimore, Maryland 21202-1608.

**MARYLAND STATE EMPLOYEES
DEFERRED COMPENSATION PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
December 31, 2005 and 2004**

	2005	2004
ASSETS		
INVESTMENTS	\$1,159,663,061	\$1,118,042,168
CASH SURRENDER VALUE OF LIFE INSURANCE CONTRACTS	3,767,628	3,912,494
CASH	887,767	887,757
RECEIVABLES		
EMPLOYEE CONTRIBUTIONS	44,867	24,848
ASSET FEES	123,661	175,969
LOANS RECEIVABLE	6,507,222	5,135,942
TOTAL ASSETS	1,170,994,206	1,128,179,178
LIABILITIES		
ACCOUNTS PAYABLE	19,386	32,356
NET ASSETS AVAILABLE FOR PLAN BENEFITS	\$1,170,974,820	\$1,128,146,822

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements

**MARYLAND STATE EMPLOYEES
DEFERRED COMPENSATION PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
Years Ended December 31, 2005 and 2004**

	2005	2004
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
EMPLOYEE CONTRIBUTIONS	\$ 57,805,559	\$ 55,252,547
MUTUAL FUND REBATES	1,320,784	1,093,117
INVESTMENT INCOME:		
MUTUAL FUND INVESTMENT INCOME	39,183,385	64,794,142
INTEREST INCOME:		
NATIONWIDE FIXED ANNUITIES	5,748,124	6,148,988
INVESTMENT CONTRACT POOLS	14,287,449	12,704,122
ANNUITY PAYOUT RESERVES	3,027,954	4,997,892
LOAN INCOME	275,570	159,335
CHANGE IN CASH SURRENDER VALUE OF LIFE INSURANCE	(96,863)	(175,063)
TOTAL ADDITIONS	121,551,962	144,975,080
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
DISTRIBUTIONS TO PARTICIPANTS	75,307,660	76,922,437
ADMINISTRATIVE EXPENSES	3,331,462	2,609,053
LIFE INSURANCE PREMIUMS	84,842	97,132
TOTAL DEDUCTIONS	78,723,964	79,628,622
NET INCREASE	42,827,998	65,346,458
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR	1,128,146,822	1,062,800,364
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF YEAR	\$ 1,170,974,820	\$ 1,128,146,822

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements

**MARYLAND STATE EMPLOYEES
DEFERRED COMPENSATION PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004**

General

The Maryland State Employees Deferred Compensation Plan (the Plan) was established by an executive order of the Governor of the State of Maryland on August 15, 1974. The Plan operates pursuant to the provision of Title 35 of the State Personnel & Pensions Article of the Maryland Code and a Plan document adopted by the Plan's Board of Trustees (the Board).

Contributions

Under the Plan provisions, eligible employees, as defined under Title 35 of the Maryland Code, may contribute to the Plan through payroll deductions. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an individual's annual contributions to an amount not to exceed the lesser of \$14,000 or 100% of the individual's gross annual salary, or if appropriate, adjusted gross salary. Individuals age 50 or over may make an additional "catch-up" contribution effective for tax years after December 31, 2001. For 2005, the additional "catch-up" contribution is \$4,000. An additional catch-up is allowed for previous missed contributions for participants within three years of retirement. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. An employee's interest in his/her account is fully vested at all times. The State of Maryland (the State) does not make any contributions to the Plan but the State has the option to make certain matching contributions to a separate tax qualified 401(a) plan (The State of Maryland Match Plan) contingent on employee contributions to this Plan. The State offers additional deferred compensation plans and individuals may be subject to aggregate contribution limitations based on participation in these plans.

Employee contributions receivable represent amounts withheld from employees' pay but not remitted to the investment carriers at December 31. Contributions are credited by the applicable investment carrier upon receipt from the State.

Participant Accounts

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for plan years beginning after December 31, 1996, assets of IRC Section 457 plans must be held in a trust, custodial account, or annuity contract for the exclusive benefit of employees and beneficiaries. At December 31, 2005 and 2004, the Plan met the requirements of the SBJPA.

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

- Investment contract pool consisting of various fixed earnings investments underwritten by various insurance and other financial institutions.
- Variable earnings investments consisting of various mutual funds.

**MARYLAND STATE EMPLOYEES
DEFERRED COMPENSATION PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004**

Participant Accounts (Continued)

- Annuity payout options offered by Nationwide® Life Insurance Company (Nationwide Life) and Metropolitan Life Insurance Company (Metropolitan Life).

Some of the Plan's investments are still held in certain investment options, listed below, which are not available for new deferrals.

- Fixed annuities underwritten by Nationwide Life.
- Life insurance contracts underwritten by Unum Life Insurance Company of America (Unum Life), formerly Commercial Life Insurance Company. Existing life insurance contracts are eligible for premium payments through salary deferral.

Payment of Benefits

Employees investing in the Plan may withdraw the value of their accounts upon termination of employment from the State, because of financial hardship, if approved by the Board, or in order to satisfy minimum distribution requirements of the IRC.

Employees are eligible to receive benefits under the Plan subject to Internal Revenue Service regulations at the time they separate from service or suffer disability. Upon such separation or disability, employees may select various payout options, which include lump sum, periodic or annuity payments. Purchased annuity payout options are offered by Nationwide Life and Metropolitan Life.

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

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

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

**MARYLAND STATE EMPLOYEES
DEFERRED COMPENSATION PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004**

Participant Loans

Participants may borrow from their accrued benefit balance in accordance with applicable IRS regulations. The maximum amount a participant may borrow is equal to the lesser of (a) 50% of their accrued benefit, or (b) \$50,000. Interest on the loan is determined by the Board but not to exceed the maximum rate permitted under all applicable laws.

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

Significant accounting policies followed by the Plan are as follows:

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net assets available for plan benefits and the net changes in those assets.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

INVESTMENT VALUATION AND INCOME RECOGNITION

Fixed earnings investments, represented by investment contract pools are valued at cost plus interest recorded. The investment contract pool is managed by an affiliate of the insurance company ING under a management agreement. It consists of book value instruments such as investment contracts, pooled funds and separate account insurance and/or bank investment contracts. New contracts are awarded periodically based upon a competitive bid process. Selection criteria for investment contract providers includes the size and financial stability of the carrier and the interest rate guaranteed for the contract period.

During 1997, a Master Trust was established to hold the investment contract pools underlying this investment option. Under the Master Trust arrangement, contributions of participants who elect this investment option for the Maryland State Employees Deferred Compensation Plan, the State of Maryland Savings and Investment Plan, and/or the State of Maryland Match Plan and Trust are combined and held in the trust. Each Plan has an undivided interest in the investment contract pools held by the trust and each Plan's ownership is represented by its proportionate dollar interest. Interest rates are reset quarterly based on prior quarters' performance.

**MARYLAND STATE EMPLOYEES
DEFERRED COMPENSATION PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004**

INVESTMENT VALUATION (CONTINUED)

Other fixed earnings investments are valued at contract value, which represents contributions received plus interest earned to date less applicable charges and amounts withdrawn.

Variable earnings investments are presented at fair value based on published quotations or net asset value as provided by the investment carrier. Purchases and sales of investments are recorded on a trade-date basis.

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

CASH SURRENDER VALUE

Participants have made premium payments on life insurance contracts through salary deferral. The cash surrender value of these contracts are based on reporting by the life insurance company.

MUTUAL FUND REBATES

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

This information is an integral part of the
accompanying financial statements.

NOTE 1 – INVESTMENTS AND DEPOSITS

Investments held by the Plan including a discontinued group insurance contract and annuity reserves held by Nationwide Life and Metropolitan Life, agents of the Plan, at December 31, 2005 and 2004, were as follows:

	Fair and Carrying Value	
	2005	2004
Fixed earnings investment – Investment Contract Pool	\$ 343,117,283	\$ 328,052,247
Variable earnings investments:		
Legg Mason Value Trust Fund, Inc. – Institutional Class	115,978,603	112,155,720
Washington Mutual Investors Fund, Inc. SM – Class A	104,016,429	103,500,565
Fidelity Puritan Fund	94,550,408	94,029,669
Vanguard Institutional Index Fund – Institutional Shares	74,659,473	74,980,279
Fidelity Growth and Income Portfolio	72,498,367	76,971,541
Dreyfus MidCap Index Fund, Inc.	49,679,637	-
Euro Pacific Growth Fund – Class A	38,721,286	23,821,109
T. Rowe Price Small-Cap Stock Fund, Inc.	29,314,082	24,329,651
The Growth Fund of America – Class A	26,654,745	20,796,855
Lord Abbett Mid-Cap Value Fund – Class A	20,966,750	10,330,763
Scudder Flag Investors Value Builder Fund, Inc. – Institutional	13,912,344	14,863,079
Delaware Group Trend Fund, Inc. – Trend Fund Institutional	10,704,607	12,532,470
Federated U.S. Government Securities Fund. – 2 to 5 years Institutional Shares	9,277,656	10,013,709
PIMCO Total Return Fund – Institutional Shares	5,780,498	3,099,360
T. Rowe Price International Funds, Inc.– International Stock Fund	-	4,456,633
INVESCO Dynamics Fund – Investor Class	-	48,434,035
AIM Equity Funds, Inc. – AIM Constellation Fund – Class A	-	3,656
	<u>1,009,832,168</u>	<u>962,371,341</u>
Nationwide Life annuity payout reserves	27,015,161	29,196,302
Metropolitan Life annuity payout reserves	6,547,485	6,930,630
Discontinued investment option - Nationwide Life Fixed Annuities	<u>116,268,247</u>	<u>119,543,895</u>
Total investments	<u>\$1,159,663,061</u>	<u>\$1,118,042,168</u>

The Nationwide Life fixed annuities reflect investments made by the Plan under fixed insurance contracts with Nationwide Life.

