



MSTRP

2016 Comprehensive Annual Financial Report
For the calendars year ended December 31, 2016 & 2015
Maryland Teachers & State Employees Supplemental Retirement Plans
– Pension Trust Funds of the State of Maryland –





MSRP



**Comprehensive Annual Financial Report of the
Maryland Teachers & State Employees Supplemental Retirement Plans**
-Pension Trust Fund of the State of Maryland

For the Calendar Year Ended
December 31, 2016 and 2015

401(k), 457, 403(b) and 401(a) Plans

Lawrence Hogan, Jr. Governor
Boyd Rutherford, Lt. Governor
T. Eloise Foster, Chairperson, Board of Trustees
Michael Halpin, Executive Director
Debra Roberts, Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

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MARYLAND SUPPLEMENTAL RETIREMENT PLANS

Introductory Section



MSRP

Maryland

*Teachers & State Employees
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

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Chairperson

Thomas M. Brandt, Jr.
Margaret A. Bury
Lynne M. Durbin, Esq.
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John D. Lewis
Wilson H. Parran
Johnathan R. West

STAFF

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*Secretary to the Board
Executive Director*

Debra L. Roberts MBA CRC® CPA
Director of Finance

Richard A. Arthur MBA CPM
Technology & Operations Director

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

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Fax: 410-659-0349

*Visit the MSRP Board website at
www.MSRP.state.md.us*

*Call About the Plans
or to Enroll
1-800-545-4730
or Enroll on-line at
www.MarylandDC.com*

A letter from Chairperson T. Eloise Foster

On behalf of the Maryland Supplemental Retirement Plans Board of Trustees, I am pleased to present our Comprehensive Annual Financial Report for the year ended December 31, 2016. This is our seventh year preparing the report in an expanded format. We believe this format continues to deliver quality information and demonstrates that the Plans are worthy of our participants' confidence.

At the close of calendar year 2016, the value of the Plans' assets had increased modestly in response to a strong year for equities. The result was the Plans' combined assets reached an all-time high of over \$3.5 billion. Meanwhile, there was a slight decrease in both contributions and distributions last year that nearly offset each other. We believe that the decrease in transactions and a relative plateau in membership are prelude to an announced, defined-benefit policy change at fiscal year-end. Our response to such changes is to increase and diversify our educational program to better inform a greater number of State employees. We think one visible outcome of those efforts is MSRP's first-place award for excellence in financial education from the national publication *Pensions & Investments*.

Since the implementation of our Roth contribution options nearly five years ago, the number of members making after-tax contributions has steadily grown and recently exceeded 4,000 and accumulated \$25.5 million dollars by the end of 2016 which may eventually be withdrawn tax free. We also attribute this growth primarily to the success of our seminars and communications.

On January 3, 2017 MSRP received another "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association for the December 31, 2015 comprehensive annual financial report. MSRP has received five previous awards and we will continue to pursue this recognition each year signifying the sound administration of the programs and as we encourage all State employees to prepare for their retirement with the Maryland Supplemental Retirement Plans.

Sincerely,

T. Eloise Foster, Chairperson



MSRP

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

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S T A F F

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Executive Director*

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Letter of Transmittal

June 16, 2017

Honorable Chairperson and Members of the Board of Trustees:

It is our pleasure to present the 2016 Comprehensive Annual Financial Report of the Maryland Teachers and State Employees Supplemental Retirement Plans (the "Plans"). The Plans consist of four separate defined contribution plans: 401(k), 457(b), 403(b) and 401(a). Together, the Plans constitute fiduciary funds of the State of Maryland, administered by the Maryland Teachers and State Employees Supplemental Retirement Plans Board of Trustees (the "Board").

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatement.

SB & Company, LLC, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the Plans financial statements for the calendar year ended December 31, 2016. The independent public accountants' report is located at the front of the financial section of this report.

For financial reporting purposes, the Plans follow generally accepted accounting principles as set forth by the Government Accounting Standards Board. In addition to this letter of transmittal, additional narrative, overview and analysis can be found in the Management Discussion and Analysis beginning on page 15.

The Plans are authorized and established by legislation as indicated in the notes to the basic financial statements. Summaries of Plan provisions are presented as well. The purpose of the Plans is to provide benefits for all State of Maryland employees who have elected to participate. Services provided by the staff are performed to meet that objective. The Plans' participation rate as of the end of 2016 was 70.4% of eligible employees, with 44% of eligible employees actively making contributions, both of these participating rates remaining nearly steady from the prior year. New enrollments for the year totaled 3,554 participants, a 14% decrease from the prior year. There was also a 7.1% increase in participants receiving distributions, with 4,657 taking payouts as of December 31, 2016.

Economic Outlook and Condition

During the Plan year ended December 31, 2016, the value of Plan assets increased by 6%, from \$3.34 to \$3.54 billion. Decreased participant distributions coupled with strong market performance boosted the net assets from the prior year. A comparative analysis

of rates of return of MSRP investments and their benchmarks is presented in the investment section of this report, together with schedules of management fees and information relevant to evaluation of asset quality. For the year ended December 31, 2016, the Plans relied on Galliard Capital Management (Galliard) for oversight of the investment contract pool (ICP); and Segal Marco Advisors (formerly Segal Rogerscasey) (Segal) provided general investment advice, and assistance in selection and ongoing evaluations of investment options during this time period.

Revenues and Expenses – Board & Staff

The resources necessary to oversee and manage the Plans are funded by fees collected from MSRP participant accounts. Currently, the Board's share of the participant fee structure is comprised of a 0.05% asset fee and a monthly \$0.50 per account fee on all accounts over \$500 other than in the 401(a) Match Plan. The Board reserve balance at the end of December 31, 2016 was \$405,986. The expenses to operate the Plans include costs associated with investment consulting, audits, staff and educational activities.

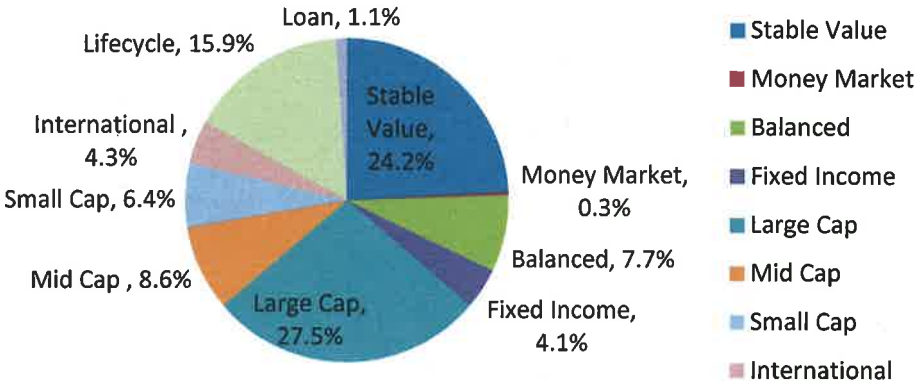
Major Issues and Initiatives

During the August 2016 meeting, the Board of Trustees approved the addition of a managed account service. This professionally managed option is expected to allow for improved diversification, increased expected performance, and facilitate optimal participant asset allocation choices. The ProAccount® program offered by an affiliate of Nationwide Retirement Solutions, the current administrator and record keeper for the Plans, was implemented at the end of January 2017 following approval of a modification of the Administrator's Contract between MSRP and Nationwide Retirement Solutions by the State Board of Public Works.

Investments

The Plans are long-term retirement savings vehicles and are intended as a source of retirement income for voluntary participants who wish to bridge the gap between the State Pension Plan, Social Security and their own retirement needs. The investment policy is included in the investment section of this report. The following charts show the asset allocation for the Plans as of December 31, 2016 and 2015, respectively. See the investment section of the CAFR for a more detailed analysis and additional information.

Asset Allocation as of December 31, 2016



Asset Allocation as of December 31, 2015

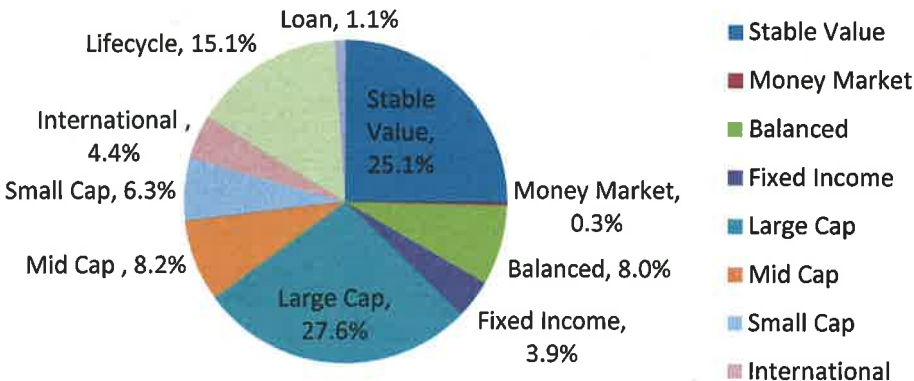


Figure 1: % may be greater than 100% due to rounding

Professional Services

The Board contracts for the services of various independent consulting, investment advisory and financial professionals to assist in carrying out its responsibility to manage the Plans. Plan administration and record keeping services are performed by Nationwide Retirement Solutions. Annual audits of the Plans are conducted by the independent accounting firm of SB & Company, LLC. The 403(b) plan mutual fund custodian of record is Wells Fargo Bank, N.A. Investment advisory and management services for the stable value fund are performed by Galliard Capital Management. Segal Marco Advisors (formerly Segal Rogerscasey) is the investment advisor and general pension consultant for all four Plans. The independent public accountant's report on the basic financial statements is included in the Financial Section of this report. The investment analysis portion of the report, prepared by Segal Marco Advisors, is included in the Investment Section beginning on page 45.

Awards

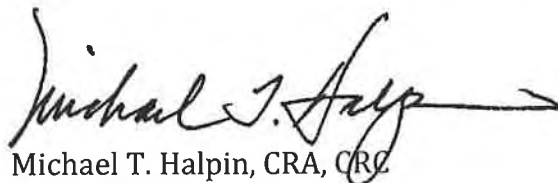
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MSRP for its comprehensive annual financial report for the calendar year ended December 31, 2015. This was the seventh consecutive year that MSRP has achieved this prestigious award. In order to be awarded a Certificate of Achievement, an agency must publish an easily-readable and efficiently-organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Preparation of this report would not have been possible without the dedicated and efficient service of the entire staff. We express our appreciation to all staff that assisted and contributed to the preparation of this report. Credit must also be given to the Board for its unfailing support and higher standards of professionalism in the management of the Plans.

Sincerely,



Michael T. Halpin, CRA, CRC
Executive Director



Debra L. Roberts, MBA, CPA, CRC
Chief Financial Officer

ABOUT THE PLANS

The Maryland Deferred Compensation Program was established for Maryland state employees in 1974 by Executive Order 01.01.1974.19 and under Chapter 433 of the Acts of 1974. Subsequently, the U.S. Congress established the 457 Deferred Compensation Plan for public employees as part of the Internal Revenue Code in 1978. In 1975, enrollment began and a seven-member Board of Trustees administered the plan.

Chapter 741 of the Acts of 1985 brought the 457 Deferred Compensation Plan under the direction of a nine-member Board of Trustees. The statute also gave the Board responsibility and authority for administration of a 403(b) Tax-Deferred Annuity Plan and a 401(k) Savings and Investment Plan. The Maryland 403(b) plan became operational in 1987, and the Maryland 401(k) plan began accepting contributions in 1990, after receipt of a favorable determination letter from the Internal Revenue Service of the U.S. Department of Treasury. These three Plans came to be known as the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP).

Two significant developments occurred during the mid to late 1990s. In 1996, Congress enacted a number of reforms for 457 plans, including the requirement that funds in such plans be held in trust for the exclusive benefit of participating employees. Subsequent legislation (most importantly the Economic Growth and Tax Relief Reconciliation Act, the 2001 comprehensive tax act) gave governmental 457 plans the same rules and benefits that are available in 401(k) plans that are prevalent in the private sector. Then in 1998, the Maryland General Assembly authorized the match program, which makes a dollar-for-dollar matching contribution for eligible State employees that voluntarily contribute to one of the State sponsored supplemental retirement plans. State matching contributions are provided in the State budget, and capped at \$600 per employee, per year. The State contributions for MSRP participants are paid into a separate qualified plan, the 401(a) plan. The State matching contributions were suspended as part of fiscal year 2010 budget legislation; suspensions have also occurred during the previous time of budget stress (FYE 6/30/2004 and 6/30/2005). In FYE 6/30/2009, the State contribution to the match plan was \$20,224,053. Most State employees (except those in certain specialized retirement systems) are eligible for the match in the year it is effective.

The Members of the Board of Trustees are made fiduciaries by statute and are required to operate the Plans for the exclusive benefit of participating employees. The Board hires the necessary staff, administrators, consultants and accountants that are required for efficient and professional operation of the four Plans and their \$3.38 billion in assets. The Board also submits an annual report about the Plans to the Governor and General Assembly.

All funds for Plan administration are paid by charges against participant accounts, including a direct charge that pays the expenses of Board staff. These charges are reflected on participant statements, and since 1987 the Plan administrator, Nationwide Retirement Solutions, is prohibited by its contract from accepting any additional, indirect compensation or commissions from investment providers.

ABOUT THE BOARD

The Maryland Supplemental Retirement Plans are administered by a nine-member Board of Trustees whose members are appointed by the Governor of Maryland to a staggered four-year term. The Governor selects three members from any of the following departments, agencies or boards: the Department of Budget and Management, the Department of Education, the Comptroller of the Treasury, the State Treasurer's Office, the Maryland State Retirement and Pension Systems or the Maryland Higher Education Commission. Three other members are eligible to participate in one or more of the plans, and at least one is eligible for the 403(b) plan. Three additional members represent the general public and are not eligible to participate in the plans. At least one of these members has experience with defined contribution and salary reduction plans.

MSRP Board of Trustees



T. Eloise Foster, Chairperson
State Agency Member



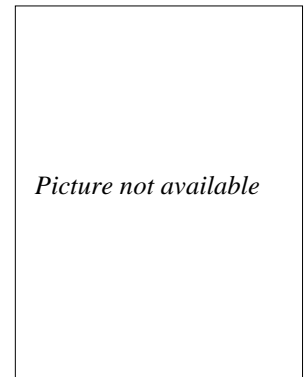
Nancy K. Kopp
Maryland State Treasurer
State Agency Member



Margaret A. Bury
Retirement Administrator, Md.
State Retirement & Pension System
State Agency Member



Wilson H. Parran
Eligible Member



Johnathan R. West
Eligible Member



Thomas M. Brandt, Jr.
Public Member



Lynne M. Durbin
Public Member



John D. Lewis
Public Member



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

PROFESSIONAL SERVICES

Plan Administration

Nationwide Retirement Solutions, Inc

Independent Investment Consultants

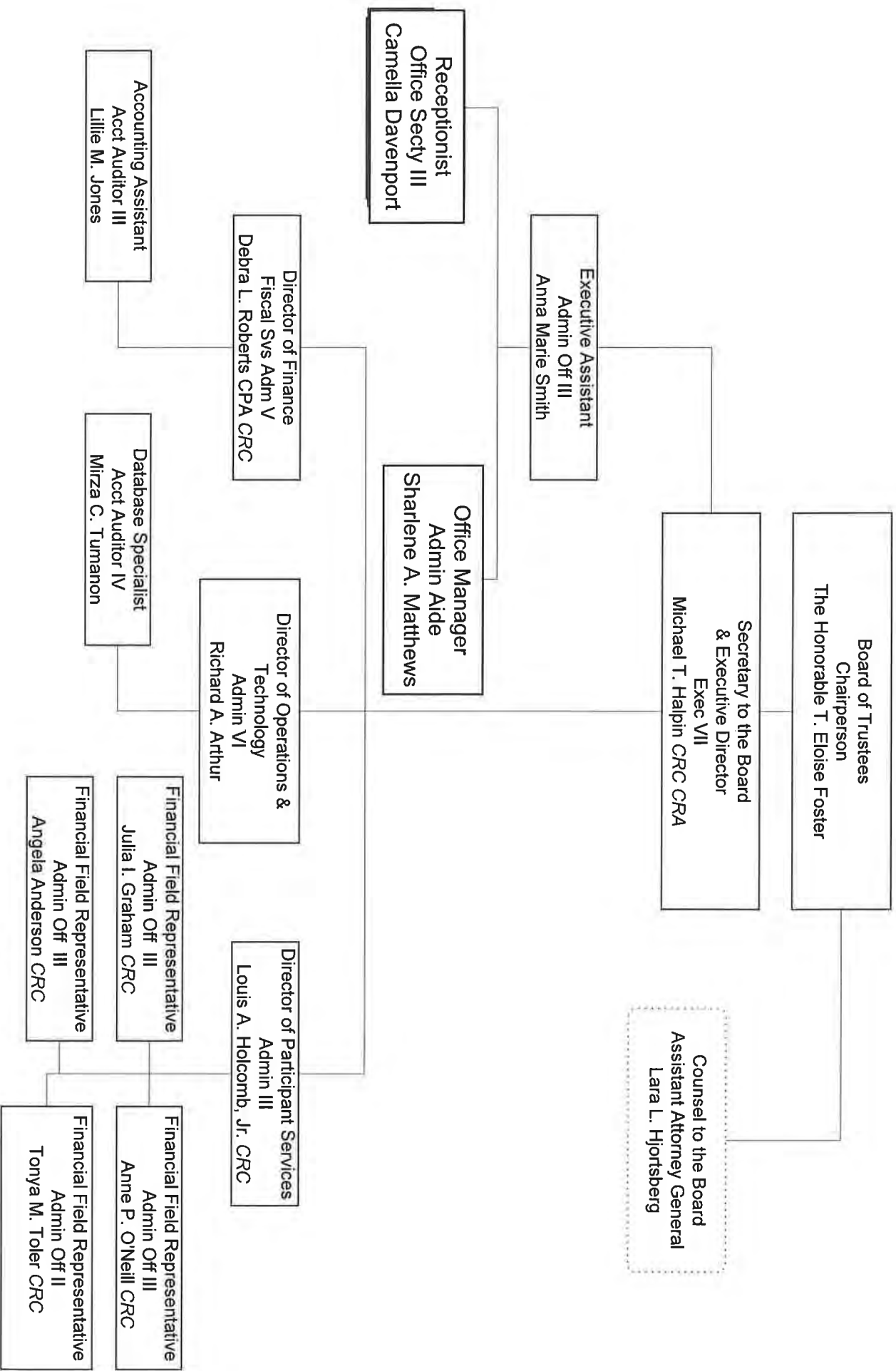
Segal RogersCasey, Inc

Independent Public Accountants

S B& Company, LLC

2016

Maryland Teachers & State Employees Supplemental Retirement Plans



Approved:
February 1, 2017

Michael T. Halpin



MARYLAND SUPPLEMENTAL RETIREMENT PLANS

Financial Section



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying basic and combining financial statements of the State of Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP), which comprise the statements of net position held in trust for deferred compensation benefits as of December 31, 2016 and 2015, the related statements of changes in net position held in trust for deferred compensation benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Opinions

