



Maryland Teachers & State Employees Supplemental Retirement Plans

William Donald Schaefer Tower ~ 6 Saint Paul Street ~ Suite 200 ~ Baltimore, Maryland 21202-1608

Phone 410-767-8740 or 1-800-543-5605 Fax 410-659-0349

Investment Contract Pool

Separate Account Report as of December 31, 2007

Deutsche Asset Management
A Member of the Deutsche Bank Group



Objective

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

Investment Overview

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

Risks

Like all investments, the ICP has risks. There is a possibility that the ICP may not achieve its investment objectives. If an issuer of a contract or a fixed income security defaults on its obligations, the ICP may not maintain its principal value. To minimize this risk, the ICP's investment managers regularly monitor credit ratings and financial strength of the issuers of contracts and fixed income securities.

The MSRP Investment Contract Pool is not a mutual fund, therefore there is no prospectus. It is a separately managed account, that may utilize collective investment trusts as part of its investment strategy.

¹ As rated by Standard & Poor's or equivalent by any other rating services.

Percentages may not sum to 100% due to rounding.

² Since July 2006. Prior to this ING Stable Value Product Group, a division of ING Life Insurance and Annuity Company provided management services.

³ The allocations shown are not necessarily indicative of future allocations. Percentages may not sum to 100% due to rounding.

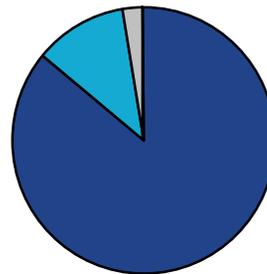
⁴ Performance shown is net of Investment Management fees. Past performance is not indicative of future results. Figures greater than one year are annualized. The returns herein are not necessarily indicative of the returns that may be achieved over the longer term. There is no assurance that comparable returns will be achieved in the future or that the ICP's investment objective will be achieved. The results portrayed reflect the reinvestment of dividends and other earnings. The iMoneyNet Inc. Money Fund Report Averages is a service of iMoneyNet Inc. (formerly the IBC Financial Data Inc.) and are averages for categories of similar money market funds. Investors cannot invest in an average.

ICP Characteristics

| | |
|---------------------------------------|--|
| Assets | \$625 million USD |
| Average Credit Quality ¹ | AA+ |
| Average Duration | 3.08 |
| Quarterly crediting rate (annualized) | 4.96% |
| Inception Date | 1987 |
| Investment Manager | Deutsche Asset Management ² |

Investment Allocation³

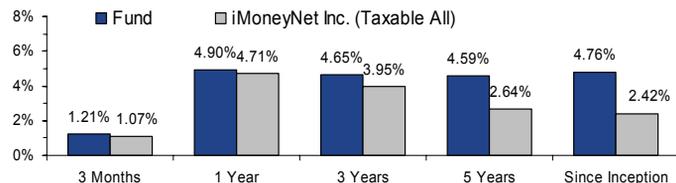
| | |
|----------------------|-------|
| ■ Synthetic GICs | 86.3% |
| ■ Pooled Funds | 11.3% |
| ■ Cash & Equivalents | 2.5% |
| ■ Traditional GICs | 0% |



Credit Profile¹

| | |
|-------------|-------|
| Treasury | 15.9% |
| Agency | 10.9% |
| AAA / A-1 | 55.0% |
| AA+ | 0.4% |
| AA | 1.7% |
| AA- | 0.8% |
| A+ | 1.3% |
| A | 4.2% |
| A- | 1.5% |
| BBB+ | 2.1% |
| BBB | 5.1% |
| BBB- | 0.7% |
| BB+ & Below | 0.4% |

Performance⁴



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



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Strategy Overview

Assets in the Investment Contract Pool are held in trust for the benefit of participants of the MSRP. Participant investments made in the ICP are credited with a daily blended interest rate. Each quarter an anticipated, but not guaranteed, rate is declared. This quoted rate is net of all fees and expenses directly related to the ICP. This average annual expense fee will vary, but typically is approximately 0.35%, annualized. This fee does not include the monthly asset fee assessed on all participants by the Maryland Board of Trustees ("Board") and Nationwide Retirement Solutions, which will total 0.19%, annualized.

The ICP typically invests in the following investments:

(1) Short term cash investments that are primarily available for participant daily liquidity needs; (2) Stable value pooled funds, which are stable value commingled bank trusts; (3) General Account Investment Contracts ("GICs" or "BICs"), which are issued by insurance companies or banks and maintain a constant principal valuation while earning interest; and (4) Synthetic GICs, which also allow for principal stability while earning interest. The key difference is that Synthetic GICs are the result of fixed income portfolios owned by the ICP and managed by independent fixed income managers, which generate investment income to pay interest, combined with wrapper contracts issued by insurance companies, banks, and other high-quality financial institutions, which help maintain the principal stability of the ICP.

ICP Investments⁵

| | | | |
|---------------------------------|-------------------|-----|-------|
| Bank of America, N.A. | Synthetic GIC | AA+ | 24.9% |
| Natixis Financial Products Inc. | Synthetic GIC | AAA | 19.6% |
| Royal Bank of Canada | Synthetic GIC | AA- | 25.0% |
| UBS AG | Synthetic GIC | AA | 16.7% |
| Goode Stable Value Fund | Stable Value Fund | AA+ | 11.3% |
| Bank of New York | Government STIF | AAA | 2.5% |

Fixed Income Managers⁶

| | |
|--|-----------|
| Aberdeen Asset Management | \$125.0 M |
| The Hartford Investment Management Company | \$159.4 M |
| Pacific Investment Management Company | \$127.8 M |
| Western Asset Management Company | \$122.9 M |

ICP Investment Policy

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

Further Information

For information about the Maryland Supplemental Retirement Plans, investment option booklets, and other general information or to arrange educational seminars, please go to the MSRP website at www.msrp.state.md.us. For additional information about the Plans, financial planning calculators, performance information, mutual fund prospectuses, Plan forms, and to enroll or access an account, please log on to the Nationwide Retirement Solutions MSRP participant website at www.MarylandDC.com.

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

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⁵ Percentages represent approximate investment percentage compared to the overall ICP assets and may not sum to 100%. Ratings are by Standard & Poor's or equivalent by any other rating services. The allocations shown are not necessarily indicative of future allocations.

⁶ Fixed income portfolios managed by these fixed income advisors are combined with benefit responsive wrapper contracts to form Synthetic GICs. The allocations shown are not necessarily indicative of future allocations.