NOTE 1 – INVESTMENTS AND DEPOSITS (CONTINUED)

Investment contract pool interest income is recorded based upon a blended rate of the contractual interest of all investment contracts in force during the period. These amounts are credited to the participants accounts prior to charges for administration expenses charged by the Administrator and the Board of the Plan. The blended gross interest rate was 4.59% at December 31, 2005 and ranged from 4% to 4.59% during the year ended December 31, 2005 (4.00% at December 31, 2004 and ranged from 4.00% to 4.25% during the year then ended).

Interest income on investments in Nationwide Life fixed annuities and annuity payout reserves is recorded as earned on an accrual basis. Beginning in 1982, based upon the date of contribution, Nationwide Life initiated a plan for paying different rates to specific pools of money. The gross interest rate paid on fixed annuity contributions was 4.85% at December 31, 2005 and ranged from 4.85% to 5.05% for the year then ended and 5.10% at December 31, 2004 and ranged from 5.10% to 5.30% during the year ended December 31, 2004.

Mutual fund investment income consists of dividends earned and realized and unrealized gains and losses attributable to the mutual funds. Earnings are accrued to individual participants' accounts based upon the investment performance of the specific options selected.

Title 35 of the State Personnel & Pensions Article of the Maryland Code defines the types of securities authorized as appropriate investments for the Plan and the conditions for making investment transactions. The Plan is authorized to invest in regulated investment companies, annuity or investment contracts, real estate investment trust funds and common investment pools composed of stocks or bonds, whether such funds are managed by the Board itself or other entities selected by the Board.

The Plan conforms to the reporting requirements of Governmental Accounting Standards Board Statement No. 40. As of December 31, 2005 the Plan had the following investments and maturities in its investment contract pool and four of its mutual funds which include investments in bonds.

	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 343,117,283	5.06 years
Mutual funds:		
Fidelity Puritan Fund	94,550,408	7.00
Scudder Flag Investment Value Builder Fund, Inc.	13,912,344	5.50
Federated US Government Securities Fund – 2 to 5 years institutional shares	9,277,656	4.02
PIMCO Total Return Fund – Institutional shares	5,780,498	6.11

NOTE 1 – INVESTMENTS AND DEPOSITS (CONTINUED)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Since all investments are participant directed, all risks exist at the participant level. Each individual within the Plan has the ability to liquidate their positions on demand and have responsibility for managing their exposure to fair value loss.

The investment contract pool and the mutual funds are unrated.

Deposits

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

All deposits of the Plan are held on behalf of the Plan by the State of Maryland in accordance with the formal deposit policy for custodial credit risk of the State and are not exposed to custodial credit risk as defined by Governmental Accounting Standards Board Statement No. 40.

NOTE 2 – LIFE INSURANCE

The amount of life insurance in force with Unum Life was approximately \$13,391,870 and \$14,264,601 at December 31, 2005 and 2004, respectively.

NOTE 3 – ADMINISTRATIVE EXPENSES

The Board has appointed Nationwide[®] Retirement Solutions, Inc. (NRS), as the Plan administrator under an administrative services contract. NRS is a subsidiary of Nationwide Financial Services, Inc., the owner of Nationwide Life and provider of certain fixed annuities to the Plan.

The current five year contract with NRS to provide administrative services to the Plan (and certain related plans) under Board authority became effective January 1, 2003. Under the agreement, NRS provides administrative services to the Plan, such as account statements, monitoring the Plan's financial transactions, participant relations, and general management. Fees were charged by NRS at an annual rate of .23% in 2005 and 2004 against the variable, investment contract pool and fixed annuity assets.

NOTE 3 – ADMINISTRATIVE EXPENSES (CONTINUED)

During 2005 and 2004, an additional charge of 0.07% and 0.11%, was imposed by the Board for its expenses (staff, auditor, consultants, education and other administrative expenses). The fees are collected directly from participant's accounts. The annual cap on participant charges was \$1,800 and \$1,700 for 2005 and 2004, respectively.

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

The cash balance in the accompanying financial statements at December 31, 2005 and 2004 represents charges assessed by the Board from all deferred compensation plans and held as pooled cash by the Maryland State Treasurer in excess of expenses paid on behalf of the Board. By State law, this amount does not revert to the general fund of the State but constitutes a dedicated fund or reserve for use by the Plan, pursuant to the usual State appropriation process. The cash reserve balance was \$887,767 and \$887,757 as of December 31, 2005 and 2004, respectively. In addition, the appropriated funds and cash reserves are carried on the 457 Plan financial statements as a matter of historical practice, arising from the period prior to 1990 when the 457 Plan was the only Plan operated by the Board and all 457 Plan assets, including the cash reserves were general non-trust funds of the State.

NOTE 4 – TAX STATUS

The United States Treasury Department advised on January 17, 1975, that the Plan constituted a qualified deferred compensation plan under the IRC and, therefore, the amounts of compensation deferred by employees participating in the Plan are not subject to federal income tax withholding nor are they includable in taxable income until actually paid or otherwise made available to the participant, the participant's beneficiary, or the participant's estate. The Treasury Department has reaffirmed the tax status of the Plan on different occasions in connection with plan amendments, the latest being May 25, 1976. In the opinion of legal counsel, the Plan continues to be a qualified deferred compensation plan under Section 457 of the IRC.

The Department of Health, Education and Welfare advised on September 26, 1974, that amounts deferred under the Plan represent remuneration for employment and, therefore, constitute wages under Section 209 of the Social Security Act. Consequently, the amounts deferred are subject to social security taxes in the year deferred. The Department of Health, Education and Welfare further advised that under Section 203(b) of the Social Security Act, benefit payments under the Plan do not constitute earnings and thus are not subject to social security taxes in the year received.

NOTE 5 – RELATED PARTIES

Certain members of the Board of Trustees are participants in the Plan.

**THE STATE OF MARYLAND
SAVINGS AND INVESTMENT PLAN
SECTION 401(k)
Baltimore, Maryland**

**FINANCIAL STATEMENTS
December 31, 2005 and 2004**

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Independent Auditor's Report

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

We have audited the accompanying statements of net assets available for plan benefits of The State of Maryland Savings and Investment Plan (the Plan), a fiduciary fund of the State of Maryland as of December 31, 2005 and 2004, and the related statements of changes in net assets available for plan benefits for the years then ended, which collectively comprise the Plan's basic financial statements. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 and 2004, and the changes in net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Baltimore, Maryland
March 31, 2006

**THE STATE OF MARYLAND
SAVINGS AND INVESTMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of The State of Maryland Savings and Investment Plan's financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2005 and 2004. Please read it in conjunction with the Plan's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets available for plan benefits increased from \$710 million at December 31, 2004 to \$802 million at December 31, 2005. Net assets available for plan benefits increased from \$595 million at December 31, 2003 to \$710 million at December 31, 2004. Increases are due to the combination of market increases and payroll contributions in excess of distributions.
- The Plan had a net investment gain of \$61.2 million for the year ended December 31, 2004 and a \$45.1 million gain for the year ended December 31, 2005. The Plan had a net investment gain of \$102.9 million for the year ended December 31, 2003. These investment gains are attributable to the favorable market conditions.
- Employee contributions increased from \$84.7 million for the year ended December 31, 2004 to \$86.3 million for the year ended December 31, 2005. This increase is partially due to changes in maximum deferral amounts as a result of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) effective July 1, 2002 and the State reinstating the deferred contributions match program effective July 1, 2005. Employee contributions decreased from \$85.5 million for the year ended December 31, 2003 to \$84.7 million for the year ended December 31, 2004. This decrease is primarily attributed to the State eliminating the deferred contributions match program July 1, 2003.
- Mutual fund rebates increased from \$665,000 for 2004 to \$915,000 for 2005. Mutual fund rebates decreased from \$687,000 for 2003 to \$665,000 for 2004.
- Distributions to participants increased from \$29.3 million for 2004 to \$37.8 million for 2005. Distributions to participants increased from \$27.6 million for 2003 to \$29.3 million for 2004.
- Administrative expenses increased from \$2.1 million for 2004 to \$2.2 million for 2005. Administrative expenses increased from \$1.9 million for 2003 to \$2.1 million for 2004.

Overview of the Financial Statements

This financial report consists of the Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the Statement of Fiduciary Net Assets in the State of Maryland's financial statements.

**THE STATE OF MARYLAND
SAVINGS AND INVESTMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Plan's net assets available for plan benefits increased during the year ended December 31, 2005 by \$92,345,735 from \$709,710,027 to \$802,055,762. The Plan's net assets available for plan benefits increased during the year ended December 31, 2004 by \$115,055,460 from \$594,654,567 to \$709,710,027. These increases are a result of favorable market conditions and increases in employees contributions partially offset by distributions to participants. The analysis below summarizes net assets available for plan benefits (Table 1) and changes in net assets available for plan benefits (Table 2).