In our opinion, the basic and combining financial statements referred to above present fairly, in all material respects, the respective net position held in trust for deferred compensation benefits of MSRP, as of December 31, 2016 and 2015, and the respective changes in its net position held in trust for deferred compensation benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MSRP's basic financial statements. The accompanying schedule of administrative expenses, introductory section, investment section, statistical section, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of administrative expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, investment section, statistical section, and other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
June 16, 2017

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) has prepared this narrative as an explanatory supplement to the audited financial statements of the Plans for the years ended December 31, 2016 and 2015. The financial statements appear at page 20 of this report. This narrative should be read in conjunction with the financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements for MSRP are prepared in accordance with accounting principles generally accepted in the United States of America as interpreted and applied for governmental defined contribution pension plans by the Governmental Accounting Standards Board (GASB). The statements consist of the comparative Statements of Net Assets Available for Plan Benefits and Statements of Changes in Net Position, together with related note disclosures where necessary or appropriate to explain a particular item or its context. Each Plan—401(k), 403(b), 457 and 401(a)—has a separate, stand-alone financial statement; a combined statement that consolidates the assets and transactions of all four Plans appear on page 24.

The Statement of Changes in Net Position is intended to show the major categories of additions to the Plans from participant contributions and investment earnings and deductions from the Plans for administrative expense and distributions to participants.

The note disclosures are provided as an integral component of the financial statements to help explain in narrative form some of the more complex or less obvious elements of the statements. The notes provide additional information (e.g. significant accounting policies, types of investment risk) that is essential for a comprehensive understanding of the financial condition of the Plans and the results of their operations.

FINANCIAL HIGHLIGHTS – CONSOLIDATED

- Net position available for plan benefits increased by \$197.1 million for the year ended December 31, 2016 from \$3.34 billion as of December 31, 2015 to \$3.54 billion as of December 31, 2016. The net position available for plan benefits declined from \$3.38 billion as of December 31, 2014 to \$3.34 billion as of December 31, 2015.

- The Plans had a net investment gain of \$250.2 million for the year ended December 31, 2016, a net investment loss of \$41.4 million for the year ended December 31, 2015, and a net investment gain of \$172.3 for the year 2014.
- Employee contributions have decreased to \$155.6 million for the year ended December 31, 2016. Employee contributions were \$153.5 million for the year ended December 31, 2014.
- Employer contributions have been virtually eliminated due to the suspension of the State Match program since June 2009; however, there was a small increase from \$9,750 for the year ended December 31, 2015 to \$16,362 for the year ended December 31, 2016.
- Distributions to participants decreased to \$205.6 million for the year ended December 31, 2016 from \$214.6 million for the year ended December 31, 2015 and increased from \$199.5 million for the year ended December 31, 2014. Generally decreases in participate distributions occur during periods of market fluctuations. Ordinarily, increases in distributions are primarily associated with increasing retirements due to an aging participant population.
- Administrative expenses for the Plans are a combination of participant fees paid to the plan administrator, Nationwide Retirement Solutions (NRS), participant fees paid to the Board of Trustees for all other Plan expenses (e.g., fiduciary supervision, participant education programs and agency operations). The combined Plan fees for the year ended December 31, 2016 were \$5.2 million as compared to \$4.6 million for the year ended December 31, 2015. In the preceding year, participant fees totaled \$4.9 million (year ended December 31, 2014). During each of these years, the participant fees included both an asset fee of 0.14% annually (0.09% to NRS and 0.05% to the Board), and a 50¢ per account per month Board fee beginning January 2015 for each account over \$500 in the 401(k), 403(b) and 457 plans. The adoption of the monthly 50¢ per capita fee has successfully stabilized Board administrative income in the past few years.

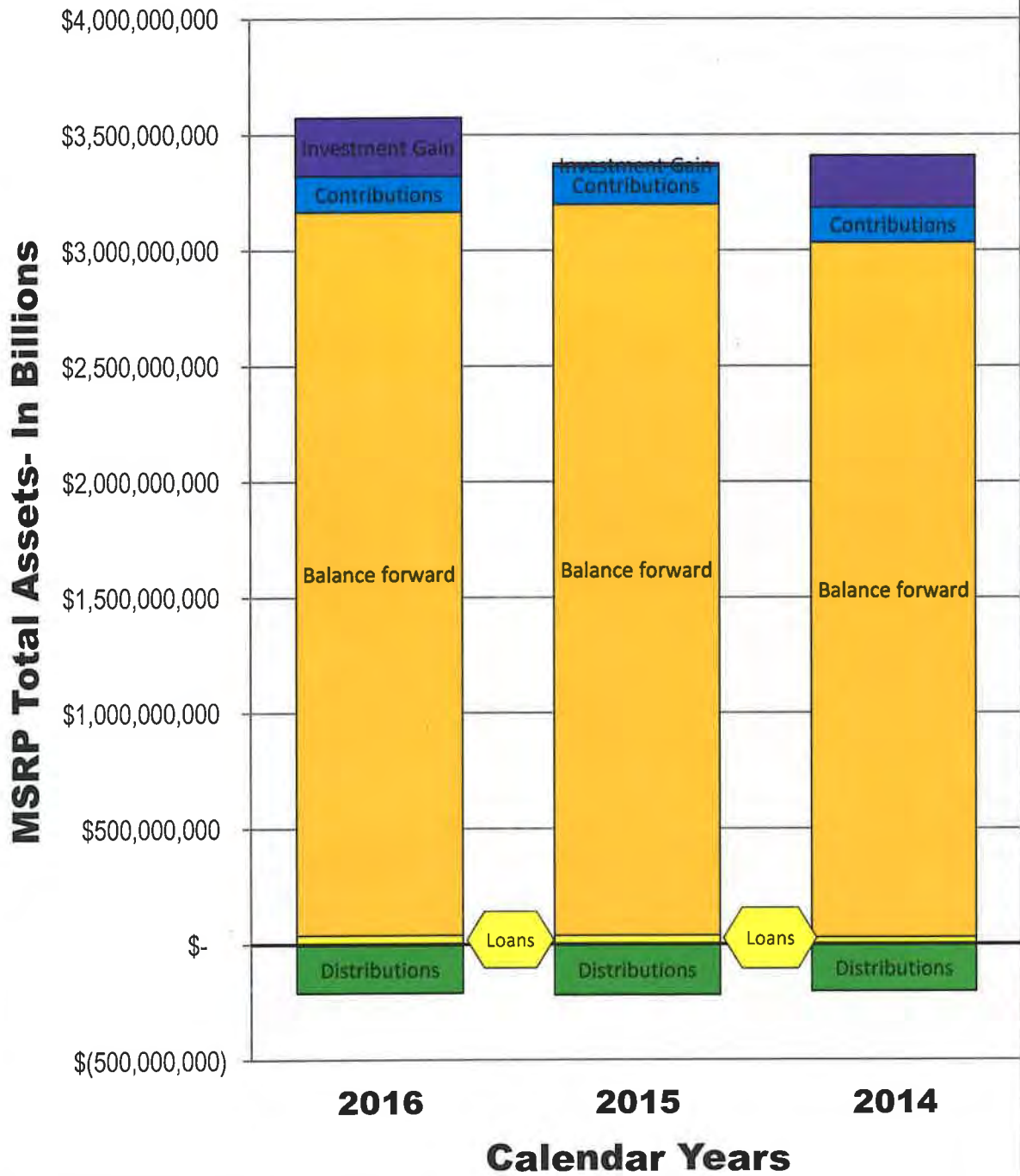
The chart located on the next page illustrates the change in all MSRP assets from calendar year to calendar year from right to left. This is a summary of all four Plans—the 457, 401(k), 403(b) and 401(a) Match Plan—in years 2014, 2015, and 2016. The stacked bar for each year reflects a balance of assets that is increased that year by contributions from participant payroll deductions and transfers. The bar also shows the amounts (negative) paid out in distributions to participants and the amounts of outstanding loans (positive to be paid back by participants). Finally, the top or bottom of each bar indicates the net 12-month investment gain or loss for all Plans as of that year end.

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Net Position Held in Trust for Deferred Compensation Benefits

	2016	2015	2014
ASSETS			
Investments:			
Investment contract pool	\$ 779,300,553	\$ 764,981,938	\$ 770,989,803
Mutual funds	2,638,263,238	2,450,428,312	2,481,339,205
Annuities	75,724,842	81,209,448	85,937,712
Total investments	<u>3,493,288,633</u>	<u>3,296,619,698</u>	<u>3,338,266,720</u>
Cash surrender value of life insurance contracts	3,043,021	3,133,410	3,241,234
Cash	405,986	810,318	582,734
Receivables:			
Employee contributions	120,656	55,867	652,979
Loans receivable	38,366,303	37,491,312	36,728,807
Other receivable	147,036	138,780	140,882
Net Position held in Trust for Deferred Compensation Benefits	<u><u>\$ 3,535,371,635</u></u>	<u><u>\$ 3,338,249,385</u></u>	<u><u>\$ 3,379,613,356</u></u>
ADDITIONS			
Employee contributions	\$ 155,632,594	\$ 163,723,479	\$ 153,458,164
Employer contributions	16,362	9,750	28,418
Variable earnings reimbursements	2,096,421	2,206,440	2,026,395
Investment income:			
Variable earnings investment income	231,765,317	(6,641,027)	202,623,164
Interest income	18,431,370	18,549,979	18,590,728
Total Additions	<u>407,942,064</u>	<u>177,848,621</u>	<u>376,726,869</u>
DEDUCTIONS			
Distributions to participants	205,568,155	214,590,958	199,498,199
Administrative expenses	5,243,677	4,609,909	4,931,985
Life insurance premiums	7,982	11,725	16,098
Total Deductions	<u>210,819,814</u>	<u>219,212,592</u>	<u>204,446,282</u>
Net Increase (Decrease)	197,122,250	(41,363,971)	172,280,587
Net assets held in trust for deferred compensation benefits, beginning of year	<u>3,338,249,385</u>	<u>3,379,613,356</u>	<u>3,207,332,769</u>
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	<u><u>\$ 3,535,371,635</u></u>	<u><u>\$ 3,338,249,385</u></u>	<u><u>\$ 3,379,613,356</u></u>

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





MARYLAND SUPPLEMENTAL RETIREMENT PLANS

Basic Financial Statements

Maryland Supplemental Retirement Plans

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

**Statements of Net Position Held in Trust for Deferred Compensation Benefits
As of December 31, 2016 and 2015**

ASSETS	<u>2016</u>	<u>2015</u>
Investments:		
Investment contract pool	\$ 779,300,553	\$ 764,981,938
Mutual funds	2,638,232,460	2,450,428,312
Annuities	75,755,620	81,209,448
Total investments	<u>3,493,288,633</u>	<u>3,296,619,698</u>
Cash surrender value of life insurance contracts	3,043,021	3,133,410
Cash	405,986	810,318
Receivables:		
Employee contributions	120,656	55,867
Loans receivable	38,366,303	37,491,312
Other receivable	147,036	138,780
Net Position Held in Trust for Deferred Compensation Benefits	<u><u>\$ 3,535,371,635</u></u>	<u><u>\$ 3,338,249,385</u></u>

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

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

**Statements of Combining Net Position Held in Trust for Deferred Compensation Benefits
As of December 31, 2016**

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Investments:					
Investment contract pool	\$ 408,508,213	\$ 340,115,872	\$ 30,676,468	\$ -	\$ 779,300,553
Mutual funds	1,065,336,984	1,338,674,288	146,257,636	87,963,552	2,638,232,460
Annuities	75,755,620	-	-	-	75,755,620
Total Investments	1,549,600,817	1,678,790,160	176,934,104	87,963,552	3,493,288,633
Cash surrender value of life insurance contracts	3,043,021	-	-	-	3,043,021
Cash	405,986	-	-	-	405,986
Receivables:					
Employee contributions	55,161	63,081	-	2,414	120,656
Loans receivable	18,771,984	19,231,327	-	362,992	38,366,303
Other receivable	147,036	-	-	-	147,036
Net Position Held in Trust for Deferred Compensation Benefits	\$ 1,572,024,005	\$ 1,698,084,568	\$ 176,934,104	\$ 88,328,958	\$ 3,535,371,635

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

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

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

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

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

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

**Statement of Changes in Net Position Held in Trust for Deferred Compensation Benefits
For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ADDITIONS TO NET POSITION ATTRIBUTED TO:		
Employee contributions	\$ 155,632,594	\$ 163,723,479
Employer contributions	16,363	9,750
Variable earnings reimbursements	2,096,422	2,206,440
Investment income:		
Variable earnings investment (loss) income	231,765,315	(6,641,027)
Interest income	18,431,370	18,549,979
Total Additions	<u>407,942,064</u>	<u>177,848,621</u>
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:		
Distributions to participants	205,568,155	214,590,958
Administrative expenses	5,243,677	4,609,909
Life insurance premiums	7,982	11,725
Total Deductions	<u>210,819,814</u>	<u>219,212,592</u>
Net increase (decrease)	197,122,250	(41,363,971)
Net position held in trust for deferred compensation benefits, beginning of year	<u>3,338,249,385</u>	<u>3,379,613,356</u>
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	<u>\$ 3,535,371,635</u>	<u>\$ 3,338,249,385</u>

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

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

**Statement of Combining Changes in Net Position Held in Trust for Deferred Compensation Benefits
For the Year Ended December 31, 2016**

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Employee contributions	\$ 66,816,748	\$ 85,851,612	\$ -	\$ 2,964,234	\$ 155,632,594
Employer contributions	-	-	16,363	-	16,363
Variable earnings reimbursements	893,437	1,029,642	117,105	56,238	2,096,422
Investment income:					
Variable earnings investment income	93,374,962	117,842,392	13,602,185	6,945,776	231,765,315
Interest income	11,175,381	6,564,485	537,521	153,983	18,431,370
Total Additions	172,260,528	211,288,131	14,273,174	10,120,231	407,942,064
Deductions:					
Distributions to participants	96,552,120	96,555,381	8,279,501	4,181,153	205,568,155
Administrative expenses	2,567,400	2,348,520	211,615	116,142	5,243,677
Life insurance premiums	7,982	-	-	-	7,982
Total Deductions	99,127,502	98,903,901	8,491,116	4,297,295	210,819,814
Net increase	73,133,026	112,384,230	5,782,058	5,822,936	197,122,250
Net position held in trust for deferred compensation benefits, beginning of year	1,498,890,979	1,585,700,338	171,152,046	82,506,022	3,338,249,385
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	\$ 1,572,024,005	\$ 1,698,084,568	\$ 176,934,104	\$ 88,328,958	\$ 3,535,371,635

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

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

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

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Employee contributions	\$ 66,812,217	\$ 94,255,440	\$ -	\$ 2,655,822	\$ 163,723,479
Employer contributions	-	-	9,750	-	9,750
Variable earnings reimbursements	937,423	1,061,915	127,730	79,372	2,206,440
Investment income:					
Variable earnings investment income	(3,630,492)	(2,596,433)	(102,205)	(311,897)	(6,641,027)
Interest income	11,561,273	6,291,906	541,392	155,408	18,549,979
Total Additions	75,680,421	99,012,828	576,667	2,578,705	177,848,621
Deductions:					
Distributions to participants	99,281,258	99,554,689	9,303,180	6,451,831	214,590,958
Administrative expenses	1,941,980	2,331,324	218,807	117,798	4,609,909
Life insurance premiums	11,725	-	-	-	11,725
Total Deductions	101,234,963	101,886,013	9,521,987	6,569,629	219,212,592
Net decrease	(25,554,542)	(2,873,185)	(8,945,320)	(3,990,924)	(41,363,971)
Net position held in trust for deferred compensation benefits, beginning of year	1,524,445,521	1,588,573,523	180,097,366	86,496,946	3,379,613,356
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	\$ 1,498,890,979	\$ 1,585,700,338	\$ 171,152,046	\$ 82,506,022	\$ 3,338,249,385

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

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maryland Teachers and State Employees Supplemental Retirement Plans (the “MSRP” or “MSRP”) consist of four defined contribution plans that are generally available to all eligible employees and officials of the State of Maryland (the “State”). The Deferred Compensation Plan under Internal Revenue Code (the “Code” or “IRC”) Section 457; Savings and Investment Plan under IRC Section 401(k); the Match Plan under IRC Section 401(a); and the Tax Sheltered Annuity Plan under IRC Section 403(b) (each a “Plan” and collectively, the “Plans”). MSRP had 66,519 participants as of December 31, 2016. MSRP is a fiduciary fund of the State. The MSRP operates pursuant to the provisions of the State Personnel and Pensions Article of the Maryland Code Titles 32 and 35 and is governed by a Board of Trustees (the “Board”).

