



# *Maryland Teachers & State Employees Supplemental Retirement Plans*

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## M E M O R A N D U M

DATE: October 21, 2009  
TO: MSRP Plan Participants  
FROM: Michael T. Halpin, Executive Director

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Recently the Legislative Auditor issued a report concerning the Investment Contract Pool (ICP) maintained as an investment option by the Maryland Supplemental Retirement Plans (MSRP). The MSRP Board of Trustees is pleased to note that the auditors have raised no concerns as to the fundamental safety or soundness of the ICP.

The ICP has been one of the more popular plan options over the last 10 years, and has consistently maintained investor principal. Funds of this type - called generally stable value funds (see [www.stablevalue.org](http://www.stablevalue.org)) typically have a fluctuating market to book value ratio (what the auditors refer to as “unrealized losses”) because the price of the bonds owned by the fund will rise and fall with interest rates and general market conditions. The current ratio (98.4% as of September 30, 2009) is well within acceptable ranges for stable value funds. Stable value funds take these fluctuations – both what the auditors call “unrealized losses” and any gains – into account through gradual changes in interest rates paid to participants.

(continued next page)

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The Trustees never make specific recommendations to invest in any plan investment option; but we do not hesitate to say that the ICP is an appropriate investment option for your consideration. The ICP continues to transact at account value according to the terms of the plans. It is performing as expected, and consistent with overall professional standards of safety and soundness for this type of investment. The auditor's findings and analysis are largely technical in nature and express the auditor's views on various aspects of internal fund reporting. The audit report is neither intended as participant investment advice nor advice on asset management, and both participants and the public should be cautious in using the report for that purpose.

If you are interested in more detail on the ICP and other MSRP investment options, including investment performance for all plan options, the Trustees encourage you to review information on the participants' website at [www.MarylandDC.com](http://www.MarylandDC.com) or the Board's website at [www.msrp.state.md.us](http://www.msrp.state.md.us) . On the Board's website you will be able to read various documents that explain how the ICP works, its overall risks and benefits, and links to a number of internet sources on stable value funds. The full report by the Maryland legislative auditor and the MSRP response is available upon request, or from our website.

MSRP is proud of its record for participant service and investment education. It is gratified that the auditors found no fundamental issues with the safety and soundness of the ICP. Should you have any questions about the ICP or any MSRP investment option, please do not hesitate to contact MSRP at 410-767-8740 or 1-800-543-5605. The Trustees have also provided information to our administrative services provider, Nationwide Retirement Solutions, to answer your questions about the ICP. You can reach Nationwide Retirement Solutions at 443-886-9402 or 1-800-545-4730.