**Table 1
Net Assets Available for Plan Benefits**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Investments	\$ 794,862,380	\$ 703,641,411	\$ 589,412,646
Receivables	7,193,382	6,068,616	5,241,921
Cash and cash equivalents	<u>50,607</u>	<u>50,607</u>	<u>50,607</u>
Total assets	802,106,369	709,760,634	594,705,174
<u>ACCOUNTS PAYABLE</u>	<u>50,607</u>	<u>50,607</u>	<u>50,607</u>
<u>NET ASSETS AVAILABLE FOR PLAN BENEFITS</u>	<u>\$ 802,055,762</u>	<u>\$ 709,710,027</u>	<u>\$ 594,654,567</u>

**Table 2
Changes in Net Assets Available for Plan Benefits**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Additions:			
Employee contributions	\$ 86,342,964	\$ 84,646,299	\$ 85,530,045
Mutual fund rebates	915,010	665,007	686,974
Investment income	45,139,069	61,227,785	102,909,184
Deductions:			
Distributions	37,809,148	29,311,067	27,629,302
Administrative expenses	<u>2,242,160</u>	<u>2,172,564</u>	<u>1,873,474</u>
Increase in plan net assets	<u>\$ 92,345,735</u>	<u>\$ 115,055,460</u>	<u>\$ 159,623,427</u>

FINANCIAL CONTACT

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Chief Financial Officer of the Maryland Teachers and State Employees Retirement Plans at the William Donald Schaefer Tower, Suite 200, 6 St. Paul Street, Baltimore, Maryland 21202-1608.

**THE STATE OF MARYLAND SAVINGS AND INVESTMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
December 31, 2005 and 2004**

ASSETS	2005	2004
INVESTMENTS		
FIXED EARNINGS INVESTMENTS:		
CONTRACT POOL	\$ 181,923,082	\$ 159,661,086
VARIABLE EARNINGS INVESTMENTS, AT FAIR VALUE:		
LEGG MASON VALUE TRUST FUND, INC. – INSTITUTIONAL CLASS	118,144,161	104,224,905
VANGUARD INSTITUTIONAL INDEX FUND – Institutional Shares	91,892,135	87,235,159
WASHINGTON MUTUAL INVESTORS FUND SM , INC. – CLASS A	66,789,238	61,778,423
FIDELITY PURITAN FUND	65,663,397	60,933,603
FIDELITY GROWTH AND INCOME PORTFOLIO	51,432,854	50,206,861
DREYFUS MIDCAP INDEX FUND, INC.	41,724,145	-
EUROPACIFIC GROWTH FUND – CLASS A	37,634,839	21,275,628
T. ROWE PRICE SMALL-CAP STOCK FUND, INC.	36,060,173	28,965,353
THE GROWTH FUND OF AMERICA – CLASS A	35,633,617	27,184,215
LORD ABBETT MID-CAP VALUE FUND – CLASS A	17,897,772	9,507,711
FEDERATED US GOVERNMENT SECURITIES FUND – 2-5 YEARS INSTITUTIONAL SHARES	17,507,212	18,169,788
SCUDDER FLAG INVESTORS VALUE BUILDER FUND, INC. – INSTITUTIONAL	14,135,730	14,186,352
DELAWARE TREND FUND, INC. – TREND FUND INSTITUTIONAL	13,546,886	14,607,050
PIMCO TOTAL RETURN FUND – INSTITUTIONAL SHARES	4,908,873	2,683,872
AIM DYNAMICS FUND – INVESTOR CLASS	-	37,334,417
T. ROWE PRICE INTERNATIONAL FUNDS, INC. – INTERNATIONAL STOCK FUND	-	5,683,988
SUSPENSE	(31,734)	3,000
TOTAL INVESTMENTS	<u>794,862,380</u>	<u>703,641,411</u>
RECEIVABLES		
LOANS RECEIVABLE	7,139,280	6,033,618
CONTRIBUTIONS RECEIVABLE	54,102	34,998
TOTAL RECEIVABLES	<u>7,193,382</u>	<u>6,068,616</u>
CASH AND CASH EQUIVALENTS	<u>50,607</u>	<u>50,607</u>
TOTAL ASSETS	<u>802,106,369</u>	<u>709,760,634</u>
LIABILITIES		
ACCOUNTS PAYABLE	<u>50,607</u>	<u>50,607</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS	<u>\$802,055,762</u>	<u>\$709,710,027</u>

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

THE STATE OF MARYLAND SAVINGS AND INVESTMENT PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
Years Ended December 31, 2005 and 2004

	2005	2004
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
INVESTMENT INCOME		
MUTUAL FUND INVESTMENT INCOME	\$37,540,636	\$55,167,637
INTEREST INCOME	<u>7,598,433</u>	<u>6,060,148</u>
TOTAL INVESTMENT INCOME	45,139,069	61,227,785
EMPLOYEE CONTRIBUTIONS	86,342,964	84,646,299
MUTUAL FUND REBATES	<u>915,010</u>	<u>665,007</u>
TOTAL ADDITIONS	<u>132,397,043</u>	<u>146,539,091</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
DISTRIBUTIONS TO PARTICIPANTS	37,809,148	29,311,067
ADMINISTRATIVE EXPENSES	<u>2,242,160</u>	<u>2,172,564</u>
TOTAL DEDUCTIONS	<u>40,051,308</u>	<u>31,483,631</u>
NET INCREASE	92,345,735	115,055,460
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR	<u>709,710,027</u>	<u>594,654,567</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF YEAR	<u>\$802,055,762</u>	<u>\$709,710,027</u>

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

THE STATE OF MARYLAND SAVINGS AND INVESTMENT PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004

General

The State of Maryland (the State) Savings and Investment Plan (the Plan) was established by the State on July 1, 1985. The Plan is designed to be a tax-qualified 401(k) profit sharing plan under Internal Revenue Code (the Code) Sections 401(a) and 401(k).

On December 19, 1988, the Board of Trustees received a favorable determination letter from the Internal Revenue Service (IRS) that the provisions of the Plan and accompanying trust met the requirements for a qualified plan under Section 401(a) of the Code, including the provision of federal tax law restricting states from using qualified Section 401(k) plans unless they were adopted prior to the effective date provisions contained in the Tax Reform Act of 1986.

Effective December 31, 1990, the IRS issued a private letter ruling to the State allowing employees to make a direct transfer of contributions (and associated earnings) previously made to the State's defined benefit pension plan (Pension Transfer Account). Rollover contributions remain tax deferred until benefits are paid to the employees.

Contributions

Under Plan provisions, eligible employees of the State or any governmental agencies of the State may contribute to the Plan through payroll deductions (Regular Account). In accordance with Section 402(g) of the Code, the Plan limits the amount of an individual's annual contributions to an amount not to exceed the lesser of \$14,000 or approximately 100% of their annual gross salary (as defined) for the Plan year. Individuals age 50 or over may make an additional "catch-up" contribution effective for tax years after December 31, 2001. For 2005, the additional "catch-up" contribution is \$4,000. This limit is subject to an annual cost of living adjustment. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The State of Maryland offers additional deferred compensation plans and individuals may be subject to aggregate contribution limitations based on participation in these plans.

Employee contributions receivable represent amounts withheld from employees' pay but not remitted to the investment carriers at December 31. Contributions are credited by the applicable investment carrier upon receipt from the State.

Participant Accounts

Employee contributions are fully vested at all times. The State does not make any contributions to the Plan but the State has the option to make certain matching contributions to a separate tax qualified 401(a) plan (The State of Maryland Match Plan) contingent on employee contributions to this plan.

THE STATE OF MARYLAND SAVINGS AND INVESTMENT PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004

Participant Accounts (Continued)

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

- Investment contract pool consisting of fixed earnings investments underwritten by various insurance and other financial institutions.
- Variable earnings investments consisting of various mutual funds.

Payment of Benefits

Employees may withdraw the value of their account upon termination of employment from the State or because of financial hardship if approved by the Plan's Board of Trustees (the Board).

Employees are eligible to receive benefits under the Plan subject to Internal Revenue Service (IRS) regulations upon retirement, attainment of age 59 ½, disability, death, termination of employment with the State, or financial hardship. Employees may select various payout options as provided by the Plan.

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

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

Participant Loans

Participants may borrow from their accrued benefit balance in accordance with applicable IRS regulations. The maximum amount a participant may borrow is equal to the lesser of (a) 50% of their accrued benefit, or (b) \$50,000. Interest on the loan is determined by the Board but not to exceed the maximum rate permitted by all applicable laws.

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

Significant accounting policies followed by the Plan are as follows:

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net assets available for plan benefits and the net changes in those assets.

THE STATE OF MARYLAND SAVINGS AND INVESTMENT PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

INVESTMENT VALUATION AND INCOME RECOGNITION

Fixed earnings investments, represented by investment contract pools, are valued at cost plus interest recorded. The investment contract pool is managed by an affiliate of the insurance company ING under a management agreement. It consists of book value instruments such as investment contracts, pooled funds and separate account insurance and/or bank investment contracts. New contracts are awarded periodically based upon a competitive bid process. Selection criteria for investment contract providers include the size and financial stability of the carrier and the interest rate guaranteed for the contract period.

During 1997, a Master Trust was established to hold the investment contract pools underlying this investment option. Under the Master Trust arrangement, contributions of participants who elect this investment option for the Maryland State Employees Deferred Compensation Plan, the State of Maryland Savings and Investment Plan, and/or the State of Maryland Match Plan and Trust are combined and held in the trust. Each Plan has an undivided interest in the investment contract pools held by the trust and each Plan's ownership is represented by its proportionate dollar interest. Interest rates are reset quarterly based on prior quarters' performance.

The Board relies on an independent discretionary manager for selection of contracts in the Investment Contract Pool.

Mutual fund investments are presented at fair value at each December 31 based on published quotations or the net asset value reported by the investment carrier. All purchases and sales of investments are recorded on a trade-date basis.