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

The Savings and Investment Plan (the “401(k) Plan”) was established by the State pursuant to statute effective on July 1, 1985, and is designed to be a tax-qualified 401(k) profit sharing plan.

The Match Plan and Trust (the “401(a) Match Plan”) was established by the State pursuant to Title 32 of the State Personnel & Pensions Article of the Maryland Code and is designed to be a tax-qualified 401(a) defined contribution matching plan.

The Tax Sheltered Annuity Plan (the “403(b) Plan”) was established by the Board of Trustees pursuant to Title 35 of the State Personnel & Pensions Article of the Maryland Code.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Contributions are recognized as additions when due pursuant to formal commitments as well as statutory and contractual commitments. Benefits are recognized when due and payable under Plan provisions.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Risks and Uncertainties

MSRP invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for Plan benefits.

Contributions

Eligible employees of the State may contribute to the 457 Plan, 401(k) Plan, or the 403(b) Plan through payroll deductions. As required by the Internal Revenue Code ("IRC"), MSRP limits the amount of an individual's annual contributions to an amount not to exceed the lesser of \$18,000 for the years ended December 31, 2016 and 2015, or 100% of their annual compensation, as defined by the IRC. Additional "catch-up" contributions are available for those age 50 and over across all Plans. In addition, participants who contribute to the 457 Plan may under certain circumstances contribute additional sums in the three years prior to retirement. The limits are subject to an annual cost of living adjustment. Amounts contributed by employees are deferred for Federal and State income tax purposes until benefits are paid to the employees. Contributions of \$2.0 million were made to the Roth accounts by approximately 4,038 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2016. Contributions of \$6.3 million were made to the Roth accounts by approximately 3,592 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2015.

Under Title 32 of the State Personnel & Pension Article and to the extent funds are provided in the State budget, the State may contribute to each participant's 401(a) Match Plan account an amount equal to the participant's contributions to one of the Plans during the same plan year. The statutory ceiling for these amounts is \$600 per participant for each State fiscal year. Contributions are credited to the investment option selected by the employee/Plan participant. For the period July 1, 2009 through the year ended December 31, 2016, the State suspended the match contribution.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Participant Accounts

Employee contributions receivable represents amounts withheld from employees' pay but not remitted to the investment carriers as of December 31. Contributions are credited to the applicable investment option upon receipt from the State. Employee contributions are fully vested at all times. The State does not make any contributions to the 457 Plan, 401(k) Plan, or 403(b) Plan, but the State does make certain matching contributions to a separate tax qualified 401(a) Plan, as noted supra.

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

- The investment contract pool (The "ICP"). The ICP is a book value/constant principal investment fund that periodically adjusts the rates paid to participants in order to account for the income, gains and losses of the portfolio. It is made up of a collection of book value investments: a money market fund, guaranteed investment contracts written by insurance companies, and synthetic guaranteed investment contracts written by insurance companies and other financial institutions. This option is not available in the 403(b) Plan.
- Mutual funds

Payment of Benefits

Employees investing in the Plans may withdraw the value of their accounts in accordance with IRC rules and the terms of the respective Plan. Distributions are generally available upon termination of employment, or financial hardship. Additionally, employees are eligible to collect distributions from the 401(k) and 403(b) Plans upon attainment of age 59 ½.

Employees eligible to receive benefits may select various payout options, which include lump sum, periodic or annuity payments. Purchased annuity payout options are offered by Nationwide Life Insurance Company and Metropolitan Life Insurance Company.

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

Amounts in participant's account are paid to the designated beneficiary at the employee's death.

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

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Participant Loans

Participants may borrow from their accrued benefit balance in accordance with Plan provisions and applicable IRC regulations; however, loans are not available from the 401(a) Match Plan. The maximum amount a participant may borrow is equal to the lesser of (a) 50% the value of his or her account or (b) \$50,000. Interest on loans is determined by a reference rate set by the Board.

In accordance with IRC requirements, all loans must be repaid on a periodic basis, not less than quarterly, over a period not to exceed five years. Loans used to acquire, construct, reconstruct or substantially rehabilitate a dwelling that is to be used as a principal residence may extend for a longer term.

Investment Valuation and Income Recognition

The Investment Contract Pool (ICP) investment option – The ICP is shown in the statements under the category of investments, and is valued at contract value. The ICP is managed by Galliard Capital Management under a management agreement with the Board of Trustees. Interest rates are reset monthly.

During 1997, a master trust (the “Master Trust”) was established to hold ICP/assets underlying this investment option. Under the Master Trust arrangement, assets of participants who participate in the 457 Plan, the 401(k) Plan, and/or the 401(a) Match Plan are combined and held in the Master Trust. Each Plan has an undivided but measurable interest in the assets held by the Master Trust. The practice is permitted by IRC Rev. Rul. 81-100 and Rev. Rul. 2011-1. Mutual fund assets held in the 403(b) Plan are held in a master custodial account as required by IRC 403(b)(7).

The ICP is valued at contract value, which represents contributions received plus interest earned to date, less applicable charges and amounts withdrawn.

Mutual fund investment options - Mutual fund investments are presented at fair value based on net assets value as reported by the investment carrier. All purchases and sales of investments are recorded on a trade-date basis.

Earnings are accrued to an individual participant’s account based upon the investment performance of the specific options selected.

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

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Surrender Value

Participants have made premium payments on life insurance contracts held in the 457 Plan through salary deferral. The cash surrender value of these contracts is based on reporting by the life insurance company. This option is no longer available to new participants but participants with policies may continue to make contributions.

Mutual Fund Reimbursements

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

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

2. INVESTMENTS AND INVESTMENT INCOME

Part 1: 457 Plan

Investments held including a discontinued group annuity contract and annuity reserves held by Nationwide Life and Metropolitan Life, as of December 31, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Fixed Investments - Investment Contract Pool	\$ 408,508,213	\$ 404,621,697
Vanguard Institutional Index Fund - Institutional Plus Shares	182,395,719	169,640,915
Fidelity(R) Puritan Fund	119,490,197	121,355,194
Vanguard Mid Cap Index Fund - Institutional Plus Shares	77,571,928	74,028,052
Delaware Value Fund - Institutional Class	74,827,759	-
American Funds - Growth Fund of America® - Class R6	62,879,847	60,293,314
T Rowe Price Institutional Small Cap Stock Fund, Inc.	57,795,169	-
American Century Equity Growth Fund - Institutional Class	48,998,907	48,716,940
American Funds - Euro Pacific Growth® - Class R6	48,500,343	50,909,244
T Rowe Price Retirement 2020 Fund	41,678,356	39,388,932
TCW Core Fixed Income Fund - I Class	39,574,094	-
T Rowe Price Mid Cap Value Fund, Inc. - Retail Shares	36,970,672	27,843,947
T Rowe Price Retirement 2030 Fund	36,882,752	31,524,040
T Rowe Price Retirement 2025 Fund	36,136,072	30,236,887
Vanguard Small-Cap Index Fund-Institutional Shares	35,436,014	30,006,119
T Rowe Price Retirement 2015 Fund	24,951,068	25,408,422
T Rowe Price Retirement 2035 Fund	23,648,520	19,898,817
T Rowe Price Retirement 2040 Fund	22,067,701	18,735,897
T Rowe Price Retirement 2045 Fund	13,571,436	11,195,594
Janus Enterprise Fund - N Shares	13,410,079	11,872,664
Parnassus Core Equity Fund - Institutional Shares	13,372,606	9,959,376
Vanguard Total Bond Market Index Fund - Institutional Shares	12,473,755	8,712,513
T Rowe Price Retirement 2050 Fund	10,412,532	7,825,514
T Rowe Price Retirement 2010 Fund	10,301,074	9,860,247
Vanguard Total International Stock Index Fund - Institutional Shares	9,079,967	8,173,534
T Rowe Price Retirement 2055 Fund	5,377,139	3,637,045
T Rowe Price Retirement Balanced Fund	4,400,258	4,397,974
T Rowe Price Retirement 2005 Fund	2,473,014	3,667,904
T Rowe Price Retirement 2060 Fund	660,006	147,771
PIMCO Total Return Fund - Institutional Shares	-	41,380,411
T Rowe Price Small Cap Stock Fund, Inc.	-	50,359,694
Goldman Sachs Large Cap Value Fund - Institutional Shares	-	71,697,099
Total Mutual Funds	1,065,336,984	990,874,060
Discontinued investment options - Nationwide Fixed Annuities	62,606,802	66,683,536
Nationwide Life annuity payout reserves	9,467,767	10,611,732
Metropolitan Life annuity payout reserves	3,681,051	3,914,180
Total Annuities	75,755,620	81,209,448
Total Investments	\$ 1,549,600,817	\$ 1,476,705,205

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 2: 401(k) Plan

Investments held as of December 31, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Fixed Investments - Investment Contract Pool	\$ 340,115,872	\$ 328,927,692
Vanguard® Institutional Index Fund - Institutional Plus Shares	265,417,027	243,764,402
Fidelity(R) Puritan Fund	119,520,915	119,400,622
The Growth Fund of America®, - Class R6	93,479,346	88,909,584
Vanguard® Mid-Cap Index Fund - Institutional Plus Shares	90,908,005	86,080,248
T. Rowe Price Institutional Small-Cap Stock Fund	79,439,344	-
T. Rowe Price Retirement 2020 Fund	77,478,810	68,986,300
Delaware Value Fund - Institutional Class	66,728,967	-
EuroPacific Growth Fund® - Class R6	63,836,707	66,680,158
T. Rowe Price Retirement 2025 Fund	59,154,419	51,398,948
TCW Core Fixed Income Fund - I Class	57,816,064	-
American Century Equity Growth Fund - Institutional Class	57,297,548	54,985,545
Vanguard® Small-Cap Index Fund - Institutional Shares	45,790,041	41,581,001
T. Rowe Price Retirement 2030 Fund	44,067,205	37,747,664
T. Rowe Price MidCap Value Fund, Inc. - Retail Shares	43,379,398	32,871,099
T. Rowe Price Retirement 2015 Fund	39,556,439	36,847,110
T. Rowe Price Retirement 2035 Fund	22,798,347	19,539,005
T. Rowe Price Retirement 2040 Fund	17,323,605	15,265,261
Janus Enterprise Fund - N Shares	17,167,101	14,180,460
Vanguard® Total Bond Market Index Fund - Institutional Shares	17,123,360	13,680,358
T. Rowe Price Retirement 2010 Fund	14,840,367	14,783,077
Parnassus Core Equity Fund - Institutional Shares	13,572,992	11,614,993
Vanguard Total International Stock Index Fund - Institutional Shares	9,710,968	8,706,901
T. Rowe Price Retirement 2045 Fund	7,523,731	6,153,860
T. Rowe Price Retirement 2050 Fund	4,440,300	3,717,800
T. Rowe Price Retirement Balanced Fund	4,335,616	4,520,476
T. Rowe Price Retirement 2005 Fund	3,138,689	2,918,058
T. Rowe Price Retirement 2055 Fund	2,279,535	1,892,309
T. Rowe Price Retirement 2060 Fund	549,442	244,169
T. Rowe Price Small-Cap Stock Fund, Inc.	-	70,248,370
Goldman Sachs Large Cap Value Fund - Institutional Class	-	62,969,995
PIMCO Total Return Fund - Institutional Shares	-	57,986,698
Total Mutual Funds	<u>1,338,674,288</u>	<u>1,237,674,471</u>
Total Investments	<u>\$ 1,678,790,160</u>	<u>\$ 1,566,602,163</u>

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 3: 401(a) Plan

Investments held as of December 31, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Fixed Investments - Investment Contract Pool	\$ 30,676,468	\$ 31,432,549
Vanguard Institutional Index Fund - Institutional Plus Shares	40,295,117	37,975,405
Fidelity(R) Puritan Fund	14,581,801	14,807,861
Vanguard Mid Cap Index Fund - Institutional Plus Shares	11,537,908	10,849,571
T Rowe Price Institutional Small Cap Stock Fund, Inc.	9,737,226	-
Delaware Value Fund - Institutional Class	9,676,350	-
American Funds - Growth Fund of America	9,386,965	9,183,602
American Century Equity Growth Fund - Institutional Class	9,038,979	8,715,574
American Funds - Euro Pacific Growth	5,467,541	5,793,911
T Rowe Price Retirement 2020 Fund	5,044,196	4,876,977
T Rowe Price Retirement 2025 Fund	4,430,838	4,203,624
TCW Core Fixed Income Fund - I Class	4,060,107	-
T Rowe Price Retirement 2030 Fund	4,030,911	3,800,909
Vanguard Small-Cap Index Fund-Institutional Shares	3,983,895	3,577,066
T Rowe Price Mid Cap Value Fund, Inc.	2,983,996	2,392,293
T Rowe Price Retirement 2035 Fund	2,684,030	2,511,064
T Rowe Price Retirement 2015 Fund	2,611,842	2,651,356
T Rowe Price Retirement 2040 Fund	2,017,221	1,863,841
T Rowe Price Retirement 2045 Fund	899,685	874,229
Janus Enterprise Fund - N Shares	877,624	828,989
T Rowe Price Retirement 2010 Fund	783,736	827,050
Parnassus Core Equity Fund - Institutional Shares	567,468	470,298
Vanguard Total Bond Market Index Fund - Institutional Shares	455,744	331,385
T Rowe Price Retirement 2050 Fund	374,566	371,191
Vanguard Total International Stock Index Fund - Institutional Shares	287,922	287,443
T Rowe Price Retirement Balanced Fund	221,759	178,348
T Rowe Price Retirement 2005 Fund	130,481	120,806
T Rowe Price Retirement 2055 Fund	71,061	68,423
T Rowe Price Retirement 2060 Fund	18,667	14,595
T Rowe Price Small Cap Stock Fund, Inc.	-	8,615,937
PIMCO Total Return Fund-Institutional Shares	-	4,285,360
Goldman Sachs Large Cap Value Fund - Institutional Class	-	9,242,389
Total Mutual Funds	<u>146,257,636</u>	<u>139,719,497</u>
Total Investments	<u>\$ 176,934,104</u>	<u>\$ 171,152,046</u>

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 4: 403(b) Plan

Investments held as of December 31, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Vanguard(R) Institutional Index Fund - Institutional Plus Shares	\$ 15,855,113	\$ 14,404,671
Vanguard® Mid-Cap Index Fund - Institutional Plus Shares	9,280,273	8,585,252
Fidelity(R) Puritan Fund	8,659,003	8,749,006
Delaware Value Fund - Institutional Class	7,096,132	-
Vanguard Federal Money Market Fund - Investor Class	6,142,607	-
The Growth Fund of America®, - Class R6	4,296,218	4,234,802
American Century Equity Growth Fund - Institutional Class	3,865,379	3,679,204
Great West Life Assurance Company	3,565,448	3,573,245
TCW Core Fixed Income Fund - I Class	3,413,497	-
EuroPacific Growth Fund® -Class R6	3,212,105	3,539,989
Vanguard® Small-Cap Index Fund - Institutional Shares	3,146,526	2,888,361
T. Rowe Price Institutional Small-Cap Stock Fund	2,583,642	-
T. Rowe Price MidCap Value Fund, Inc.- Retail Shares	2,484,349	1,877,395
Janus Enterprise Fund - N Shares	2,015,319	1,666,937
T. Rowe Price Retirement 2020 Fund	1,959,470	1,508,856
Vanguard® Total Bond Market Index Fund - Institutional Shares	1,736,327	1,324,611
T. Rowe Price Retirement 2015 Fund	1,656,334	1,713,198
Parnassus Core Equity Fund - Institutional Shares	1,166,767	369,919
T. Rowe Price Retirement 2025 Fund	1,154,240	1,220,752
T. Rowe Price Retirement 2040 Fund	1,069,371	988,384
Vanguard Total International Stock Index Fund - Institutional Shares	827,335	859,563
T. Rowe Price Retirement 2010 Fund	720,607	702,783
T. Rowe Price Retirement 2030 Fund	598,251	506,501
T. Rowe Price Retirement Balanced Fund	443,412	356,706
T. Rowe Price Retirement 2035 Fund	351,029	336,998
T. Rowe Price Retirement 2005 Fund	277,766	529,697
T. Rowe Price Retirement 2045 Fund	236,976	217,394
T. Rowe Price Retirement 2050 Fund	105,238	83,191
T. Rowe Price Retirement 2060 Fund	39,572	18,411
T. Rowe Price Retirement 2055 Fund	5,246	27,212
Goldman Sachs Large Cap Value Fund, Institutional Class	-	6,621,458
PIMCO Total Return Fund-Institutional Shares	-	3,273,495
T. Rowe Price Small Cap Stock Fund, Inc.	-	2,757,488
Vanguard(R) Prime Money Market Fund - Institutional Shares	-	5,544,805
Total Mutual Funds	\$ 87,963,552	\$ 82,160,284

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2016 and 2015

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 5: MSRP – All Plans Summary

Investments held including a discontinued group annuity contract and annuity reserves held by Nationwide Life and Metropolitan Life, as of December 31, 2016 and 2015, were as follows:

	2016	2015
Fixed Investments - Investment Contract Pool	\$ 779,300,553	\$ 764,981,938
Vanguard Institutional Index Fund - Institutional Plus	503,962,976	465,785,392
Fidelity Puritan Fund	262,251,916	264,312,684
Vanguard Mid Cap Index Fund - Institutional Plus Shares	189,298,114	179,543,123
Delaware Value Fund - Institutional Class	158,329,208	-
T Rowe Price Small Cap Stock Fund, Inc.	149,555,381	131,981,487
T Rowe Price Retirement 2020 Fund	126,160,832	114,761,065
American Century Equity Growth Fund - Institutional Class	119,200,813	116,097,264
TCW Core Fixed Income Fund - I Class	104,863,762	-
T Rowe Price Retirement 2025 Fund	100,875,569	87,060,212
The Growth Fund of America®, - Class R6	97,775,564	93,144,386
Vanguard Small-Cap Index Fund - Institutional Shares	88,356,476	78,052,545
T Rowe Price Retirement 2030 Fund	85,579,119	73,579,113
American Funds - Growth Fund of America	72,266,812	69,476,916
T Rowe Price Retirement 2015 Fund	68,775,683	66,620,086
EuroPacific Growth Fund® - Class R6	67,048,812	70,220,148
American Funds - Euro Pacific Growth Fund	53,967,884	56,703,155
T Rowe Price Retirement 2035 Fund	49,481,926	42,285,884
T. Rowe Price MidCap Value Fund, Inc. - Retail Shares	45,863,747	34,748,494
T Rowe Price Retirement 2040 Fund	42,477,898	36,853,383
T Rowe Price Mid Cap Value Fund, Inc.	39,954,668	30,236,240
Janus Enterprise Fund - N Shares	33,470,123	28,549,050
Vanguard Total Bond Market Index Fund - Institutional Shares	31,789,186	24,048,867
Parnassus Core Equity Fund - Institutional Shares	28,679,833	22,414,587
T Rowe Price Retirement 2010 Fund	26,645,784	26,173,158
T Rowe Price Retirement 2045 Fund	22,231,828	18,441,078
Vanguard Total International Stock Index Fund - Institutional Shares	19,906,192	18,027,439
T Rowe Price Retirement 2050 Fund	15,332,636	11,997,696
T Rowe Price Retirement Balanced Fund	9,401,045	5,055,531
T Rowe Price Retirement 2055 Fund	7,732,981	5,624,989
Vanguard Federal Money Market Fund - Investor Class	6,142,607	-
T Rowe Price Retirement 2005 Fund	6,019,950	7,236,463
Great West Life Assurance Company	3,565,448	3,573,245
T Rowe Price Retirement 2060 Fund	1,267,687	424,948
Goldman Sachs Large Cap Value Fund - Institutional Class	-	150,530,941
PIMCO Total Return Fund - Institutional Shares	-	106,925,964
T Rowe Price Retirement Income Fund	-	4,397,974
Vanguard Prime Money Market Fund - Institutional Shares	-	5,544,805
Total Mutual Funds	2,638,232,460	2,450,428,312
Discontinued investment options - Nationwide Fixed Annuities	62,606,802	66,683,536
Nationwide Life annuity payout reserves	9,467,767	10,611,732
Metropolitan Life annuity payout reserves	3,681,051	3,914,180
Total Annuities	75,755,620	81,209,448
Total Investments	\$ 3,493,288,633	\$ 3,296,619,698

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2016 and 2015

2. INVESTMENTS AND INVESTMENT INCOME (continued)

ICP interest income in the 457, 401(k) and 401(a) Plans is recorded based upon a blended rate of the contractual interest of all investment contracts in effect during the period. These amounts are credited to the participants' accounts prior to charges for administrative expenses charged by Nationwide Retirement Solutions, the administrator of the Plans ("NRS"), and the Board. The blended gross interest rate was 1.75% as of December 31, 2016, and ranged from 1.71% to 1.81% during the year ended December 31, 2016. The blended gross interest rate was 1.72% as of December 31, 2015, and ranged from 1.63% to 1.78% during the year ended December 31, 2015. The contract value as of December 31, 2016 and 2015, was \$779,300,553 and \$764,981,938, respectively. The fair market value as of December 31, 2016 and 2015, was \$777,501,220 and \$769,233,514, respectively, and the wrapper value was \$0 and \$113,443, respectively.

The Nationwide Life fixed annuities in the 457 Plan reflect investments made under a fixed group annuity contract with Nationwide Life. That contract has been closed to new contributions since January 1, 1987.

Interest income on investments in Nationwide Life fixed annuities and annuity payout reserves are recorded as earned on an accrual basis. Beginning in 1982, based upon the date of contribution, Nationwide Life initiated a plan for paying different rates to specific pools of money. The gross interest rate paid on fixed annuity contributions was 3.6% as of December 31, 2016, and was 3.6% as of December 31, 2015.

The 403(b) Plan includes a closed fixed earnings investment with the Great-West Fixed Investment Fund and is valued at contract value, which represents costs plus interest credited at guaranteed rates (subject to quarterly market adjustments, as reported by Great-West as of December 31). These amounts are credited to the participants' accounts prior to charges for administration expenses charged by NRS and the Board. The gross interest rate paid on contributions to this investment was 4.0% in both 2016 and 2015. This option is not open for new contributions or exchanges.

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

MSRP discloses investment risks below, in accordance with GASB Statement No. 40, which defines these risks as follows:

Interest Rate Risk. Interest risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to an investment in a single issuer.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either (a) the counterparty, or (b) the counterparty’s trust department or agent but not in MSRP’s name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

Average Maturities. The investments and weighted average maturities as of December 31, 2016 and 2015, were as follows:

	December 31, 2016	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 779,300,553	3.0 years
Variable earnings:		
TCW Core Fixed Income Fund - I Class	104,863,762	7.2 years
Great-West Fixed Investment Fund	3,565,448	3.2 years
Variable earnings:		
Vanguard Federal Money Market Fund - Investor Class	6,142,607	.13 years

Note: The ICP is only available in the 457, 401(k) and 401(a) Match Plans. The Great-West Fixed Investment Fund and the Vanguard Prime Money Market Fund are only available in the 403(b) Plan.

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

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

Note: The ICP is only available in the 457, 401(k) and 401(a) Match Plans. The Great-West Fixed Investment Fund and the Vanguard Prime Money Market Fund are only available in the 403(b) Plan.

Interest rate risk, credit risk and concentration of credit risk. Since all investments are participant directed, all risks are at the participant level. Each participant has the ability to liquidate his/her positions on demand and has responsibility for managing his/her exposure to fair value loss. Participants have the option to change their investment options at any time and to any investment available to alter their interest rate risk.

The ICP had a reported credit rating of AA for the years ended December 31, 2016 and 2015. Mutual Funds are not rated.

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

All deposits of MSRP, consisting of amounts held by the agency for an administrative expense, are held on behalf of MSRP by the State in accordance with the formal deposit policy for custodial credit risk of the State.

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

3. FAIR VALUE MEASUREMENTS

Government Accounting Standards Board Statement number 72 (GASB 72), Fair Value Measurements and Application, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 – that are observable for the asset or liability, either directly or indirectly (For example, quoted prices for similar assets or liabilities in active markets).

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

MSRP categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The plan has the following recurring fair value measurements as of December 31, 2016:

Bond and Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
As of December 31, 2016				
Investments by fair value level				
Bond and Equity Securities				
Target Date Retirement Funds	\$ 552,581,893	\$ 552,581,893	\$ -	\$ -
Bonds	136,652,948	136,652,948	-	-
Balanced	271,652,961	271,652,961	-	-
Large-Cap Stocks	980,215,206	980,215,206	-	-
Mid-Cap Stocks	308,586,652	308,586,652	-	-
Small-Cap Stocks	237,911,857	237,911,857	-	-
International Stocks	140,922,888	140,922,888	-	-
Total Investments by fair value level	<u>\$ 2,628,524,405</u>	<u>\$ 2,628,524,405</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured on other basis				
Investment Contract Pool (ICP) (contract value)	\$ 779,300,553			
Annuities (NAV)	75,755,620			
Life Insurance Contracts (Cash surrender value)	3,565,448			
Money Markets (Amortized cost)	6,142,607			
Total Investments measured on other basis	<u>\$ 864,764,228</u>			

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

3. FAIR VALUE MEASUREMENTS (continued)

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
As of December 31, 2015				
Investments by fair value level				
Bond and Equity Securities				
Target Date Retirement Funds	\$ 495,456,049	\$ 495,456,049	\$ -	\$ -
Bonds	130,974,831	130,974,831	-	-
Balanced	269,368,215	269,368,215	-	-
Large-Cap Stocks	917,449,486	917,449,486	-	-
Mid-Cap Stocks	273,076,907	273,076,907	-	-
Small-Cap Stocks	210,034,032	210,034,032	-	-
International Stocks	144,950,742	144,950,742	-	-
Total Bond and Equity Securities	<u>\$ 2,441,310,262</u>	<u>\$ 2,441,310,262</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured on other basis				
Investment Contract Pool (ICP) (contract value)	\$ 764,981,938			
Annuities (NAV)	81,209,448			
Life Insurance Contracts (Cash surrender value)	3,573,245			
Money Markets (Amortized cost)	5,544,805			
Total Investments measured on other basis	<u>\$ 855,309,436</u>			

4. LIFE INSURANCE

In the 457 Plan, the amount of life insurance in force with Unum Life was approximately \$6,414,175 and \$6,725,417 as of December 31, 2016 and 2015, respectively. Participants in the 457 Plan contributed \$7,981 and \$11,725 towards premiums for life insurance contracts offered by Unum Life during the years ended December 31, 2016 and 2015, respectively. At the time of retirement or termination of employment from the State, these participants have the option of continuing to make the life insurance premium payments or to receive the cash surrender value of the policy. This option is no longer available to new participants, and only participants with policies may continue to make contributions to this option.

5. ADMINISTRATIVE EXPENSES

The Board has appointed NRS, as the administrator under an administrative services contract. NRS is a subsidiary of Nationwide Financial Services, Inc., the owner of Nationwide Life and provider of certain 457 Plan fixed annuities that are no longer available to new participants or for exchanges from other plan investments.

The current contract with NRS to provide administrative services to MSRP under Board authority became effective January 1, 2013. Under the agreement, NRS provides administrative services, such as account statements, monitoring financial transactions, participant relations, and general management. Fees were charged by NRS at an annual rate of 0.09% in both 2016 and 2015, against the mutual fund, ICP and fixed annuity assets.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2016 and 2015

5. ADMINISTRATIVE EXPENSES (continued)

During 2016 and 2015, an additional charge of 0.05% was imposed by MSRP for its expenses (staff, auditor, consultants, education and other administrative expenses). The fees are collected directly from participants' accounts.

During 2016 and 2015, an additional fee of \$0.50 per month was charged for each account with a balance greater than \$500 in the 457, 401(k), and 403(b) Plans. The fee will be used to stabilize revenue for Board operations. The annual cap on participant charges was \$2,000 for 2016 and 2015.

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

The cash balance in the accompanying financial statements as of December 31, 2016 and 2015, represents charges assessed by the Board from all Plans and held as pooled cash by the Maryland State Treasurer in excess of expenses paid on behalf of the Board. By State law, this amount does not revert to the general fund of the State but constitutes a dedicated fund or reserve for use by the Plans, pursuant to the usual State appropriation process.

The cash reserve balance was \$469,027 and \$619,345 as of December 31, 2016 and 2015, respectively. In addition, the appropriate funds and cash reserves are carried on the 457 Plan financial statements as a matter of historical practice, arising from the period prior to 1990 when the 457 Plan was the only Plan operated by the Board and all 457 Plan assets, including the cash reserves were general non-trust funds of the State.

6. TAX STATUS

In the opinion of the State's legal counsel, the Plans are exempt from income taxes under the applicable section of the IRC and, therefore, the amounts contributed by the State on behalf of the employees participating in Plans are not subject to Federal income tax withholding nor are they includable in taxable income until actually paid or otherwise made available to the participant, the participant's beneficiary, or the participant's estate.

7. RELATED PARTIES

Certain members of the Board are participants in one or more Plans in the MSRP.

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

8. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

During the fiscal year ended December 31, 2016, the MSRP adopted GASB No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. See Note 3 for more information on fair value measurements. The MSRP also adopted GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB 67 and 68*, GASB No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB No. 79, *Certain External Investment Pools and Pool Participants*. The adoption of GASB 72 added material disclosures to the financial statements. There are no significant changes to the financial statements from the adoption of the remaining above GASB statements.

As of the year ended December 31, 2016, GASB issued GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB No. 80, *Blending Requirements for Certain Component Units – and amendment of GASB Statement No. 14*, and GASB No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. These statements may have a material effect on the MSRP financial statements once implemented. The MSRP will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

ADDITIONAL INFORMATION

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

**Schedule of Administrative Expenses
For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Plan Administrator		
Third party administrator fees	\$ 3,662,849	\$ 2,999,090
Plan Sponsor*		
Salaries, wages and fringe benefits	1,252,561	1,179,174
Technical and special fees	-	2,427
Communications	19,279	6,661
Travel (in-state and out-of-state)	20,659	19,823
Contractual services	279,367	298,242
Supplies and materials	10,404	8,794
Equipment and furnishings	10,986	78
Fixed charges	137,890	150,571
Plan Sponsor Expenses	<u>1,731,146</u>	<u>1,665,770</u>
Reserve (Deduction) Addition	<u>(150,318)</u>	<u>(54,951)</u>
Plan Sponsor Total	<u>1,580,828</u>	<u>1,610,819</u>
Total Administrative Expenses	<u>\$ 5,243,677</u>	<u>\$ 4,609,909</u>

*See Note 5 for more information.



MARYLAND SUPPLEMENTAL RETIREMENT PLANS

Investment Section

INVESTMENT ADVISORS' REPORT

For the year ended December 31, 2016

Prepared by Segal Marco Advisors

The report below discusses the overall performance of the Plans' investments for the year ended December 31, 2016, as well as the 2016 market environment.

Asset Class	Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Equities	MSCI World (Net of dividends)	186	7.51	7.51	380	10.41	383
	Russell 3000	421	12.74	12.74	8.43	14.67	7.07
	MSCI EAFE (Net of dividends)	-0.71	1.00	1.00	-1.60	6.53	0.75
	MSCI EM (Net of dividends)	-4.16	11.19	11.19	-2.55	1.28	1.84
Fixed Income	Bloomberg Barclays U.S. Aggregate	-2.98	2.65	2.65	3.03	2.23	4.34
	Citigroup Non-U.S. WGBI (Unhedged)	-10.84	1.81	1.81	-2.18	-1.94	2.54
Other	Commodity Splice*	4.21	11.57	11.57	-15.93	-11.04	-6.84
	NCREIF NPI	1.73	7.97	7.97	11.02	10.92	6.93
	Thomson Reuters Private Equity**	2.13	2.94	3.95	13.11	10.89	10.33
	HFRF Fund of Funds Composite	1.06	0.71	0.71	1.26	3.46	1.33

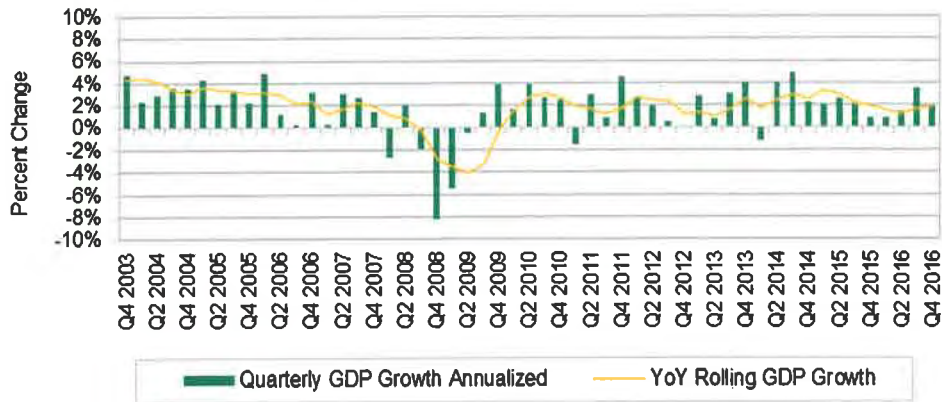
*Commodity Splice, a Segal Marco Advisors index, blends the Bloomberg Commodity Index (50%) and the S&P GSCI Index (50%), rebalanced monthly.