Investments include participants' current payroll deferrals, which are held by the Plan, and one-time pension rollover contributions, which are held in the Plan's name by the State.

The suspense balance consists of amounts pending investment or distribution.

Earnings are accrued to individual participants' accounts based upon the investment performance of the specific options selected.

THE STATE OF MARYLAND SAVINGS AND INVESTMENT PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004

MUTUAL FUND REBATES

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

This information is an integral part of the
accompanying financial statements.

**THE STATE OF MARYLAND SAVINGS AND INVESTMENT PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004**

NOTE 1 – INVESTMENTS AND INVESTMENT INCOME

Title 35 of the State Personnel & Pensions Article of the Maryland Code defines the types of securities authorized as appropriate investments for the Plan and the conditions for making investment transactions. The Plan is authorized to invest in regulated investment companies, annuity or investment contracts, real estate investment trust funds and common investment pools composed of stocks or bonds, whether such funds are managed by the Board itself or other entities selected by the Board.

The Plan conforms to the reporting requirements of Governmental Accounting Standards Board Statement No. 40. As of December 31, 2005 the Plan had the following investments and maturities in its investment contract pool and four of its mutual funds which include investments in bonds.

	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 181,923,082	5.06 years
Mutual funds:		
Fidelity Puritan Fund	65,663,397	7.00
Federated US Government Securities Fund – 2 to 5 years institutional shares	17,507,212	4.02
Scudder Flag Investment Value Builder Fund, Inc – Institutional	14,135,730	5.50
PIMCO Total Return Fund – Institutional shares	4,908,873	6.11

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Since all investments are participant directed, all risks exist at the participant level. Each individual within the Plan has the ability to liquidate their positions on demand and have responsibility for managing their exposure to fair value loss.

The investment contract pool and the mutual funds are unrated.

Investment contract pool interest income is recorded based upon a blended rate of the contractual interest of all investment contracts in force during the period. These amounts are credited to the participant's accounts prior to charges for administration expenses charged by the Administrator and the Board of the Plan. The blended gross interest rate was 4.59% at December 31, 2005 and ranged from 4% to 4.59% during the year then ended (4% at December 31, 2004 and ranged from 4.00% to 4.25% during the year then ended).

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash held by the Plan represents amounts remaining from the Pension Transfer Account from participant fees. Custodial credit risk is the risk that, in the event of a bank failure, the Plan's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Plan's name.

The cash is invested in overnight repurchase agreements, which are collateralized by securities held in the name of the State of Maryland by a third-party agent and is administrated by the State of Maryland Supplemental Retirement Agency and are not exposed to custodial credit risk as defined by Governmental Accounting Standards Board Statement No. 40.

NOTE 3 – ADMINISTRATIVE EXPENSES

The Board has appointed Nationwide[®] Retirement Solutions, Inc. (NRS), as the Plan administrator under an administrative services contract. NRS is a subsidiary of Nationwide Financial Services, Inc., the owner of Nationwide Life Insurance Company.

The current five year contract with NRS to provide administrative services to the Plan (and certain related plans) under Board authority became effective January 1, 2003. Under the agreement, NRS provides administrative services to the Plan, such as account statements, monitoring the Plan's financial transactions, participant relations, and general management. Fees were charged by NRS at an annual rate of 0.23% in 2005 and 2004 against the variable, investment contract pool and fixed annuity assets. During 2005 and 2004, an additional charge of 0.07% and 0.11%, was imposed by the Board for its expenses (staff, auditor, consultants, education and other administrative expenses). The fees are collected directly from participant's accounts. The annual cap on participant charges was \$1,800 and \$1,700 for 2005 and 2004, respectively.

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

NOTE 4 – TAX STATUS

In the opinion of legal counsel, the Plan is exempt from federal income taxes under Section 401(k) and 401(a) of the Code and, therefore, the amounts of compensation contributed by the employees participating in the Plan are not subject to federal income tax withholding nor are the employee's amount includable in taxable income until actually paid or otherwise made available to the participant, the participant's beneficiary, or the participant's estate.

NOTE 5 – RELATED PARTIES

Certain members of the Board of Trustees are participants in the Plan.

STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
SECTION 403(b)
Baltimore, Maryland

FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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Independent Auditor's Report

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

We have audited the accompanying statements of net assets available for plan benefits of the State of Maryland Tax Sheltered Annuity Plan (the Plan), a fiduciary fund of the State of Maryland as of December 31, 2005 and 2004, and the related statements of changes in net assets available for plan benefits for the years then ended, which collectively comprise the Plan's basic financial statements. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2005 and 2004, and the changes in net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Baltimore, Maryland
March 31, 2006

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the State of Maryland Tax Sheltered Annuity Plan's financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2005 and 2004. Please read it in conjunction with the Plan's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets available for plan benefits increased by approximately \$2 million during the current year from \$67.3 million at December 31, 2004 to approximately \$69.3 million at December 31, 2005. Net assets available for plan benefits increased by approximately \$4.3 million from \$63 million at December 31, 2003 to approximately \$67.3 million at December 31, 2004. Increases are due to the combination of market increases and payroll contributions in excess of distributions.
- The Plan had a net investment gain of \$12.3 million for the year ended December 31, 2003, a net investment gain of \$6.2 million for the year ended December 31, 2004, and a net investment gain of \$4 million for the year ended December 31, 2005. These investment gains are attributable to favorable market conditions.
- Employee contributions increased from \$2.6 million for the year ended December 31, 2004 to \$2.9 million for the year ended December 31, 2005. This increase is partially due to changes in maximum deferral amounts as a result of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) effective July 1, 2002 and the State reinstating the deferred contributions matching program effective July 1, 2005. Employee contributions decreased from \$2.7 million for the year ended December 31, 2003 to \$2.6 million for the year ended December 31, 2004. This decrease is primarily attributed to the State eliminating the deferred contributions matching program on July 1, 2003.
- Mutual fund rebates increased from \$122,000 for 2004 to \$147,000 for 2005. Mutual fund rebates increased from \$83,000 for 2003 to \$122,000 for 2004.
- Distributions to participants increased from \$4.4 million for 2004 to \$4.8 million for 2005. Distributions to participants increased from \$3.5 million for 2003 to \$4.4 million for 2004.
- Administrative expenses decreased from \$219,000 in 2004 to \$208,000 in 2005. Administrative expenses increased from \$199,000 in 2003 to \$219,000 in 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the Statement of Fiduciary Net Assets in the State of Maryland's financial statements.

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Plan's net assets available for plan benefits increased during the year ended December 31, 2005 by \$2,013,404 from \$67,323,565 to \$69,336,969. The Plan's net assets available for plan benefits increased during the year ended December 31, 2004 by \$4,361,227 from \$62,962,338 to \$67,323,565. This increase relates primarily to favorable market conditions and employee contributions partially offset by distributions to participants. The analysis below summarizes the net assets available for plan benefits (Table 1) and the changes in net assets available for plan benefits (Table 2).

**Table 1
Net Assets Available for Plan Benefits**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Investments	\$ 69,182,331	\$ 67,138,365	\$ 62,668,745
Receivables	<u>154,638</u>	<u>185,200</u>	<u>293,593</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS	<u>\$ 69,336,969</u>	<u>\$ 67,323,565</u>	<u>\$ 62,962,338</u>

**Table 2
Changes in Net Assets Available for Benefits**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Additions:			
Employee contributions	\$ 2,895,313	\$ 2,637,312	\$ 2,661,956
Mutual fund rebates	147,405	122,028	83,478
Investment income	4,027,072	6,237,768	12,292,184
Deductions:			
Distributions	4,848,153	4,416,482	3,513,266
Administrative expenses	<u>208,233</u>	<u>219,399</u>	<u>199,478</u>
Increase in net assets	<u>\$ 2,013,404</u>	<u>\$ 4,361,227</u>	<u>\$ 11,324,874</u>

FINANCIAL CONTACT

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Chief Financial Officer of the Maryland Teachers and State Employees Retirement Plans at the William Donald Schaefer Tower, Suite 200, 6 St. Paul Street, Baltimore, Maryland 21202-1608

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
December 31, 2005 and 2004**

ASSETS	<u>2005</u>	<u>2004</u>
INVESTMENTS		
Fixed earnings investment, at contract value		
Great-West Fixed Investment Fund	\$ 5,298,279	\$ 5,522,734
Variable earnings investments, at fair value:		
Legg Mason Value Trust Fund, Inc. – Institutional Shares	12,110,036	12,015,440
Fidelity Puritan Fund	8,867,780	8,841,033
Washington Mutual Investors Fund SM , Inc. – Class A	8,422,580	8,672,471
Dreyfus Mid-Cap Index Fund, Inc.	5,859,309	-
Vanguard Institutional Index Fund – Institutional Shares	5,840,100	5,836,392
Fidelity Growth and Income Portfolio	5,245,670	5,718,172
AIM Dynamics Fund – Investors Class	-	5,538,541
Vanguard Prime Money Market Fund – Investor Shares	4,638,270	4,528,707
Euro Pacific Growth Fund – Class A	3,866,771	2,762,734
The Growth Fund of America® – Class A	1,970,305	1,578,326
Scudder Flag Investors Value Builder Fund, Inc. – Institutional	1,828,788	1,830,560
T. Rowe Price Small-Cap Stock Fund, Inc.	1,776,408	1,534,109
Lord Abbett Mid-Cap Value Fund – Class A	1,371,476	705,533
Delaware Trend Fund, Inc. – Trend Fund Institutional	957,424	1,132,207
PIMCO Total Return Fund – Institutional Shares	880,509	443,798
T. Rowe Price International Funds, Inc. – International Stock Fund	-	297,343
Federated US Government Securities Fund: 2-5 years Institutional shares	251,557	181,006
Suspense	<u>(2,931)</u>	<u>(741)</u>
Total variable earnings investments	<u>63,884,052</u>	<u>61,615,631</u>
Total investments	<u>69,182,331</u>	<u>67,138,365</u>
RECEIVABLES		
Contributions receivable	1,163	2,917
Loans receivable	<u>153,475</u>	<u>182,283</u>
Total receivables	<u>154,638</u>	<u>185,200</u>