**Performance reported as of Q2 2016 because Q3 2016 and Q4 2016 performance data is not yet available.

Sources: eVestment Alliance, Hueler Analytics, Thomson One and Hedge Fund Research, Inc

World equity markets were positive in fourth quarter of 2016 to close out a strong year for equities. On a global developed factor basis for the fourth quarter, Value and Risk performed well, while Growth and Sentiment performed poorly. Results for Quality were mixed. U.S. and international fixed income were both down in the fourth quarter, although they were positive for the year. U.S. nominal Treasury yields increased sharply in Q4, while high-quality credit spreads contracted modestly. Commodities gained in Q4 to close a strong year. On a sector basis, Livestock, Industrial Metals, and Energy had positive returns, while Precious Metals and Agriculture declined.

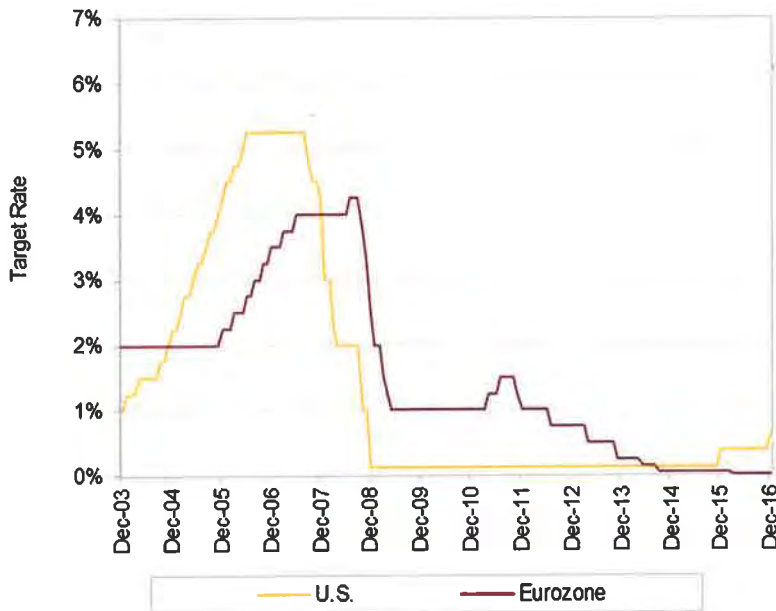
U.S. GDP Growth: Annualized Quarterly and Year-over-Year (YoY) Rolling (%)



Source: U.S. Bureau of Economic Analysis

Real Gross Domestic Product (GDP) grew at an annualized rate of 1.9 percent in Q4. The graph above shows annualized GDP growth, along with the year-over-year (YoY) rolling percentage change in GDP. Positive contributors to Q4's growth included personal consumption expenditures, private inventory investment, residential fixed investment, nonresidential fixed investment and state and local government spending. Exports and federal government spending detracted from GDP growth during the quarter. Disposable personal income grew less in Q4 than in Q3. The personal savings rate was 5.6 percent in Q4 compared to 5.8 percent in Q3.

Target Rates: U.S. and Eurozone



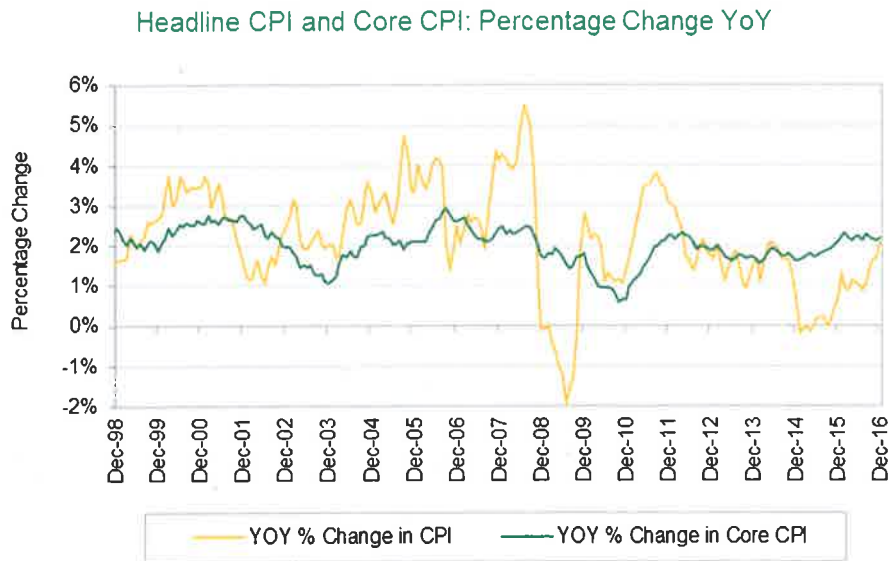
Sources: Segal Marco Advisors using data from the Federal Reserve Board and the European Central Bank

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

- The labor market has continued to strengthen.
- Economic activity has been expanding at a moderate pace since mid-year.
- Household spending has been increasing moderately, but business fixed investment remains soft.

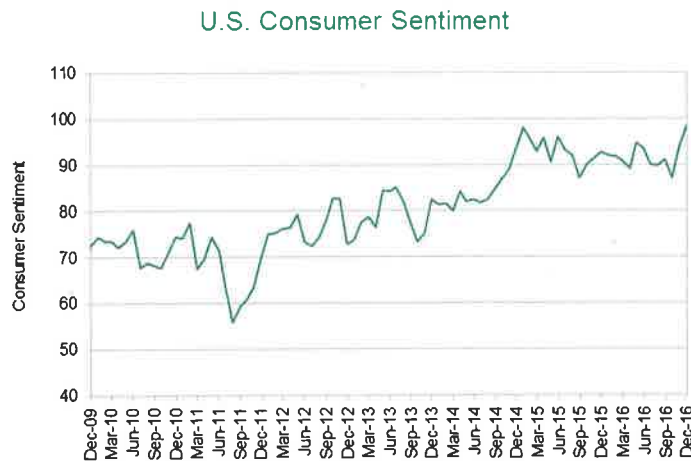
- Inflation remained below the Federal Reserve’s 2 percent objective due to decreased energy prices and lower-priced non-energy imports, but should rise to 2 percent over the medium term.
- The target range for the federal funds rate was increased to between 0.50 and 0.75 percent, which was only the second rate hike in 10 years.

In December, the European Central Bank (ECB) held its target refinancing rate at zero percent, its marginal lending rate at 0.25 percent, and its deposit rate at -0.40 percent. The ECB also decided to continue its asset purchasing program at the pace of €80 billion per month.



Source: Bureau of Labor Statistics

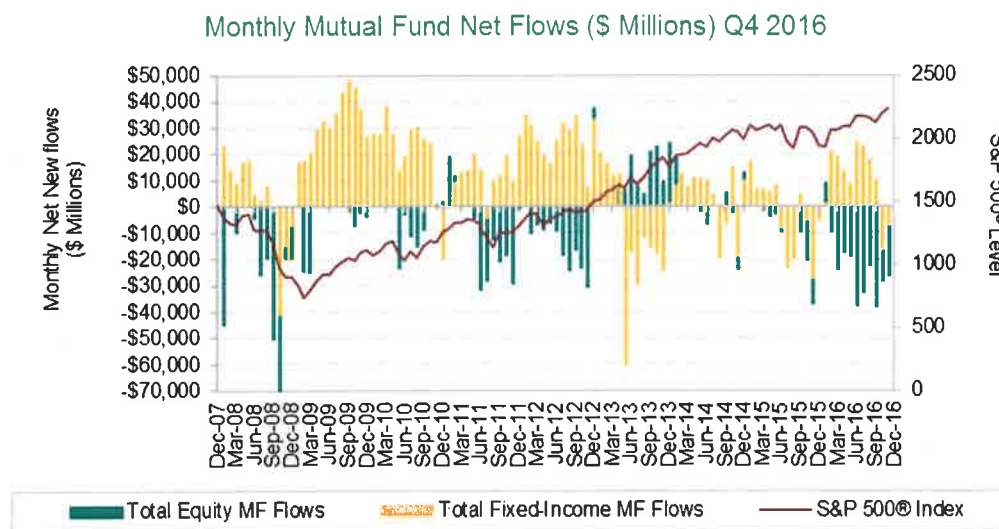
The headline seasonally adjusted Consumer Price Index (CPI) was up 0.84 percent in Q4, and increased 2.10 percent on a YoY basis. Seasonally adjusted Core CPI, which excludes both food and energy prices, rose 0.53 percent in Q4 and 2.21 percent YoY. On an unadjusted 12-month basis ending December 31, 2016, the index for all items less food and energy rose 2.2 percent while the energy index rose 5.4 percent and the food index fell by 0.2 percent. Gasoline and fuel oil energy index components increased the most, both climbing more than 9.0 percent. Medical care services and shelter costs each increased by 3.9 percent and 3.6 percent, respectively.



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

The University of Michigan Index of U.S. Consumer Sentiment is an economic indicator that measures individuals' confidence in the stability of their incomes as well as the state of the economy. The Index of Consumer Sentiment increased from 91.2 in September to 98.2 in December, its highest level since January 2004.

The Index of U.S. Consumer Sentiment's level in December increased from its level at the beginning of 2016 (92.6) and surged after the surprise result of the presidential election. Both the index measuring current economic conditions and the expectations index rose during Q4, particularly following the election, as consumers expressed favorable expectations for economic policy changes under the new administration.



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

The graph above shows net flows into equity and fixed income mutual funds. In Q4, mutual funds experienced net outflows of approximately \$129.8 billion, following outflows of around \$28.2 billion in Q3 2016. Outflows throughout the quarter continued to be driven by equity mutual funds, which totaled \$92.4 billion. Fixed income and hybrid mutual fund also had net outflows of \$13.4 billion and \$24.0 billion, respectively. Overall, October was the weakest month for equity funds, with outflows of \$33.0 billion, while it was the strongest for fixed income funds, with inflows of \$10.2 billion.

Equity Indices	QTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500® Index	3.82	11.96	11.96	8.87	14.66	6.95
Russell 1000	3.83	12.05	12.05	8.59	14.69	7.08
Russell 1000 Growth	1.01	7.08	7.08	8.55	14.50	8.33
Russell 1000 Value	6.68	17.34	17.34	8.59	14.80	5.72
Russell 2000	8.83	21.31	21.31	6.74	14.46	7.07
Russell 2000 Growth	3.57	11.32	11.32	5.05	13.74	7.76
Russell 2000 Value	14.07	31.74	31.74	8.31	15.07	6.26
Russell 3000	4.21	12.74	12.74	8.43	14.67	7.07

Sources: Standard & Poor's, FTSE Russell Investments

The S&P 500® (3.8 percent) gained in Q4. In general, the U.S. market delivered strong returns for domestic investors. In line with the guidance from prior FOMC meetings, the Fed raised its key interest rate in December by 0.25 percent (see “Monetary Policy” on page 2). While this is a significant event, Q4 was dominated by Donald Trump’s victory in the presidential election. His plans to increase infrastructure spending, cut taxes, and streamline government regulation were viewed positively by domestic companies. The Russell 2000 Growth (3.6 percent) and Russell 2000 Value (14.1 percent) ended Q4 up, as small cap companies benefited from the impetus that expansive fiscal policies may bring to the domestic economy. The Russell 1000 Value (6.7 percent) and Russell 1000 Growth (1.0 percent) both gained, but more moderately.

In large cap stocks, there was significant dispersion across the sector returns. Financials (21.1 percent) rallied off the back of the election and rate increase, while Energy (7.3 percent) and Industrials (7.2 percent) also performed well. Meanwhile, bond proxy sectors such as Utilities (0.1 percent) and Consumer Staples (-2.0 percent) fared less well, and Healthcare (-4.0 percent) underperformed all sectors and ended the calendar year in negative territory (-2.7 percent).

The year 2016 was an eventful one, as the political dramas around the globe took center stage. The first half saw the Philippine presidential election and Brexit, while much of the second half of was

dominated by U.S. election concerns, with Q4 featuring the surprising victory of Donald Trump. Although initially there was pull-back, U.S. and international markets have rallied since then amidst expectations for higher U.S. inflation and the Fed raising rates. Additionally, the ECB’s extension of its QE program boosted markets. With these positive events, all broad indices finished Q4 with gains in local currency terms; however, due to a strong USD, returns in USD terms were subdued, as shown in the table above. For instance, the EAFE index posted a -0.7 percent return in USD terms, but gained 7.1 percent in local terms.

There was notable dispersion across sector returns. Areas such as Healthcare (-7.9 percent), Utilities (-8.0 percent) and Consumer Staples (-10.6 percent) lost the most in Q4, as well as for the year (-13.9 percent, -8.7 percent and -5.0 percent, respectively). Sectors such as Materials (3.4 percent) and Energy (9.2 percent) fared much better following OPEC’s November 30 agreement to cut oil production, and ended the year at 21.6 percent and 20.2 percent, respectively.

Fixed-Income Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Bibg Bar Aggregate	-2.98	2.85	2.85	3.03	2.23	4.34
Bibg Bar Gov/Credit	-3.39	3.05	3.05	3.04	2.29	4.40
Bibg Bar Int Gov/Credit	-2.07	2.08	2.08	2.09	1.85	3.84
Bibg Bar Long Gov/Credit	-7.84	6.67	6.67	7.16	4.07	6.85
Bibg Bar Government	-3.72	1.05	1.05	2.26	1.22	3.86
Bibg Bar Credit	-2.97	5.63	5.63	4.07	3.85	5.31
Bibg Bar Inv Grade CMBS	-2.91	3.50	3.50	2.88	3.72	4.81
Bibg Bar Mortgage	-1.97	1.67	1.67	3.07	2.06	4.28
BofA ML US High Yield Master II	1.88	17.49	17.49	4.72	7.35	7.34
Citi 3-Month T-Bill	0.08	0.27	0.27	0.11	0.09	0.73
Hueler Stable Value	0.45	1.79	1.79	1.75	1.87	2.77

Sources: Barclays Capital, Citigroup and Hueler Analytics

Continuing the trend from Q2 and Q3, spreads tightened further during Q4 on strong demand from global investors for higher and positive-yielding fixed income assets, particularly within the lower-credit-quality bucket. As widely expected, the Fed raised the Fed Funds rate by 25 bps at its December meeting. In addition, Fed officials are expected to hike rates three times in 2017 in anticipation of higher inflation and stronger economic growth. Donald Trump’s victory in the U.S. presidential

election further fueled this inflationary and pro-growth economic sentiment. Lastly, the ECB's quantitative easing program was extended until the end of 2017, which, in our view, provides global support for fixed income as an asset class. As shown in the adjacent table, high yield spreads once again tightened the most (480 to 409 bps) and current levels are well below the 10-year average of 607 bps, while investment grade corporate spreads declined by 15 bps to 123 bps, which is also below the 10-year average of 187 bps.

Treasury yields rose sharply across the board in Q4, largely in response to Trump's win during the U.S. presidential election. The yield curve steepened in Q4, as the short end of the curve rose at a slower rate when compared to the long-end of the curve. The 10-year note rose from 1.60 percent at the end of September to 2.44 percent at the end of December, an 84 bps change. It is also worth noting that the 10-year note jumped from 1.86 percent on Election Day to 2.44 percent at the end of December, in anticipation of President Trump delivering on his campaign promise on fiscal stimulus, which would manifest itself through tax cuts and infrastructure spending.

Plan Summary Report
 For period ended December 31, 2016
 Prepared by Segal Marco Advisors

Assets of the Maryland Teachers and State Employees Supplemental Retirement Plans (the Plans) totaled \$3.518 billion as of December 31, 2016. This reflected an increase of approximately \$199 million from the prior calendar year-end. During 2016, the Plans received \$54.2 million in contributions and paid \$64.6 million in distributions to participants, which accounted for a \$10.4 million decrease in Plan assets that was offset by investment performance. In terms of overall asset allocation, the assets were invested as follows: 23.9% stable value, 27.9% large cap equity, 16.0% lifecycle, 8.8% mid cap equity, 7.5% balanced, 6.8% small cap equity, 4.0% international equity, 0.3% fixed income, and 0.3% money market, with the remaining 1.1% in loans. The largest investment option was the Investment Contract Pool, which comprised 22.2% of Plan assets.

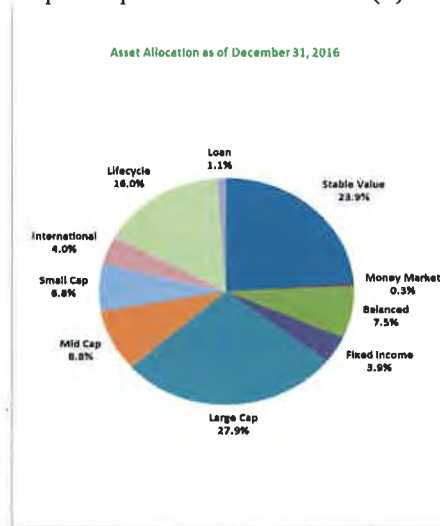
The 401(k) Plan comprised the largest portion of the Plans at 48.3%, with \$1.698 billion in assets as of December 31, 2016. As of year-end, participants' assets were invested 20.0% stable value, 45.5% domestic equity, 17.5% lifecycle, 7.0% balanced, 1.0% fixed income, 4.3% international equity, and 1.1% loans. The largest investment option was the Investment Contract Pool, which comprised 20.0% of participant assets in the 401(k) Plan.