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
December 31, 2005 and 2004**

NET ASSETS AVAILABLE FOR PLAN BENEFITS	<u>\$ 69,336,969</u>	<u>\$ 67,323,565</u>
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These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
Years Ended December 31, 2005 and 2004**

	2005	2004
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Employee contributions	\$ 2,895,313	\$ 2,637,312
Mutual fund rebates	147,405	122,028
Investment income:		
Mutual fund investment income	3,786,470	5,974,048
Interest income	<u>240,602</u>	<u>263,720</u>
	<u>7,069,790</u>	<u>8,997,108</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Distributions to participants	4,848,153	4,416,482
Administrative expenses	<u>208,233</u>	<u>219,399</u>
	<u>5,056,386</u>	<u>4,635,881</u>
NET INCREASE	2,013,404	4,361,227
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR	<u>67,323,565</u>	<u>62,962,338</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF YEAR	<u>\$ 69,336,969</u>	<u>\$ 67,323,565</u>

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004**

General

The State of Maryland (the State) Tax Sheltered Annuity Plan (the Plan) was established by the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plan (the Board) pursuant to Title 35 of the State Personnel & Pensions Article of the Maryland Code.

Contributions

Under Plan provisions, eligible employees of the State or any governmental agencies of the State may contribute to the Plan through payroll deductions, so long as they are eligible to purchase a 403(b) contract or custodial account under federal tax law. In accordance with Section 403(b) of the Internal Revenue Code (the Code), the Plan limits the amount of an individual's annual contributions to the lesser of \$14,000, an employee's maximum exclusion allowance (as defined), or 100% of compensation (as defined). Individuals age 50 or over may make an additional "catch-up" contribution effective for tax years after December 31, 2001. For 2005, the additional "catch-up" contribution is \$4,000. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The State offers additional deferred compensation plans and individuals may be subject to aggregate contribution limitations based on participation in these plans.

Employee contributions receivable represent amounts withheld from employees' pay but not remitted to the investment carriers at December 31. Contributions are credited by the applicable investment carrier upon receipt from the State.

Participant Accounts

Employee contributions are fully vested at all times. The State does not make any contributions to the Plan but the State has the election to make certain matching contributions to a separate tax qualified 401(a) Plan (The State of Maryland Match Plan) contingent on employee contributions to this plan.

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

- Variable earnings investments consisting of various mutual funds.
- Fixed earnings investment fund underwritten by Great-West Life Assurance Company (Great-West). This investment option is no longer available for new contributions in the Plan.

Payment of Benefits

Employees may withdraw the value of their account upon termination of employment with the State or because of financial hardship if approved by the Plan's Board of Trustees.

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004**

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004**

Payment of Benefits (Continued)

Employees are eligible to receive benefits under the Plan subject to Internal Revenue Service regulations upon termination of employment with the employer, attainment of age 59 ½ , retirement, death, disability, or financial hardship. Employees may select various payout options as provided under the Plan.

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

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

Participant Loans

Participants may borrow from their accrued benefit balance in accordance with applicable IRS regulations. The maximum amount a participant may borrow is equal to the lesser of (a) 50% of their accrued benefit, or (b) \$50,000. Interest on the loan is determined by the Board but not to exceed the maximum rate permitted by all applicable laws.

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

Significant accounting policies followed by the Plan are as follows:

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net assets available for plan benefits and the net changes in those assets.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004**

INVESTMENT VALUATION AND INCOME RECOGNITION

Variable earnings investments are presented at fair value based on published quotations or net asset value as provided by the investment carrier. All purchases and sales of investments are recorded on a trade-date basis. All investments are held in the Plan's name by Bank of America, the custodian for the Plan.

The suspense balance consists of amounts pending investment or distribution.

MUTUAL FUND REBATES

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

This information is an integral part of the
accompanying financial statements.

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004**

NOTE 1 – INVESTMENTS AND INVESTMENT INCOME

Title 35 of the State Personnel & Pensions Article of the Maryland Code defines the types of securities authorized as appropriate investments for the Plan and the conditions for making investment transactions. The Plan is authorized to invest in regulated investment companies, annuity or investment contracts, real estate investment trust funds and common investment pools composed of stocks or bonds, whether such funds are managed by the Board itself or other entities selected by the Board.

The fixed earnings investment with the Great-West Fixed Investment Fund is valued at contract value, which represents cost plus interest credited at guaranteed rates (subject to quarterly market adjustments, as reported by Great-West at December 31). These amounts are credited to the participants' accounts prior to charges for administration expenses charged by the Administrator and the Board of the Plan. The gross interest rate paid on contributions to this investment was 4% in 2005 and 2004, respectively.

The Plan conforms to the reporting requirements of Governmental Accounting Standards Board Statement No. 40. As of December 31, 2005 the Plan had the following investments and maturities in five of its mutual funds which include investments in bonds.

	Valuation	Weighted Average Maturity
Great-West Fixed Investment Fund	\$ 5,298,279	6.40
Mutual Funds:		
Fidelity Puritan Fund	8,867,780	7.00
Vanguard Prime Money Market Fund – Investors shares	4,638,270	.11
Scudder Flag Investment Value Builder Fund, Inc.	1,828,788	5.50
PIMCO Total Return Fund – Institutional shares	880,509	6.11
Federated US Government Securities Fund – 2 to 5 years institutional shares	251,557	4.02

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Since all investments are participant directed, all risks exist at the participant level. Each individual within the Plan has the ability to liquidate their positions on demand and has responsibility for managing their exposure to fair value loss.

The mutual funds are unrated.

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

**STATE OF MARYLAND
TAX SHELTERED ANNUITY PLAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004**

Earnings are accrued to individual participants' accounts based upon the investment performance of the specific options selected.

NOTE 2 – ADMINISTRATIVE EXPENSES

The Board has appointed Nationwide® Retirement Solutions, Inc. (NRS), as the Plan administrator under an administrative services contract. NRS is a subsidiary of Nationwide Financial Services, Inc., the owner of Nationwide Life Insurance Company.

The current five year contract with NRS to provide administrative services to the Plan (and certain related plans) under Board authority became effective January 1, 2003. Under the agreement, NRS provides administrative services to the Plan, such as account statements, monitoring the Plan's financial transactions, participant relations, and general management. Fees were charged by NRS at an annual rate of 0.23% in 2005 and 2004 against the variable, investment contract pool and fixed annuity assets. During 2005 and 2004, an additional charge of .07% and .11% respectively, was imposed by the Board for its expenses (staff, auditor, consultants, education and other administrative expenses). The fees are collected directly from participant's accounts. The annual cap on participant charges was \$1,800 and \$1,700 for 2005 and 2004, respectively.

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

NOTE 3 – TAX STATUS

In the opinion of the State's legal counsel, the Plan is a qualified tax sheltered annuity plan under Section 403(b) of the Code and, therefore, the amounts of compensation contributed by the employees participating in the Plan are not subject to federal income tax withholding nor are they includable in taxable income until actually paid or otherwise made available to the participant, the participant's beneficiary, or the participant's estate.

NOTE 4 – RELATED PARTIES

Certain members of the Board of Trustees are participants in the Plan.

**THE STATE OF MARYLAND
MATCH PLAN AND TRUST
SECTION 401(a)
Baltimore, Maryland**

**FINANCIAL STATEMENTS
December 31, 2005 and 2004**

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Independent Auditor's Report

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

We have audited the accompanying statements of net assets available for plan benefits of The State of Maryland Match Plan and Trust (the Plan), a fiduciary fund of the State of Maryland as of December 31, 2005 and 2004, and the related statements of changes in net assets available for plan benefits for the years then ended, which collectively comprise the Plan's basic financial statements. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2005 and 2004, and the changes in net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Baltimore, Maryland
March 31, 2006

**THE STATE OF MARYLAND
MATCH PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of The State of Maryland Match Plan and Trust's financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2005 and 2004. Please read it in conjunction with the Plan's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets available for plan benefits increased by approximately \$14.1 million during the current year from \$81.8 million at December 31, 2004 to \$95.9 million at December 31, 2005. Net assets available for plan benefits increased by approximately \$5 million from \$76.8 million at December 31, 2003 to approximately \$81.8 million at December 31, 2004. Increases are due to the combination of market increases and payroll contributions in excess of distributions.
- The Plan had a net investment gain of \$14.7 million for the year ended December 31, 2003, a net investment gain of \$7.4 million for the year ended December 31, 2004, and a net investment gain of \$5.1 million for the year ended December 31, 2005. These investment gains are attributable to favorable market conditions.
- Employer and employee contributions increased from \$19,000 for the year ended December 31, 2004 to \$11.9 million for the year ended December 31, 2005. This increase corresponds to the State reinstating its matching contributions to the Plan effective July 1, 2005. Employer and employee contributions decreased from \$2.5 million for the year ended December 31, 2003 to \$19,000 for the year ended December 31, 2004. This decrease corresponds to the State eliminating matching contributions to the Plan effective July 1, 2003.
- Mutual fund rebates increased from \$88,500 during 2004 to \$118,200 for 2005. Mutual fund rebates decreased from \$172,000 during 2003 to \$88,500 for 2004.
- Distributions to participants increased from \$2.2 million for the year ended December 31, 2004 to \$2.8 million for the year ended December 31, 2005. Distributions to participants increased from \$1.8 million for the year ended December 31, 2003 to \$2.2 million for the year ended December 31, 2004.
- Administrative expenses decreased from \$262,000 for the year ended December 31, 2004 to \$253,000 for the year ended December 31, 2005. Administrative expenses increased from \$230,000 for the year ended December 31, 2003 to \$262,000 for the year ended December 31, 2004.

**THE STATE OF MARYLAND
MATCH PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the Statement of Fiduciary Net Assets in the State of Maryland's financial statements.

The Plan's net assets available for plan benefits increased during the year ended December 31, 2005 by \$14,061,259 from \$81,823,548 to \$95,884,807. The Plan's net assets available for plan benefits increased during the year ended December 31, 2004 by \$5,042,467 from \$76,781,081 to \$81,823,548. This increase relates to an increase in employer and employee contributions as a result of the State reinstating its match in July 2005 partially offset by distributions to participants. The analysis below summarizes net assets available for plan benefits (Table 1) and changes in net assets available for plan benefits (Table 2).

**Table 1
Net Assets Available for Plan Benefits**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Investments	\$95,884,720	\$ 81,823,485	\$ 76,780,995
Receivables	<u>87</u>	<u>63</u>	<u>86</u>
Net assets available for plan benefits	<u>\$95,884,807</u>	<u>\$81,823,548</u>	<u>\$76,781,081</u>

**Table 2
Changes in Net Assets Available for Plan Benefits**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Additions:			
Employer and employee contributions	\$11,891,617	\$ 19,092	\$ 2,486,316
Mutual fund rebates	118,206	88,561	172,182
Investment earnings	5,114,213	7,403,571	14,743,893
Deductions:			
Distributions	2,809,622	2,206,489	1,786,887
Administrative expenses	<u>253,155</u>	<u>262,268</u>	<u>229,989</u>
Increase in plan net assets	<u>\$14,061,259</u>	<u>\$ 5,042,467</u>	<u>\$15,385,515</u>

**THE STATE OF MARYLAND
MATCH PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Contact

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Chief Financial Officer of the Maryland Teachers and State Employees Retirement Plans at the William Donald Schaefer Tower, Suite 200, 6 St. Paul Street, Baltimore, Maryland 21202-1608.

THE STATE OF MARYLAND MATCH PLAN AND TRUST
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
December 31, 2005 and 2004

	2005	2004
ASSETS		
INVESTMENTS		
FIXED EARNINGS INVESTMENT AT CONTRACT VALUE:		
CONTRACT POOL	\$19,670,312	\$16,597,306
VARIABLE EARNING INVESTMENTS, AT FAIR VALUE:		
LEGG MASON VALUE TRUST FUND, INC. – INSTITUTIONAL CLASS	16,220,354	14,051,391
VANGUARD INSTITUTIONAL INDEX FUND – Institutional Shares	14,013,592	12,407,378
FIDELITY GROWTH AND INCOME PORTFOLIO	7,767,179	7,077,443
FIDELITY PURITAN FUND	7,691,411	6,745,953
WASHINGTON MUTUAL INVESTORS FUND SM , INC. – CLASS A	7,687,690	6,768,049
DREYFUS MID-CAP INDEX FUND, INC.	5,252,677	-
THE GROWTH FUND OF AMERICA, INC. – CLASS A	4,199,019	3,250,218
T. ROWE PRICE SMALL-CAP STOCK FUND, INC.	3,820,256	3,088,592
EURO PACIFIC GROWTH FUND – CLASS A	3,445,374	1,766,393
SCUDDER FLAG INVESTORS VALUE BUILDER FUND, INC. – INSTITUTIONAL	1,650,170	1,553,837
FEDERATED US GOVERNMENT SECURITIES FUND – 2-5 YEARS INSTITUTIONAL SHARES	1,597,369	1,454,064
DELAWARE TREND FUND, INC. – TREND FUND INSTITUTIONAL	1,548,402	1,486,437
LORD ABBETT MID-CAP VALUE FUND – CLASS A	1,138,147	469,843
PIMCO TOTAL RETURN FUND – INSTITUTIONAL SHARES	182,426	85,901
AIM DYNAMICS FUND – INVESTORS CLASS	136	4,410,684
T. ROWE PRICE INTERNATIONAL FUNDS, INC. – INTERNATIONAL STOCK FUND	-	611,343
SUSPENSE	206	(1,347)
TOTAL INVESTMENTS	95,884,720	81,823,485
RECEIVABLES		
CONTRIBUTIONS RECEIVABLE	87	63
NET ASSETS AVAILABLE FOR PLAN BENEFITS	\$95,884,807	\$81,823,548

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

THE STATE OF MARYLAND MATCH PLAN AND TRUST
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
INVESTMENT INCOME		
MUTUAL FUND INVESTMENT INCOME	\$ 4,358,452	\$ 6,745,401
INTEREST INCOME	<u>755,761</u>	<u>658,170</u>
TOTAL INVESTMENT INCOME	5,114,213	7,403,571
EMPLOYEE CONTRIBUTIONS	44,544	19,092
EMPLOYER CONTRIBUTIONS	11,847,073	-
MUTUAL FUND REBATES	<u>118,206</u>	<u>88,561</u>
TOTAL ADDITIONS	<u>17,124,036</u>	<u>7,511,224</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
DISTRIBUTIONS TO PARTICIPANTS	2,809,622	2,206,489
ADMINISTRATIVE EXPENSES	<u>253,155</u>	<u>262,268</u>
TOTAL DEDUCTIONS	<u>3,062,777</u>	<u>2,468,757</u>
NET INCREASE	14,061,259	5,042,467
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR	<u>81,823,548</u>	<u>76,781,081</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF YEAR	<u>\$95,884,807</u>	<u>\$ 81,823,548</u>

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements.

THE STATE OF MARYLAND MATCH PLAN AND TRUST
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004

GENERAL

The Plan was established by the State of Maryland on July 1, 1999 (commencement date). The Plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code (the Code) Section 401(a).

Contributions

Under Plan provisions, the State shall contribute to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plans during the same plan year. For each fiscal year of the State beginning after June 30, 1999, the statutory ceiling amount contributed to the Plan for each participant is \$600. A participant may receive more than \$600 in matching contributions during the Plan's fiscal year, but may not exceed the maximum \$600 contribution for any State fiscal year. The \$600 maximum contribution for each participant was reduced to \$500 for the fiscal year beginning July 1, 2002. The matching contribution was eliminated effective July 1, 2003, but the match has been reestablished and eligible employees will receive up to \$400 each year effective July 1, 2005.

Employer contributions receivable represent amounts due from the State but not remitted to the investment carriers at December 31. Contributions are credited by the applicable investment carrier upon receipt from the State.

Participant Accounts

An employee's interest in his/her account is fully vested at all times. An employee may elect to invest contributions made on his or her behalf in the following investment options:

- Investment contract pool consisting of fixed earnings investments underwritten by various insurance and other financial institutions.
- Variable earnings investments consisting of various mutual funds.

With the consent of the Board of Trustees, an employee may pay over to the Plan any amount which constitutes a rollover contribution as set forth by Section 402(c) or 408(d)(3) of the Code. The Board may also accept a direct transfer of funds from an eligible retirement plan as authorized by the Plan and the Internal Revenue Code.

Payment of Benefits

Employees may withdraw the value of their account upon termination of employment from the State or because of financial hardship if approved by the Plan's Board of Trustees.

Employees are eligible to receive benefits under the Plan subject to Internal Revenue Service regulations upon retirement, attainment of age 65, disability, death, termination of employment with the State, or financial hardship. Employees may select various payout options as provided by the Plan.

THE STATE OF MARYLAND MATCH PLAN AND TRUST
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004

Payment of Benefits (Continued)

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

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

Significant accounting policies followed by the Plan are as follows:

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net assets available for plan benefits and the net changes in those assets.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

INVESTMENT VALUATION AND INCOME RECOGNITION

Fixed earnings investments, represented by investment contract pools, are valued at cost plus interest recorded. The investment contract pool is managed by an affiliate of the insurance company ING under a management agreement. It consists of book value instruments such as investment contracts, pooled funds and separate account insurance and/or bank investment contracts. New contracts are awarded periodically based upon a competitive bid process. Selection criteria for investment contract providers include the size and financial stability of the carrier and the interest rate guaranteed for the contract period.

During 1997, a Master Trust was established to hold the investment contract pool underlying the fixed investment option. Under the Master Trust arrangement, contributions of participants who elect this investment option for the Maryland State Employees Deferred Compensation Plan, the State of Maryland Savings and Investment Plan, and/or the State of Maryland Match Plan and Trust are combined and held in the trust. Each Plan has an undivided interest in the investment contract pool held by the trust and each Plan's ownership is represented by its proportionate dollar interest. Interest rates are reset quarterly based on prior quarters' performance.

THE STATE OF MARYLAND MATCH PLAN AND TRUST
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2005 and 2004

INVESTMENT VALUATION AND INCOME RECOGNITION (CONTINUED)

The Board relies on an independent discretionary manager for selection of contracts in the Investment Contract Pool.

Variable earnings investments are presented at fair value based on published quotations or the net asset value reported by the investment carrier. All purchases and sales of investments are recorded on a trade-date basis.