The assets of the 457 Plan were valued at \$1.555 billion as of December 31, 2016, comprising 44.2% of the Plans. As of year-end, participants' assets were invested 30.3% stable value, 38.8% domestic equity, 15.0% lifecycle, 7.7% balanced, 0.8% fixed income, 3.7% international equity, and 1.2% loans. The largest investment option was to the Investment Contract Pool, which comprised 30.3% of participant assets in the 457 Plan.

As of December 31, 2016, the 401(a) Plan was valued at \$176.9 million, which accounted for 5.0% of the Plans. Unlike the 457 and 401(k) Plans, the passively-managed, Vanguard Institutional Index Fund exceeded the popularity of the Investment Contract Pool, which comprised 22.8% of participant assets in the 401(a) Plan. As of year-end, participants' assets were invested 17.3% stable

value, 55.4% domestic equity, 13.2% lifecycle, 8.2% balanced, 0.3% fixed income, and 3.3% international equity.

The 403(b) Plan comprised the smallest portion of the overall Plans, with \$88.1 million in assets, or 2.5% of the Plans total assets. As of year-end, participants' assets were invested 57.2% domestic equity, 10.8% money market, 9.8% balanced, 2.0% fixed income, 9.7% lifecycle, 4.6% international equity, and 0.4% in loans. The largest investment option in the 403(b) Plan was the Vanguard Institutional Index Fund, which comprised at 18.0% of participant assets in the 403(b) Plan.



Top 5 Holdings	% of Total
Investment Contract Pool	22%
Vanguard Instl Index	14%
Fidelity Puritan	7%
Vanguard MidCap Index Inst	5%
American Funds Growth Fund	5%
Subtotal	54%

Investment Categories	Market Value	% of Plan
Stable Value	\$ 851,376,686	24%
Active Core Options	\$ 1,233,228,530	35%
Passive Options	\$ 833,275,785	24%
LifeCycle Funds	\$ 561,982,937	16%
Loan	\$ 38,312,889	1%
Total Assets	\$ 3,518,176,828	100%

Summary of the Investment Policy Statement

Objectives of the Plans

The Plans are long-term retirement savings vehicles and are intended as a source of retirement income for eligible participants. The Plan vehicles are available for voluntary participation for those eligible participants who wish to bridge the gap between the State Pension Plan, Social Security and their own retirement needs. The investment options available from the Plans cover a broad range of investment risk and rewards appropriate for these kinds of retirement savings programs. Participants bear the risk and reap the rewards of investment returns that result from the investment options they select.

A Statement of Investment Policy has been adopted by the Plan's Board of Trustees and serves the following purposes:

- To ensure that a broad range of investment options are offered to Plan participants;
- To establish an investment program that will allow Plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances;
- To define the investment categories offered by the Plans;
- To establish investment objectives and guidelines for each investment category offered within the Plans;
- To establish benchmarks and performance standards for each investment category and to evaluate each option's performance against appropriate benchmarks and standards;
- To establish a procedure for reporting and monitoring of the various funds;
- To define the selection for the Plans' investment options;
- To define the procedures for investment fund evaluation and formal fund review; and
- To set guidelines and procedures for withdrawal of an investment option which, in the Board's opinion, does not, or will not, fulfill the Plans' objectives for which it was selected and replace the option with an appropriate substitute.

The Investment Policy Statement is intended to be dynamic and should be reviewed periodically and revised when appropriate.

Investment Categories

The Plan has chosen to offer the following categories of investments:

- Money Market Funds
- Fixed Investment Funds
- Bond Funds
- Balanced Funds
- Domestic Large Cap Equity Funds
- Domestic Mid Cap Equity Funds

- Domestic Small Cap Equity Funds
- International Equity Funds
- LifeCycle Funds

Within each category of investment, more than one investment option may be offered. For many of the categories, both actively managed and passively managed funds are available. Additionally, there may be multiple styles (e.g., value, growth, blend) offered. Each investment option offered under the Plan shall:

- Operate in full accordance with its current published prospectus or “fact sheet”;
- Have its performance results measured against the applicable performance standards described in the Investment Policy Statement for that investment category.

If the Board determines an investment option no longer meets the performance criteria, it may replace that option with a suitable alternative pursuant to the investment fund evaluation procedure outlined in the Investment Policy Statement. From time-to-time, investment options/categories may be added to the current core line-up.

Investment Option Analysis

Please refer to Exhibit A for more detailed results and mutual fund fees.

Stable Value/ Money Market

Investment Contract Pool (ICP): As the largest option in the Plans, this stable value option was valued at \$779.3 million as of December 31, 2016. This investment option is not available on the 403(b) Plan. Galliard commenced managing the ICP on February 1, 2014. The Q4 2016 return was 0.43%, underperforming the Hueler return of 0.45%.

Nationwide Fixed Annuity: This option is only included in the investment line-up of the 457 Plan. Additionally, this option is frozen and therefore no longer accepting contributions. As of December 31, 2016, the value of the option was \$62.6 million.

GW Daily Interest Guarantee, GW 36 Month CD, GW 60 Month CD, GW 84 Month CD: These frozen investment options were previously offered in the 403(b) Plan. As of December 31, 2016, the largest fund by participant assets was the 84-month CD, which was valued at \$2.4 million. The 36-month and 60-month CDs were valued at approximately \$0.3 million each, while the Daily Interest Guarantee had approximately \$0.2 million.

Vanguard Federal Money Market: Another option only offered in the 403(b) Plan, this option had approximately \$6.1 million in assets as of December 31, 2016. Over the 1-year period, the Fund earned 30 basis points, which was higher than the Lipper US Gov't Money Market Index. During the last 5 years, the Fund earned 0.08% on an average, annual basis, which was better than its benchmark.

Passive Options

Vanguard Total Bond Market Fund: This passively managed core bond fund underperformed the custom policy index for the quarter, and 1-year periods of 2016. The bond fund performed in line with its custom policy index for the 3-, 5-, and 10-years periods of 2016. Participant investments in this fund were valued at \$31.8 million as of December 31, 2016.

Vanguard Institutional Index Plus: This passively managed large cap blend equity fund approximated the performance of the S&P 500 Index across all periods of 2016. Participant investments in this fund were valued at \$503.9 million as of December 31, 2016.

Vanguard Mid Cap Index Instl Plus: This passively managed mid cap blend equity fund performs in line with its custom policy index. Participant investments in this fund were valued at \$189.3 million as of December 31, 2016.

Vanguard Small Cap Index Instl: This passively managed small cap blend equity fund produced results consistent with its custom policy index. Participant investments in this fund were valued at \$88.4 million as of December 31, 2016.

Vanguard Total International Stock Instl: This passively managed international blend fund underperformed the quarter by 65 basis points. The fund approximated the performance of its custom policy index for all other periods of 2016. Participant investments in this fund totaled \$19.9 million as of December 31, 2016.

Active Options

TCW Core Fixed Income Fund: Assets in this actively managed core fixed income option were mapped over in mid-December of 2016 from the PIMCO Total Return Fund, which was valued at \$104.9 million as of December 31, 2016, comprising assets of participants from each of the four Plans. For the year, the fund underperformed the Barclays Capital Aggregate Bond Index and ranked below the median in its peer group; however, over the trailing 3- and 5- years period, the fund outperformed the performance of the index and ranked at median in its peer group.

Fidelity Puritan Fund: As of December 31, 2016, \$262.3 million of participant assets were invested in the Plans' balanced option. The Fidelity Puritan Fund underperformed its blended benchmark for all return periods except for the 5- and 10-years periods. The fund ranked among the top quartile of the balanced mutual fund universe during the 3-, 5-, and 10-years periods.

Delaware Value Instl Fund: Assets in this actively managed large cap value option were mapped over in mid-December of 2016 from the Goldman Sachs Large Cap Value Fund. The Delaware Value Fund underperformed the Russell 1000 Value Index for the quarter and ranked below median of the large cap value mutual fund universe over the same time-period. Over the 3- and 5-year periods, it relatively outperformed its benchmark. As of December 31, 2016, participant assets invested in this fund were valued at \$158.3 million.

American Century Equity Growth: For the calendar year 2016, the actively managed large cap blend fund underperformed the S&P 500 Index and ranked below median in its peer group. The fund underperformed its benchmark and the median of its peer group during the trailing 3-year period. Participant assets invested in this fund were valued at \$119.2 million as of December 31, 2016.

Parnassus Equity Income Instl: The large cap blend equity, socially responsible option underperformed the S&P 500 Index during 2016. In addition, the fund underperformed the market index during the trailing 3- and 5-year period. However, for the 3- and 5-year periods, the fund outperformed the median of its peer group. As of December 31, 2016, participants' assets invested in this fund were valued at \$28.7 million.

American Funds Growth Fund of America: For the trailing 1-year period, the Plans' actively managed large cap growth option outperformed its benchmark and the median return of the large cap growth equity mutual fund universe. The fund ranked in the top quartile and outperformed the median large cap growth equity mutual fund universe for all time periods. There were \$170.0 million in participant assets invested in this fund as of December 31, 2016.

T. Rowe Price MidCap Value: The Plans' actively managed mid cap value equity fund outperformed the Russell Mid Cap Value Index and ranked above median of the mid cap value equity mutual fund universe for all time periods. As of December 31, 2016, participant assets invested in this fund were valued at \$85.8 million.

Janus Enterprise N: For the trailing 1-year period, the fund outperformed the Russell Mid Cap Growth Index and the median of the mid cap growth mutual fund universe. Participant assets invested in this fund were valued at \$33.5 million as of December 31, 2016.

T Rowe Price Small Cap Stock: The Plans' actively managed small cap blend equity fund underperformed the Russell 2000 Index and median of its peer group during the trailing 1-year period. The fund exceeded both comparative measures during the trailing 5- and 10- year periods. As of December 31, 2016, participant assets invested in this fund were valued at \$149.6 million.

American Funds EuroPacific Growth Fund: During the trailing 1-year period, the Plans' actively managed international equity fund underperformed the MSCI ACWI ex-US Index and ranked in the third quartile of the

international large cap equity mutual fund universe. The fund also performed better than these benchmarks during the 3- and 5-year annualized periods. As of December 31, 2016, participant assets invested in the fund were valued at \$121.0 million.

T Rowe Price Retirement Funds: The T Rowe Price Retirement Funds are the Plans' lifecycle options. Participants assets invested in these 13 lifecycle funds were valued at \$561.9 million as of December 31, 2016. These funds have varied asset allocations, based upon the projected retirement date of a participant, with more conservative allocations as retirement date approaches. For 2016, the most conservative fund (T. Rowe Price Retirement 2005) earned +6.49%, while the most aggressive fund (T. Rowe Price Retirement 2060), designed for participants approximately 40+ years from retirement, earned +7.63%. On an annualized 5-year basis, the funds designed for participants that are in or are close to retirement (T. Rowe Price Retirement 2005 to 2010) produced returns ranging from approximately +4.71% to approximately +4.76%, whereas, the fund designed for younger employees (T. Rowe Price Retirement 2055) earned approximately +11.14%. The following table illustrates the broad asset allocation of each of the specific lifecycle funds.



Investment Contract Pool

Separate Account Report as of December 31, 2016

Objective

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

Note: While this ICP Report is prepared on a quarterly basis, the monthly crediting rate is reported on the www.MarylandDC.com homepage.

Risks

This investment is not FDIC insured or guaranteed by the federal or state government. Like all investments the ICP has risks and may not meet its investment objectives, including the objective of a constant principal value. A detailed description of these risks is contained in the ICP overview document, available on the MSRP website, or on request. Investors should also note that the ICP is not a money market fund and has different risk characteristics than a money market fund.

Investment Overview

The ICP invests in a diversified portfolio of stable value contracts issued by insurance companies, banks, and other financial institutions, and a variety of fixed income instruments including U.S. Government and agency securities, mortgage-backed securities, asset-backed securities, and corporate bonds. Investors earn the average return received under all contracts in effect at any point in time. The ICP's return is affected by the general level of interest rates as well as by cash flows, including those from employer and employee contributions, withdrawals, and transfers into and out of the ICP. The average duration of the ICP's investments will be approximately two to four years. The average credit quality of the ICP's investments will generally be AA (or its equivalent)³, although individual securities or contracts purchased for the ICP may have a lower credit quality rating.

ICP Characteristics

Assets	\$779,431,230
Average Duration	3.02 years
Previous monthly crediting rate (annualized)	1.73%
Inception Date	1987
Manager ¹	Galliard Capital Management, Inc.

Sector Allocation of the Underlying Fixed Income Portfolios²

U.S. Treasury/Agency	31.2%
Other U.S. Government	11.7%
Corporate/Taxable Municipal Securities	26.3%
Mortgage Backed Securities (MBS)	18.4%
Asset Backed Securities (ABS)	9.2%
Guaranteed Investment Contracts (GICs)	0.0%
International Gov't/ Agency Securities	0.1%
Cash/Equivalents	3.2%

Credit Profile of the Underlying Fixed Income Portfolios^{2,3}

AAA	59.6%
AA	17.5%
A	10.5%
BBB	12.3%
<BBB	0.1%
NR/NA	-

Performance⁴



¹ Prior to July 2006 ING Stable Value Product Group, a division of ING Life Insurance and Annuity Company provided management services. From July 2006 to January 2014 Deutsche Asset & Wealth Management provided management services.

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

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

⁴ Performance shown is net of Investment Management fees. Past performance is not indicative of future results. Figures greater than one year are annualized. Performance is net of all fees and includes

all income, realized and unrealized capital gains and losses and all annual fund operating expenses. Returns may have been impacted by the effect of compounding and have been rounded to the nearest basis point. The returns herein are not necessarily indicative of the returns that may be achieved over the longer term. There is no assurance that comparable returns will be achieved in the future or that the ICP's investment objective will be achieved. The results portrayed reflect the reinvestment of dividends and other earnings. Benchmark is 3 Year Constant Maturity Treasury. Investors cannot invest in an index.



Investment Contract Pool

Separate Account Report as of December 31, 2016

Strategy Overview

Assets in the Investment Contract Pool are held in trust for the benefit of participants of the MSRP. Participant investments made in the ICP are credited with a daily blended interest rate. Periodically an anticipated monthly rate is declared, but not guaranteed. This quoted rate is net of all fees and expenses directly related to the ICP. This average annual expense fee will vary, but is approximately 0.41% (\$4.08 per \$1,000), annualized. This fee does not include the monthly account fee of fifty-cents or the monthly asset fee assessed on all participants by the Maryland Board of Trustees ("Board") and Nationwide Retirement Solutions, which will total 0.14%, annualized.

The ICP typically invests in the following investments: (1) Short term cash investments for general account liquidity; (2) General Account Investment Contracts ("GICs" or "BICs"), which are issued by insurance companies or banks and maintain a constant principal valuation while earning interest; (3) Separate Account GICs, and (4) Synthetic GICs. Separate Account GICs and Synthetic GICs both allow for principal stability while earning interest. The key difference between GICs, and Synthetic GICs or Separate Account GICs, is that Synthetic GICs and Separate Account GICs have an associated fixed income portfolio managed by

a fixed income advisor for the benefit of the ICP. The fixed income portfolio generates investment income to pay interest, and is combined with a benefit responsive investment contract issued by an insurance company, bank, or other high-quality financial institution, to help maintain the principal stability of the ICP.

ICP Investment Policy

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

Further Information

For information about the Maryland Supplemental Retirement Plans, investment option booklets, and other general information or to arrange educational seminars, please go to the MSRP website at MSRP.maryland.gov. 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@maryland.gov. Or you may call the Nationwide Retirement Solutions Team MSRP Customer Service Center at 1-800-545-4730.

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

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

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

ICP Investments ^{5,6}

<i>Short Term Investment Funds (STIF)</i>	<i>S&P</i>	<i>Moody's</i>	<i>% of Portfolio</i>
STIF	AAA	Aaa	2.1%
<i>General Account GIC</i>	<i>S&P</i>	<i>Moody's</i>	<i>% of Portfolio</i>
<i>Synthetic GICs / Wrappers and Separate Account Issuers</i>			
	<i>S&P</i>	<i>Moody's</i>	<i>% of Portfolio</i>
Massachusetts Mutual Life Ins. Co.	AA+	Aa2	19.2%
Metropolitan Life Insurance Co.	AA-	Aa3	19.1%
Prudential Insurance Co. of America	AA-	A1	20.1%
RGA Reinsurance Company	AA-	A1	20.4%
Transamerica Premier Life Ins. Co.	AA-	A1	19.1%

Fixed Income Portfolios ^{6,7}

Barings, LLC	19.2%
Earnest Partners	19.1%
Galliard Capital Management, Inc.	20.4%
J.P. Morgan Investment Management Co.	19.1%
TCW	20.1%

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

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

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



Investment Performance Report



October 1, 2016 to December 31, 2016

The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's units or shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted.













Performance data current to the most recent month-end may be obtained by visiting: MarylandDC.com. Please consider the fund's investment objectives, risks, and charges and expenses carefully before investing. The underlying fund prospectuses contain this and other information about the investment company. Prospectuses are available by calling 800-545-4730. Read carefully before investing.

Gross expense ratios represent the fund's total operating expenses expressed as a percentage of the assets held in the fund. For more information about gross expense ratios, read the fund's prospectus. The rates of return do not reflect a maximum

deduction of a 0.14% annual plan asset fee, which, if reflected, would reduce the performance shown. No account will be charged more than \$2,000 for the year. The rates for the Investment Contract Pool are after the deduction of any carrier charges. Please see other important disclosures at the end of this report.