The suspense balance consists of amounts pending investment or distribution.

MUTUAL FUND REBATES

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

THE STATE OF MARYLAND MATCH PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1 – INVESTMENTS AND INVESTMENT INCOME

Title 35 of the State Personnel & Pensions Article of the Maryland Code defines the types of securities authorized as appropriate investments for the Plan and the conditions for making investment transactions. The Plan is authorized to invest in regulated investment companies, annuity or investment contracts, real estate investment trust funds and common investment pools composed of stocks or bonds, whether such funds are managed by the Board itself or other entities selected by the Board.

The Plan conforms to the reporting requirements of Governmental Accounting Standards Board Statement No. 40. As of December 31, 2005 the Plan had the following investments and maturities in its investment contract pool and four mutual funds which include investments in bonds.

	<u>Valuation</u>	<u>Weighted Average Maturity</u>
Investment Contract Pool	\$ 19,670,312	5.06 years
Mutual funds:		
Fidelity Puritan Fund	7,691,411	7.00
Scudder Flag Investment Value Builder Fund, Inc. - Institutional	1,650,170	5.50
Federated US Government Securities Fund – 2 to 5 years institutional shares	1,597,369	4.02
PIMCO Total Return Fund – Institutional shares	182,426	6.11

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Since all investments are participant directed, all risks exist at the participant level. Each individual within the Plan has the ability to liquidate their positions on demand and have responsibility for managing their exposure to fair value loss.

The investment contract pool and the mutual funds are unrated.

Investment contract pool interest income is recorded based upon a blended rate of the contractual interest of all investment contracts in force during the period. These amounts are credited to the participants accounts prior to charges for administration expenses charged by the Administrator and the Board of the Plan. The blended gross interest rate was 4.00% at December 31, 2005 and ranged from 4% to 4.59% during the year then ended (4.59% at December 31, 2004 and ranged from 4.00% to 4.25% during the year then ended).

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

Earnings are accrued to individual participants' accounts based upon the investment performance of the specific options selected.

NOTE 2 – ADMINISTRATIVE EXPENSES

The Board has appointed Nationwide® Retirement Solutions, Inc. (NRS), as the Plan administrator under an administrative services contract. NRS is a subsidiary of Nationwide Financial Services, Inc., the owner of Nationwide Life Insurance Company.

The current five year contract with NRS to provide administrative services to the Plan (and certain related plans) under Board authority became effective January 1, 2003. Under the agreement, NRS provides administrative services to the Plan, such as account statements, monitoring the Plan's financial transactions, participant relations, and general management. Fees were charged by NRS at an annual rate of 0.23% in 2005 and 2004 against the variable, investment contract pool and fixed annuity assets. During 2005 and 2004, an additional charge of 0.07% and 0.11%, was imposed by the Board for its expenses (staff, auditor, consultants, education and other administrative expenses). The fees are collected directly from participant's accounts. The annual cap on participant charges was \$1,800 and \$1,700 for 2005 and 2004, respectively.

NOTE 3 – TAX STATUS

In the opinion of the State's legal counsel, the Plan is exempt from Federal income taxes under 401(a) of the Code and, therefore, the amounts of compensation contributed by the State on behalf of employees participating in the Plan are not subject to federal income tax withholding nor are they includable in taxable income until actually paid or otherwise made available to the participant, the participant's beneficiary, or the participant's estate.

NOTE 4 – RELATED PARTIES

Certain members of the Board of Trustees are participants in the Plan.

MARYLAND TEACHERS AND STATE EMPLOYEE

SUPPLEMENTAL RETIREMENT PLANS

PAYROLL DEFERRAL PLANS

Baltimore, Maryland

AGREED-UPON PROCEDURES

December 31, 2005

This report would be required according to ATTACHMENT K

**ATTACHMENT J- EXCERPTS OF TITLES 35 AND 32 OF THE ANNOTATED CODE
OF MARYLAND**

Article - State Personnel and Pensions

§ 35-101.

(a) In this title the following words have the meanings indicated.

(b) "Board" means the State Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans.

(c) "Supplemental retirement plans" means the deferred compensation, tax sheltered annuity, salary reduction savings plans, and any other plans authorized by this title.

§ 35-102.

(a) The supplemental retirement plans are in addition to any other retirement, pension, or benefit system established by the State.

(b) A deferral of compensation under any of the supplemental retirement plans does not reduce the amount of any retirement, pension, or other benefit provided by law.

§ 35-201.

There is a Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans.

§ 35-202.

(a) (1) The Board consists of nine members appointed by the Governor.

(2) Of the nine members:

(i) three shall be from any of the following units:

1. the Department of Budget and Management;
2. the Department of Education;
3. the Office of the State Comptroller;
4. the Office of the State Treasurer;

5. the State Retirement Agency; or
6. the Maryland Higher Education Commission;

(ii) three shall be individuals who are eligible to participate in one of the supplemental retirement plans, at least one of whom shall be an employee described in § 403(b)(1)(A)(ii) of the Internal Revenue Code; and

(iii) three shall be members of the public who are not eligible to participate in any of the supplemental retirement plans, at least one of whom shall have experience with deferred compensation and salary reduction plans.

(b) (1) The term of a member is 4 years.

(2) The terms of members are staggered as required by the terms provided for members of the Board on October 1, 1994.

(3) At the end of a term, a member continues to serve until a successor is appointed and qualifies.

(4) A member who is appointed after a term has begun serves only for the rest of the term and until a successor is appointed and qualifies.

(c) The Governor may remove a member for incompetence or misconduct.

§ 35-203.

The Governor shall appoint a chairman from among the members of the Board appointed under § 35-202(a)(2)(i) or (ii) of this subtitle.

§ 35-204.

(a) The Board shall meet at least quarterly at the times and places it determines.

(b) Each member of the Board is entitled to reimbursement for expenses under the Standard State Travel Regulations, as provided in the State budget.

(c) (1) The Board may employ a staff in accordance with the State budget.

(2) The Board may hire consultants, administrators, and other professionals as necessary to help implement, maintain, and administer the supplemental retirement plans.

(3) (i) Except as provided in subparagraph (ii) of this paragraph or otherwise by law, employees of the Board are subject to the provisions of Division I of this article that govern non-temporary employees.

(ii) Employees of the Board whose labor is predominately intellectual and who hold positions that the Board designates as professional or technical positions involving specialized skill, education, and knowledge are in the executive service, management service, or are special appointments of the skilled service or the professional service in the State Personnel Management System.

(4) (i) Except as provided in paragraph (5) of this subsection, all expenses, including employee costs, incurred to implement, maintain, and administer the supplemental retirement plans shall be paid from the contributions to or the income or assets of the supplemental retirement plans.

(ii) Each supplemental retirement plan shall pay a proportionate share of the expenses specified in subparagraph (i) of this paragraph.

(iii) Administrative expenses to implement, maintain, and administer the supplemental retirement plans shall be as provided in the State budget.

(5) At the request of the Board, and subject to an agreement governing the payment of costs, a unit of State government shall help to implement, maintain, and administer the supplemental retirement plans.

§ 35-205.

(a) The Board shall:

- (1) implement, maintain, and administer the supplemental retirement plans;
- (2) submit progress and status reports to participants in the supplemental retirement plans; and
- (3) submit an annual report to the Governor and, subject to § 2-1246 of the State Government Article, to the General Assembly.

(b) In case of doubt as to whether an individual is eligible to participate in any of the supplemental retirement plans, the Board shall determine the individual's eligibility.

§ 35-301.

(a) In this section, "fiduciary" means a person with discretionary authority or control over:

- (1) the management or administration of any of the supplemental retirement plans; or
- (2) the management or disposition of the assets of any of the supplemental retirement plans.

(b) A fiduciary is subject to the duties and responsibilities imposed on fiduciaries by Title 21, Subtitle 2 of this article.

(c) A fiduciary is entitled to indemnification and insurance as provided under § 21-207 of this article.

§ 35-302.

Assets of the supplemental retirement plans may be deposited and invested in accordance with the investment elections allowed under the supplemental retirement plans notwithstanding any other law limiting the types of investments that may be made with State funds or imposing conditions on the deposit of State funds.

§ 35-401.

There is a tax sheltered annuity plan for eligible participants as allowed by § 403(b) of the Internal Revenue Code.

§ 35-402.

An individual is eligible to participate in the tax sheltered annuity plan if the individual:

- (1) is eligible for coverage under § 403(b) of the Internal Revenue Code; and
- (2) is an officer or employee of:
 - (i) this State; or
 - (ii) any other governmental entity in this State, including a county board of education.

§ 35-403.

Subject to the conditions that the Board may set and in accordance with a contract between the participant and the employer, a participant may have contributions made to the tax sheltered annuity plan on the participant's behalf by a salary reduction or in place of a salary increase.

§ 35-404.

This section does not prohibit a county board of education from adopting a plan for its employees that qualifies under § 403(b) of the Internal Revenue Code.

§ 35-501.

(a) There is a salary reduction savings plan for eligible participants as allowed by § 401(k) of the Internal Revenue Code.

(b) The Board shall obtain approval from the Internal Revenue Service for the salary reduction savings plan.

§ 35-502.

An individual is eligible to participate in the salary reduction savings plan if the individual is:

- (1) an officer of this State; or
- (2) an employee of this State, including a contractual employee.

§ 35-601.

There is a deferred compensation plan for eligible participants as allowed by § 457 of the Internal Revenue Code.

§ 35-602.

An individual is eligible to participate in the deferred compensation plan if the individual is:

- (1) an officer of this State;
- (2) an employee of this State, including a contractual employee;
- (3) an employee of the Northeast Maryland Waste Disposal Authority; or
- (4) an independent contractor who performs service under § 21-304(c) of the Education Article.

§ 35-701.

There is a Defined Contribution Plan for eligible participants as allowed by § 401(a) of the Internal Revenue Code.

§ 35-702.

An individual is eligible to participate in the Defined Contribution Plan if the individual is an eligible employee as defined in § 32-101 of this article.

Article - State Personnel and Pensions

§ 32-101.

(a) In this title the following words have the meanings indicated.

(b) (1) "Eligible employee" means a member of the Employees' Pension System or the Employees' Retirement System who is subject to Selection C (Combination Formula) as provided in § 22-221 of this article, other than:

(i) an employee of a participating governmental unit or a former participating governmental unit that has withdrawn; or

(ii) a member of the Employees' Pension System who transferred from the Employees' Retirement System after April 1, 1998.

(2) "Eligible employee" includes:

(i) a member of the Employees' Pension System who contributes to a State supplemental plan authorized by an employing institution as defined in § 30-101 of this article; or

(ii) a member of the Employees' Pension System who is an employee of the Northeast Maryland Waste Disposal Authority.

(c) "Optional Defined Contribution System" means the system established under § 32-201 of this title.

(d) "Participating employee" means an eligible employee who participates in the Optional Defined Contribution System.

(e) (1) "State supplemental plan" means a plan qualified under the Internal Revenue Code and:

(i) administered by the Supplemental Board; or

(ii) authorized for eligible employees by an employing institution as defined in § 30-101 of this article.

(2) "State supplemental plan" includes:

(i) a salary reduction plan qualified under § 401(k) of the Internal Revenue Code;

(ii) a tax sheltered annuity plan qualified under § 403(b) of the Internal Revenue Code;

(iii) a deferred compensation plan qualified under § 457 of the Internal Revenue Code; or

(iv) a plan qualified under § 401(a) of the Internal Revenue Code.

(f) "Supplemental Board" means the State Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans established under § 35-201 of this article.

§ 32-201.

There is an Optional Defined Contribution System.

§ 32-202.

The Supplemental Board shall administer the Optional Defined Contribution System.

§ 32-203.

(a) Except for the State supplemental plans that are authorized by employing institutions as defined in § 30-101 of this article, the Supplemental Board shall adopt, implement, and maintain the specific qualified plans that are part of the Optional Defined Contribution System.

(b) (1) Except as provided in paragraph (2) of this subsection, the Supplemental Board shall adopt regulations to carry out this title.

(2) The Supplemental Board is not required to adopt regulations to adopt or amend the plans under the Optional Defined Contribution System.

(c) A participating employee's interest in the plans under the Optional Defined Contribution System:

(1) shall immediately be 100% vested;

(2) shall be held in trust for the exclusive benefit of the participating employee, except as otherwise required under § 403(b) of the Internal Revenue Code for investments held under a plan that qualifies under § 403(b) of the Internal Revenue Code; and

(3) may be distributed only at the times, in the manner, to the extent, and to the individuals that allow the plans to maintain their tax qualified status under the Internal Revenue Code.

§ 32-204.

The participating employee contributions shall be made as payrolls are paid by payroll deduction or by a reduction in salary in accordance with the Internal Revenue Code and as provided by the applicable State supplemental plan.

§ 32-205.

(a) For each participating employee who makes contributions under § 32-204 of this subtitle, the State shall contribute to the applicable State supplemental plan employer contributions an amount equal to the lesser of the participating employee's contributions or \$600 per fiscal year.

(b) (1) This subsection applies to participating employees who are paid through the Central Payroll Bureau.

(2) As payrolls are paid, the Central Payroll Bureau shall pay the employer contributions to the applicable State supplemental plan as directed by the Supplemental Board.

(3) The payments shall be charged against the budgets of the units employing the participating employees.

(4) If a participating employee's salary is paid from special funds or federal funds, or both, the employer contribution for that employee shall be paid from those funds.

(c) (1) This subsection applies to participating employees who are not paid through the Central Payroll Bureau.

(2) The Supplemental Board shall provide by regulation how employer contributions and participating employee contributions are to be made.

(3) The payments shall be charged against the budgets of the units employing the participating employees who are employed by the State.

(4) If a participating employee's salary is paid from special funds or federal funds, or both, the employer contribution shall be paid from those funds.

§ 32-205.1.

(a) Employees of the Northeast Maryland Waste Disposal Authority who are members of the Employees' Pension System shall be eligible for a matching contribution if:

(1) the Supplemental Board determines that employees of the Northeast Maryland Waste Disposal Authority are eligible to participate in and contribute to one or more of the State Supplemental Plans; and

(2) the Northeast Maryland Waste Disposal Authority makes an irrevocable election to participate in the Optional Defined Contribution System.

(b) If the Northeast Maryland Waste Disposal Authority makes an election under this section, the Northeast Maryland Waste Disposal Authority shall be required to pay for each employee who makes contributions under § 32-204 of this subtitle, a contribution in an amount equal to the lesser of the employee's contributions or \$600 per fiscal year, in the manner directed by the Supplemental Board.

§ 32-206.

The Governor shall include in the annual State budget bill an appropriation that is sufficient to pay the employer contributions for participating employees required under § 32-205 of this subtitle.

§ 32-207.

(a) A State supplemental plan that is authorized for eligible employees by an employing institution as defined in § 30-101 of this article may be offered only on the same basis and to the same class of employees as authorized under Chapter 619, § 2 of the Acts of the General Assembly of 1996.

(b) The Employing Institution, in consultation with the State Retirement Agency, shall determine which employees of its institution are eligible employees.

(END)

ATTACHMENT K- AGREED UPON PROCEDURES

Independent Accountant's Report on Applying Agreed-Upon Procedures

Procedures

1. Obtain the surrender audit reports listing all surrenders made during the audit period and select 25 participants from each of the Plans.
 - a. Obtain the request for surrender form and appropriate tax withholdings forms.
 - b. Recalculate the tax withholding for mathematical accuracy.
 - c. Examine the file noting the transfer to the payout phase was performed in accordance with the participant's request.
 - d. Examine the payout calculation, recalculate the benefit payment amount based on the request form, and assess appropriate application of any charge.
 - e. Verify appropriate treatment of after tax dollars pre-1986 contributions.

2. Select a non-statistical random sample of participants as noted below:
 - a. Obtain the participant trial balances for the end of the period and select 25 active participants from each of the Plans to test as follows:
 - i. Send negative confirmations directly to the participants to confirm their transactions for the year including contributions, surrenders, income and plan asset fees.
 - ii. Examine participant enrollment records noting that participants are properly enrolled in the appropriate plan.
 - iii. Examine the participant's file noting that the allocation to various investment options (for the last contribution in the audit period) was performed in accordance with the participant's request. For those allocations requested via the voice response system, send negative confirmations directly to the participants to confirm that the actual allocation agrees with their request.
 - iv. For the participants selected, obtain their quarterly statements for the period ended December 31, 2005 and perform the following:
 - (1) Determine that the plan asset fees charged to a participant's account for all Plans in total do not exceed the annual limitation of \$1,800.
 - (2) Recalculate plan asset fees charged during the year using average investment balances within 10%.

- (3) Test the statements for mathematical accuracy by footing the total column.
- v. For those participants selected who had contributions to a fixed investment option in the audit period, recalculate interest credited to the participant's account for the year using average investment balances and average contract rates published by the carriers within 10%.
 - vi. For any participants from the active sample above with contributions to variable investment options, perform the following:
 - (1) Recalculate, with administrator assistance, the earnings credited to the participant for a selected fund for the year within 10%.
 - (2) Examine one transaction per participant during the year to determine that the transaction was recorded on the proper date and that the proper unit value was utilized to record the transaction.
- b. Obtain the December 31, 2005 participant trial balances and select a non-statistical sample of 20 (5 from each Plan) inactive participants (those with no contributions in the year) to test as follows:
 - i. For those participants selected with a fixed investment option, recalculate interest credited to the participant account using average investment balances and average contract rates published by the carriers within 10%.
 - ii. For those participants selected with a variable investment option, recalculate, with administrator assistance, the earnings credited to the participant's account in the audit period, within 10%.
 - iii. For the participants selected, obtain their quarterly statements for the audit period and perform the following:
 - (1) Determine that the plan asset fees charged to a participant's account for all Plans in total do not exceed the annual limitation of \$1,800.
 - (2) Test the statements for mathematical accuracy by footing the total column.
 - (3) Recalculate plan asset fees charged during the year on selected accounts using average investment balances within 10%.
 - c. Obtain the surrender audit reports and select 5 participants that purchased an annuity from each Plan that offers this option to test the payout phase as follows:
 - i. Examine the file noting the transfer to the annuity transaction was performed in accordance with the participant's request.

- ii. Examine the annuitization calculation, recalculate the benefit payment amount based on the request form, and assess appropriate application of any charge.
 - iii. Trace each annuitized participant to the annuity payout reserve report to ascertain that they were properly included in the payout assets.
- d. Obtain the inter-plan deferral coordination report for the year ended December 31, 2005 which identifies participants who appear to be in excess of maximum allowable deferrals and select 15 participants (5 from each Plan except the 401(a) Plan). For those selected, verify the existence of documentation that supports either, that deferrals are in compliance with catch-up provisions of the Internal Revenue Code (IRC) or that the participant has been informed that excess deferrals may have been made.