 *Actively managed funds*  *Passively managed funds*

Active funds have managers choose investments to attempt to achieve a goal, like outperforming an index or balancing risks with returns. Because of the management activity, these funds tend to have higher fees than passively managed funds. Passive funds normally carry lower than average fees and track the markets per their selected indices to create a diversified portfolio.

VRU	Investment Option	Morningstar Category	Ticker	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio
Target Date Retirement Funds										
715	 T. Rowe Price Retirement 2005 Fund ^(a) If you were born in or before 1942, this fund may be right for you.	Target-Date 2000-2010 Combined Index Portfolio 2005	TRRFEX	6.72%	3.52%	6.27%	4.71%	5.54%	02/27/04	0.60%
716	 T. Rowe Price Retirement 2010 Fund ^(a) If you were born between 1943–1947, this fund may be right for you.	Target-Date 2000-2010 Combined Index Portfolio 2010	TRRAX	7.11%	3.72%	7.03%	4.76%	7.45%	09/30/02	0.59%
717	 T. Rowe Price Retirement 2015 Fund ^(a) If you were born between 1948–1952, this fund may be right for you.	Target-Date 2011-2015 Combined Index Portfolio 2015	TRRGX	7.31%	3.98%	8.06%	5.04%	6.17%	02/27/04	0.62%
718	 T. Rowe Price Retirement 2020 Fund ^(a) If you were born between 1953–1957, this fund may be right for you.	Target-Date 2016-2020 Combined Index Portfolio 2020	TRRBX	7.41%	4.19%	8.96%	5.19%	8.38%	09/30/02	0.64%
719	 T. Rowe Price Retirement 2025 Fund ^(a) If you were born between 1958–1962, this fund may be right for you.	Target-Date 2021-2025 Combined Index Portfolio 2025	TRRHX	7.55%	4.35%	9.75%	5.32%	6.67%	02/27/04	0.69%
720	 T. Rowe Price Retirement 2030 Fund ^(a) If you were born between 1963–1967, this fund may be right for you.	Target-Date 2026-2030 Combined Index Portfolio 2030	PRILX	7.69%	4.52%	10.43%	5.45%	9.01%	09/30/02	0.72%
721	 T. Rowe Price Retirement 2035 Fund ^(a) If you were born between 1968–1972, this fund may be right for you.	Target-Date 2031-2035 Combined Index Portfolio 2035	TRRJX	7.64%	4.56%	10.87%	5.52%	6.95%	02/27/04	0.74%
722	 T. Rowe Price Retirement 2040 Fund ^(a) If you were born between 1973–1977, this fund may be right for you.	Target-Date 2036-2040 Combined Index Portfolio 2040	TRRDY	7.63%	4.61%	11.12%	5.64%	9.18%	09/30/02	0.76%
723	 T. Rowe Price Retirement 2045 Fund ^(a) If you were born between 1978–1982, this fund may be right for you.	Target-Date 2041-2045 Combined Index Portfolio 2045	PRILX	7.69%	4.62%	11.14%	5.65%	7.07%	05/31/05	0.76%
728	 T. Rowe Price Retirement 2050 Fund ^(a) If you were born between 1983–1987, this fund may be right for you.	Target-Date 2046-2050 Combined Index Portfolio 2050	TRRMX	7.71%	4.65%	11.14%	5.65%	5.65%	12/29/06	0.76%
729	 T. Rowe Price Retirement 2055 Fund ^(a) If you were born between 1988–1992, this fund may be right for you.	Target-Date 2051-2055 Combined Index Portfolio 2055	TRRNX	7.73%	4.64%	11.14%	5.64%	5.64%	12/29/06	0.76%
1152	 T. Rowe Price Retirement 2060 Fund ^(a) If you were born in 1993 or after, this fund may be right for you.	Target-Date 2056-2060 Combined Index Portfolio 2060	TRRLX	7.63%	N/A	N/A	N/A	3.18%	06/23/14	0.76%



VRU	Investment Option	Morningstar Category	Ticker	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio
Short-Term Investments										
283	Investment Contract Pool (Available for 457(b), 401(k) and 401(a) plans only.) Investment contracts with fixed-income managers/underwriters and insurance companies. Some have a fixed interest rate while others reset the interest rate on a regular basis. The interest rate is based on earnings of the underlying investments at that time. Accounts are credited with a monthly blended rate.	Stable Value	N/A							
		Jan '17	Dec '16	Nov '16	N/A	N/A	N/A	N/A	N/A	N/A
		1.69%	1.73%	1.72%						
1340	Vanguard Federal Money Market Inv (Available only for the 403(b) plan.) Seeks to provide current income, while maintaining a stable \$1 NAV and a very short average maturity. Invests in a combination of high-quality commercial paper, certificates of deposit, bankers' acceptances, and U.S. government securities. Average maturity typically ranges from 30-70 days. Current Yield: 0.44%	Money Market	VMRXX	0.30%	0.12%	0.08%	0.83%	4.35%	7/13/81	0.11%
		INDEX	Citigroup 3-month T-bill	0.27%	0.11%	0.09%	0.73%			
Bonds										
654	PIMCO Total Return Fund Inst ^(b) This fund is not open to new participants.	Intermediate-Term Bond	PTRX	2.61%	2.66%	3.21%	5.62%	7.40%	05/11/87	0.47%
		INTERMEDIATE TERM BOND INDEX	Barclays Capital US Aggregate Bond	2.65%	3.03%	2.23%	4.34%			
1641	TCW Core Fixed Income I Invests primarily in debt securities, such as U.S. Government and corporate obligations, bonds, notes, debentures, mortgage-backed securities, assetbacked securities, and in U.S. dollar denominated foreign securities (government and corporate).	Intermediate-Term Bond	TGCFX	2.28%	2.62%	2.67%	5.65%	5.59%	02/26/93	0.50%
		INTERMEDIATE TERM BOND INDEX	Barclays Capital US Aggregate Bond	2.65%	3.03%	2.23%	4.34%			
786	Vanguard Total Bond Market Index Inst Seeks to track the performance of a broad, market-weighted bond index. The fund employs a passive management, or indexing investment, approach designed to track the performance of the Barclays Capital U.S. Aggregate Float Adjusted Index. It invests by sampling the index and investing at least 80% of assets in bonds held in the index. The fund maintains a dollar-weighted average maturity consistent with that of the index, ranging between 5 and 10 years.	Intermediate-Term Bond	VBTIX	2.61%	2.95%	2.15%	4.32%	5.28%	09/18/95	0.05%
		INTERMEDIATE TERM BOND INDEX	Barclays Capital Intermediate Government Bond	1.05%	1.58%	1.04%	3.42%			
Balanced										
724	T. Rowe Price Retirement Balanced Fund ^(a) Invests in a diversified portfolio of other T. Rowe Price stock and bond funds that represent various asset classes and sectors. The fund's "neutral allocations," which are what T. Rowe Price considers broadly appropriate for investors seeking a static asset allocation during their retirement years, are 40% stock funds and 60% bond funds.	Allocation - 30% - 50% Equity	TRRIX	6.48%	3.17%	5.70%	4.53%	6.18%	09/30/02	0.57%
		COMBINED INDEX	Portfolio Income	6.02%	3.42%	5.63%	4.09%			
199	Fidelity Puritan Fund ^(a) Invests approximately 60% of assets in stocks and other equity securities and the remainder in bonds and other debt securities, including lower-quality debt securities, when its outlook is neutral. Invests at least 25% of total assets in fixed-income senior securities (including debt securities and preferred stock). Invests in domestic and foreign issuers.	Allocation - 50% - 70% Equity	FPURX	5.03%	5.78%	10.14%	5.89%	10.87%	04/16/47	0.56%
		BALANCED INDEX	60% S&P 500/40% Barclays Capital Aggregate Bond	8.31%	6.66%	9.69%	6.21%			
Large-Cap Stocks										
740	Vanguard Instl Index Fund Plus Holds all 500 stocks that make up the Standard & Poor's 500 Index in proportion to their weighting in the index. Attempts to match the performance of the index, a widely recognized benchmark of U.S. stock market performance, and remains fully invested in stocks at all times. Passive management doesn't speculate on the direction of the index. Performance typically can be expected to fall short by a small percentage, representing operating costs.	Large Blend	VIIIX	11.95%	8.87%	14.65%	6.97%	6.75%	07/07/97	0.02%
		LARGE CAP BLEND INDEX	Standard & Poor's 500 Index	11.96%	8.87%	14.66%	6.95%			
856	Parnassus Core Equity Fund Inst ^(a) A diversified, fundamental, domestic, large-cap, core equity fund with a value bias. The Fund invests principally in undervalued equity securities of larger capitalization-companies. At least 75% of the Fund's total assets will normally be invested in equity securities that pay dividends. The remaining 25% may be invested in non-dividend-paying equity securities. The Fund also takes environmental, social and governance factors into account in making investment decisions.	Large Blend	PRILX	10.61%	8.14%	14.42%	9.69%	10.55%	08/31/92	0.67%
		LARGE CAP BLEND INDEX	Standard & Poor's 500 Index	11.96%	8.87%	14.66%	6.95%			
959	American Century Equity Growth Inst Seeks long-term capital growth and invests at least 80% of the fund's assets in equity securities. It invests primarily in large capitalization, publicly-traded U.S. companies. The fund considers large capitalization companies to be those with a market capitalization greater than \$2 billion.	Large Blend	AMEIX	10.20%	6.31%	13.28%	6.20%	6.26%	01/02/98	0.47%
		LARGE CAP BLEND INDEX	Standard & Poor's 500 Index	11.96%	8.87%	14.66%	6.95%			

VRU	Investment Option	Morningstar Category	Ticker	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio
834	 American Funds Growth Fund of America R6 Seeks to provide long-term growth of capital through a diversified portfolio of common & preferred stocks, convertibles, U.S. government securities, bonds and cash. Emphasizes companies that appear to offer long-term growth, and may invest in cyclical companies, turnarounds and value situations. May invest up to 15% of assets in securities of issuers domiciled outside the U.S. and not included in the S&P 500 and up to 10% of assets in debt securities rated below investment grade.	Large Growth	RGAGX	8.82%	8.04%	15.42%	7.30%	13.76%	11/30/73	0.33%
		LARGE CAP GROWTH INDEX Russell 1000 Growth		7.08%	8.55%	14.50%	8.33%			
942	 Delaware Value Inst ^(a) The Fund invests in large-capitalization companies, seeking consistent long-term performance. The Fund follows a traditional value-oriented investment philosophy using a research-intensive approach.	Large Value	DDVIX	14.78%	9.15%	14.72%	6.81%	7.80%	09/15/98	0.72%
		LARGE CAP VALUE INDEX CRSP US Large Value		16.93%	9.51%	15.37	6.25%			
776	 Goldman Sachs Large Cap Value Inst ^(a) This fund is not open to new participants	Large Value	GSLIX	11.69%	6.41%	13.93%	5.07%	6.37%	12/15/99	0.80%
		LARGE CAP VALUE INDEX Russell 1000 Value		17.34%	8.59%	14.80%	5.72%			
Mid-Cap Stocks				1	3	5	10			
899	 Vanguard Midcap Index Inst Plus Seeks to match the performance of the CRSP US Mid Cap Index, a broadly diversified index of the stocks of medium-sized U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.	Mid Cap Blend	VMCPX	11.24%	7.70%	14.41%	N/A	11.82%	12/15/10	0.05%
		MID CAP BLEND INDEX S&P 400 Midcap Index		20.74%	9.04%	15.33%	9.16%			
1291	 Janus Enterprise Fund The fund pursues its investment objective by investing primarily in common stocks selected for their growth potential, and normally invests at least 50% of its equity assets in medium-sized companies. Medium-sized companies are those whose market capitalization falls within the range of companies in the Russell Midcap® Growth Index. It may also invest in foreign securities, which may include investments in emerging markets.	Mid Cap Growth	JDMNX	12.18%	9.24%	15.00%	9.47%	10.63%	09/01/92	0.67%
		MID CAP GROWTH INDEX Russell Midcap Growth		7.33%	6.23%	13.51%	7.83%			
802	 T. Rowe Price Midcap Value ^(a) Invests in mid cap stocks that are potentially less volatile than a portfolio of small cap stocks. The fund focuses on established, mid-size companies with solid business fundamentals that have the potential to be future industry leaders.	Mid Cap Value	TRMCX	24.32%	9.92%	15.88%	8.38%	11.77%	06/28/96	0.80%
		MID CAP VALUE INDEX Russell Midcap Value		20.00%	9.45%	15.70%	7.59%			
Small-Cap Stocks				1	3	5	10			
1533	 T. Rowe Price Inst Small Cap Stock Fund ^(a) Ordinarily invests at least 65% of total assets in stocks and equity-related securities of small companies. A small company is defined as having market capitalization that falls within the range of companies in the Russell 2000 Index, a widely used benchmark for small-cap stock performance. Stock selection may reflect either a growth or value approach.	Small Cap Growth	OTCFX	19.00%	7.41%	15.46%	9.59%	9.90%	3/31/00	0.67%
		SMALL CAP GROWTH INDEX CRSP US Small Cap Growth		10.62%	3.86%	12.35%	7.77%			
891	 Vanguard Small Cap Index Fund Inst Seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The fund employs a passive management (or indexing) investment approach designed to track the performance of the CRSP US Small Cap Index.	Small Cap Blend	VSCIX	18.32%	7.03%	14.85%	8.21%	8.82%	07/07/97	0.07%
		SMALL CAP BLEND INDEX Russell 2000 Blend		21.31%	6.74%	14.46%	7.07%			
International Stocks				1	3	5	10			
835	 American Funds Euro Pacific Growth R6 Invests in strong, growing companies based chiefly in Europe and the Pacific Basin, ranging from small firms to large corporations. Invests primarily in common and preferred stocks, convertibles, American Depositary Receipts, European Depositary Receipts, bonds and cash. All holdings are non-U.S. except a nominal portion that, for liquidity purposes, may be held in U.S. dollars and/or equivalents. Normally, at least 80% of assets must be invested in securities of issuers domiciled in Europe or the Pacific Basin.	Foreign Large Growth	REGX	1.01%	-0.60%	7.22%	2.96%	10.80%	04/16/84	0.50%
		FOREIGN LARGE GROWTH FTSE Developed ex North America		1.43%	-1.39%	6.57%	1.05%			
883	 Vanguard Total International Stock Index Inst Vanguard Total International Stock Index Fund seeks to track the investment performance of the FTSE Global All Cap ex US Index, an index designed to measure equity market performance in developed and emerging markets, excluding the United States. The fund invests substantially all of its assets in the common stocks included in its target index. The fund allocates its assets based on each region's weighting in the index.	Foreign Large Blend	VTSNX	4.70%	-1.32%	5.53%	N/A	3.02%	11/29/10	0.10%
		INTERNATIONAL INDEX FTSE Global All Cap ex US		5.04%	-0.78%	5.95%	1.81%			

^(a) Part of the MSRP Mutual Fund Savings (reimbursement) Program.

^(b) Voluntary fee waiver that can be changed at anytime.

Ticker symbols are provided to help you research mutual funds. Information related to pricing or performance of these funds published in publicly available media such as newspapers and websites may be different than performance data and pricing specific to MSRP. To find pricing or performance related information specific to your account visit the Investment Info tab at MarylandDC.com.

Nationwide Fixed Annuity [457(b) plan only] Average Quarterly Annualized Crediting			
This option is closed to deferrals and transfers from other investment options.			
1st Qtr 17	4th Qtr 16	3rd Qtr 16	2nd Qtr 16
3.50%	3.50%	3.50%	3.50%

Note: The above yields were supplied by Nationwide. They are a weighted average of all money held in this investment option, which consists of seven separate pools. The yields do not reflect the deduction of the annual asset fee. The annual asset fee is 0.14%. No account will be charged more than \$2,000 in 2017. The actual yield credited to your account may be higher or lower than the yield reflected above. The Nationwide Fixed Group Annuity is issued by Nationwide Life Insurance Company, Columbus, OH, Contract #Life 2183. The 2017 minimum guaranteed yield is 3.50%. Guarantees and protections are subject to the claims paying ability of Nationwide Life Insurance Company.

Great West Certificates [403(b) plan only] Quarterly Effective Gross Annual Rates			
This option is closed to deferrals and transfers from other investment options.			
	1st Qtr 17	4th Qtr 16	3rd Qtr 16
Dig Fund	4.00%	4.00%	4.00%
36-Mo. Certificate	4.00%	4.00%	4.00%
60-Mo. Certificate	4.00%	4.00%	4.00%
84-Mo. Certificate	4.00%	4.00%	4.00%

Note: The rates do not reflect the deduction of the annual asset fee. The annual asset fee is 0.14%. No account will be charged more than \$2,000 for the year.

RISK DISCLOSURES

Money market funds: Investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other federal government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

The money market current yield is the annualized historical yield for the 7-day period ending on the last day of the calendar quarter. Yield quotation more closely reflects the current earnings of the money market fund than the total return quotation.

T. Rowe Price Retirement Income Funds: Target Maturity Funds are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. Therefore, in addition to the expenses of the Target Maturity Funds, an investor is indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds.

Target Maturity Funds are designed for people who plan to withdraw funds during or near a specific year. These funds use a strategy that reallocates equity exposure to a higher percentage of fixed investments over time. Like other funds, target date funds are subject to market risk and loss. Loss of principal can occur at any time, including before, at or after the target date. There is no guarantee that target date funds will provide enough income for retirement.

International/emerging markets funds: Investing internationally involves risks not associated with investing solely in the U.S., such as currency fluctuation, political risk, differences in accounting and the limited availability of information.

Small company funds: Stocks of small or emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

Bond funds: Bond funds have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund.

Some mutual funds may impose a short term trade fee. Please read the underlying prospectuses carefully.

IMPORTANT DISCLOSURES

Investment Contract Pool available for 457(b), 401(k) and 401(a) plans only.

Vanguard Federal Money Market Fund available for 403(b) plan only.

Investing involves market risk, including the possible loss of principal.

Inception Date is the date the underlying fund was established. Some mutual funds may impose a short term trade fee. Some funds may be subject to a trade restriction policy. Please read the underlying prospectus carefully.

Market indices have been provided for comparison purposes only; they are unmanaged and no fees and expenses have been reflected here. Individuals cannot invest directly in an index.

This document was created to help educate participants on the Maryland Supplemental Retirement Plan and is intended only to provide a general summary of the Plan and its features. In the event there are any inconsistencies between this document and the Plan Document, the Plan Document will govern.

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Maryland Teachers & State Employees Supplemental Retirement Plans 410-767-8740 or 800-543-5605

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MSRP Web Site MSRP.maryland.gov

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MARYLAND SUPPLEMENTAL RETIREMENT PLANS

Statistical Section



MSRP

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

2016

Plan Statistics and 10 Year Changes in Plan Net Assets

The Board of Trustees is required by mandate to oversee the administration of the plans, including retaining professional consultants, advisors, and independent auditors to ensure compliance with federal and State regulations. The accompanying report provides details of fees charged to cover administrative expenses for the Board's staff and operations.

The ten year income and expenditure report delineates revenues and expenditures by category and provides a net of the change in cash reserves for each year. The reserve balance is maintained with the State Treasurer's office and is not subject to accrued interest.

The Ten Year Net Change in Plan Assets is an overview analytical analysis of the changes in plan net assets over a ten year period. It shows the impact of increases and decreases in plan investments annually.

The Plan Statistics Report provides details on any change in the number of participants making contributions, loans, and systematic withdrawals summarized by plan. The final details of the report include the total outstanding loan balances by plan and number of loans at the end of any calendar year.

Maryland Teachers and State Employees Supplemental Retirement Plans
10 Year Change in Net Assets by Plan

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
457(b) Changes in Net Asset Summary										
Additions:										
Contributions	66,816,748	66,812,217	60,837,390	58,119,214	64,509,861	65,686,279	64,768,004	66,191,009	68,108,751	66,712,955
Investment Income	105,443,780	8,868,204	95,092,193	205,433,605	118,317,606	(2,523,478)	109,470,384	158,828,192	(260,016,053)	67,594,408
Other	-	-	-	-	731,568	-	-	3,052,738	521,683	-
Total Additions	172,260,528	75,680,421	155,929,583	263,552,819	183,559,035	63,162,801	174,238,388	228,071,939	(191,385,619)	134,307,363
Deductions:										
Participant Distributions	96,552,120	99,281,258	94,808,702	90,898,692	92,220,468	93,841,613	84,728,730	74,127,807	97,490,302	96,221,412
Administrative Fees	2,567,400	1,941,980	2,040,540	2,570,413	2,622,823	1,313,803	1,454,640	1,206,768	1,272,972	3,577,699
Other	7,982	11,725	16,098	20,281	25,146	31,438	43,114	48,280	56,098	65,851
Total Deductions	99,127,502	101,234,963	96,865,340	93,489,386	94,868,437	95,186,854	86,226,484	75,382,855	98,819,372	99,864,962
Change in Net Assets	73,133,026	(25,554,542)	59,064,243	170,063,433	88,690,598	(32,024,053)	88,011,904	152,689,084	(290,204,991)	34,442,401

401(k) Changes in Net Asset Summary

Additions:										
Contributions	85,851,612	94,255,440	89,859,775	82,602,393	92,031,387	90,335,102	91,618,867	91,902,236	95,898,797	94,729,303
Investment Income	125,436,519	4,757,388	107,129,651	239,678,425	130,658,294	(10,751,811)	114,265,228	163,592,513	(284,616,917)	50,102,369
Other	-	-	-	-	-	-	-	1,891,084	-	-
Total Additions	211,288,131	99,012,828	196,989,426	322,280,818	222,689,681	79,583,291	205,884,095	257,385,833	(188,718,120)	144,831,672
Deductions:										
Participant Distributions	96,555,381	99,554,689	91,201,808	79,068,751	76,111,030	75,308,991	67,881,768	54,331,835	62,995,066	56,946,200
Administrative Fees	2,348,520	2,331,324	2,512,926	1,820,523	2,599,233	2,460,876	2,151,134	1,786,479	1,978,213	2,836,711
Other	-	-	-	-	-	-	-	-	-	-
Total Deductions	98,903,901	101,886,013	93,714,734	80,889,274	78,710,263	77,769,867	70,032,902	56,118,314	64,973,279	59,782,911
Change in Net Assets	112,384,230	(2,873,185)	103,274,692	241,391,544	143,979,418	1,813,424	135,851,193	201,267,519	(253,691,399)	85,048,761

Maryland Teachers and State Employees Supplemental Retirement Plans
10 Year Change in Net Assets by Plan

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
401(a) Changes in Net Asset Summary										
<i>Additions:</i>										
Contributions	16,363	9,750	28,418	39,564	495,460	400,092	408,268	3,102,359	20,839,626	20,722,388
Investment Income	14,256,811	566,917	14,069,429	31,552,466	16,985,325	(1,408,730)	16,519,571	25,425,962	(45,402,727)	5,899,490
Other	-	-	-	-	-	-	-	-	-	-
Total Additions	14,273,174	576,667	14,097,847	31,592,030	17,480,785	(1,008,638)	16,927,839	28,528,321	(24,563,101)	26,621,878
<i>Deductions:</i>										
Participant Distributions	8,279,501	9,303,180	7,460,646	7,240,428	6,726,228	7,188,029	6,228,053	4,565,333	4,860,035	4,754,283
Administrative Fees	211,615	218,807	247,229	172,242	279,225	276,385	261,262	229,579	268,020	370,113
Other	-	-	-	-	-	-	-	-	-	-
Total Deductions	8,491,116	9,521,987	7,707,875	7,412,670	7,005,453	7,464,414	6,489,315	4,794,912	5,128,055	5,124,396
Change in Net Assets	5,782,058	(8,945,320)	6,389,972	24,179,360	10,475,332	(8,473,052)	10,438,524	23,733,409	(29,691,156)	21,497,482

403(b) Changes in Net Asset Summary

<i>Additions:</i>										
Contributions	2,664,234	2,655,822	2,760,999	2,537,583	2,961,222	2,883,012	3,270,543	3,476,879	3,041,867	2,791,581
Investment Income	7,002,014	(77,117)	6,949,014	15,195,040	8,489,879	(1,302,670)	7,996,306	12,135,213	(23,380,777)	4,223,649
Other	153,983	-	-	-	-	-	-	334,101	-	-
Total Additions	9,820,231	2,578,705	9,710,013	17,732,623	11,451,101	1,580,342	11,266,849	15,946,193	(20,338,910)	7,015,230
<i>Deductions:</i>										
Participant Distributions	4,181,153	6,451,831	6,027,043	5,576,913	4,807,423	4,473,226	5,197,452	4,010,110	4,274,796	6,973,190
Administrative Fees	116,142	117,798	131,290	96,524	140,571	138,429	128,769	109,711	136,773	215,582
Other	-	-	-	-	-	-	-	-	-	-
Total Deductions	4,297,295	6,569,629	6,158,333	5,673,437	4,947,994	4,611,655	5,326,221	4,119,821	4,411,569	7,188,772
Change in Net Assets	5,522,936	(3,990,924)	3,551,680	12,059,186	6,503,107	(3,031,313)	5,940,628	11,826,372	(24,750,479)	(173,542)
Net Change ALL PLANS	196,822,250	(41,363,971)	172,280,587	447,693,523	249,648,455	(41,714,994)	240,242,249	389,516,384	(598,338,025)	140,815,102

2016 PLAN STATISTICS

2016 TOTALS FOR ALL PLANS

Participants in Multiple Plans	7,127
TOTAL Participants	66,519
Average Combined Plan Assets by Participant	\$59,392
Participants with Multiplan Deferrals	34,139
Total Roth Accounts	4,038
TOTAL Deferring Participants	37,180
Average Annual Deferrals per Participant	4,559
Participants with Multiplan Payouts	4,349
TOTAL Participants with Systematic Payouts	4,764

457(b) DEFERRED COMPENSATION PLAN

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Participants	32,558	31,694	30,409	29,520
Net New Enrollments	864	1285	889	80
Deferring Participants	18,694	18,171	17,266	16,478
Annuitants	1	1	1	1
Systematic Payouts	2,811	2,690	2,537	2,414
Loans	2,498	2,464	2176	2176

401(k) SAVINGS & INVESTMENT PLAN

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Participants	33,139	33,506	33,813	33,974
Net New Enrollments	-367	-307	-161	-550
Deferring Participants	18170	18838	19,600	20,100
Annuitants	3	3	3	3
Systematic Payouts	2,197	1,959	1,666	1,395
Number of Loans	2646	2760	2575	2596

403(b) TAX DEFERRED ANNUITY PLAN

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Participants	822	834	855	879
Net New Enrollments	-12	-21	-24	-29
Deferring Participants	320	329	346	368
Annuitants	0	0	0	0
Systematic Payouts	113	116	109	105
Number of Loans	29	31	35	31

401(a) MATCH PLAN

	<u>2016</u>	<u>2015</u>	<u>2013</u>	<u>2013</u>
Participants	32,175	33,681	35,322	36,776

457(b) PLAN SUMMARY

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Participant Accounts	32,558	31,694	30,409	29,520	29,425	29,512	29,803	30,274	30,715	30,411
Deferring Participants	18,690	18,171	17,266	16,498	16,510	16,501	16,900	17,541	18,457	18,243
Total Net Position	\$ 1,572,024,005	\$ 1,498,890,979	\$ 1,524,445,521	\$ 1,465,381,278	\$ 1,211,930,199	\$ 1,211,930,199	\$ 1,243,954,252	\$ 1,149,848,838	\$ 1,003,253,263	\$ 1,293,458,255
Additions: Contributions	\$ 66,816,748	\$ 66,812,219	\$ 60,837,390	\$ 58,119,214	\$ 64,509,861	\$ 65,686,280	\$ 64,768,004	\$ 66,882,242	\$ 68,108,751	\$ 66,712,955
Additions: Investment Return	\$ 104,550,343	\$ 8,958,763	\$ 94,215,148	\$ 204,663,048	\$ 118,409,614	\$ (3,379,195)	\$ 109,232,806	\$ 158,389,808	\$ (261,087,114)	\$ 66,180,893
Withdrawals	\$ (96,552,120)	\$ (99,281,258)	\$ (94,808,702)	\$ (90,898,692)	\$ (93,841,613)	\$ (93,841,613)	\$ (84,728,790)	\$ (73,512,296)	\$ (97,490,302)	\$ (96,221,412)
Mutual Fund	\$ 893,437	\$ 937,423	\$ 877,045	\$ 770,557	\$ 639,560	\$ 609,104	\$ 585,014	\$ 727,509	\$ 1,071,061	\$ 1,510,268
Reimbursements	\$ (1,941,980)	\$ (1,941,980)	\$ (2,040,540)	\$ (2,570,413)	\$ (1,313,804)	\$ (1,313,804)	\$ (1,214,695)	\$ (1,206,768)	\$ (1,272,972)	\$ (3,577,699)
Plan Administration Fees*	\$ 2,498	\$ 2,464	\$ 2,343	\$ 2,176	\$ 2,076	\$ 2,076	\$ 720	\$ 1,306	\$ 995	\$ 1,109
Number of Loans	18,771,984	18,076,763	17,466,343	14,822,023	13,556,281	12,748,866	11,166,303	9,384,994	8,015,882	\$9,006,867
Loan Amount	\$ 1,029,642	\$ (2,331,324)	\$ (2,512,926)	\$ (1,820,523)	\$ (2,599,233)	\$ (2,460,876)	\$ (2,151,134)	\$ (1,896,894)	\$ (1,978,213)	\$ (2,836,711)

401(k) PLAN SUMMARY

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Participant Accounts	33,139	33,506	33,813	33,974	34,524	35,100	35,829	36,703	37,375	37,366
Deferring Participants	18,170	18,838	19,600	20,100	20,898	21,639	22,826	24,255	25,930	26,375
Total Net Position	\$ 1,698,084,568	\$ 1,585,700,338	\$ 1,588,573,523	\$ 1,485,298,831	\$ 1,243,907,287	\$ 1,098,305,956	\$ 1,098,114,445	\$ 959,041,449	\$ 760,995,733	\$ 1,014,687,132
Contributions	\$ 85,851,612	\$ 94,255,440	\$ 89,859,775	\$ 82,602,393	\$ 92,031,387	\$ 90,335,102	\$ 91,618,867	\$ 93,712,324	\$ 95,898,797	\$ 94,729,303
Investment Return	\$ 124,406,877	\$ 4,757,388	\$ 106,157,203	\$ 238,848,850	\$ 129,977,565	\$ (11,369,467)	\$ 113,860,920	\$ 164,656,429	\$ (285,649,155)	\$ 48,776,621
Withdrawals	\$ (96,555,381)	\$ (99,554,689)	\$ (91,201,808)	\$ (79,068,751)	\$ (76,111,030)	\$ (75,308,991)	\$ (67,881,768)	\$ (56,731,898)	\$ (62,995,066)	\$ (56,946,200)
Mutual Fund	\$ 1,029,642	\$ 1,061,915	\$ 972,448	\$ 829,575	\$ 680,729	\$ 617,656	\$ 584,667	\$ 725,795	\$ 1,032,238	\$ 1,325,748
Reimbursements	\$ (2,348,520)	\$ (2,331,324)	\$ (2,512,926)	\$ (1,820,523)	\$ (2,599,233)	\$ (2,460,876)	\$ (2,151,134)	\$ (1,896,894)	\$ (1,978,213)	\$ (2,836,711)
Plan Administration Fees*	\$ 2646	\$ 2760	\$ 2638	\$ 2,575	\$ 2,596	\$ 2,596	\$ 916	\$ 1,770	\$ 1,425	\$ 1,546
Number of Loans	\$19,231,327	\$19,070,539	\$18,897,449	\$17,676,057	\$15,468,770	\$14,383,094	\$12,663,185	\$10,059,136	\$9,048,410	\$9,746,492
Loan Amount	\$ 822	\$ 834	\$ 855	\$ 879	\$ 908	\$ 930	\$ 959	\$ 988	\$ 980	\$ 926

403(b) PLAN SUMMARY

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Participant Accounts	822	834	855	879	908	930	959	988	980	926
Deferring Participants	320	329	346	368	393	397	415	439	429	368
Total Net Position	\$ 88,028,958	\$ 82,506,022	\$ 86,496,946	\$ 82,945,266	\$ 70,886,080	\$ 64,382,973	\$ 67,104,804	\$ 61,021,200	\$ 49,647,286	\$ 74,397,765
Contributions	\$ 2,664,234	\$ 2,655,822	\$ 2,760,999	\$ 2,537,583	\$ 2,961,222	\$ 2,883,012	\$ 3,270,543	\$ 3,513,294	\$ 3,041,867	\$ 2,791,581
Investment Return	\$ 7,099,759	\$ (77,117)	\$ 6,888,184	\$ 15,142,490	\$ 8,446,337	\$ (4,482,823)	\$ 7,956,407	\$ 12,017,496	\$ (23,503,047)	\$ 4,056,195
Withdrawals	\$ (4,181,153)	\$ (6,451,831)	\$ (6,027,043)	\$ (5,576,913)	\$ (4,807,423)	\$ (4,473,226)	\$ (5,197,452)	\$ (4,010,110)	\$ (4,274,796)	\$ (6,973,190)
Mutual Fund	\$ 56,238	\$ 79,372	\$ 60,830	\$ 52,550	\$ 43,542	\$ 43,404	\$ 45,169	\$ 75,786	\$ 122,270	\$ 167,454
Reimbursements	\$ (116,142)	\$ (117,798)	\$ (131,290)	\$ (96,524)	\$ (140,571)	\$ (138,429)	\$ (128,769)	\$ (106,903)	\$ (136,773)	\$ (215,582)
Plan Administration Fees*	\$ 29	\$ 31	\$ 29	\$ 31	\$ 25	\$ 25	\$ 14	\$ 12	\$ 5	\$ 7
Number of Loans	\$362,992	\$344,010	\$365,015	\$413,951	\$338,100	\$370,236	\$286,301	\$176,447	\$127,838	\$156,384
Loan Amount	\$ 29	\$ 31	\$ 29	\$ 31	\$ 25	\$ 25	\$ 14	\$ 12	\$ 5	\$ 7

401(a) PLAN SUMMARY

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Participant Accounts	33,139	33,506	33,813	33,974	34,524	35,100	35,829	36,703	37,375	37,366
Deferring Participants	18,170	18,838	19,600	20,100	20,898	21,639	22,826	24,255	25,930	26,375
Total Net Position	\$ 1,698,084,568	\$ 1,585,700,338	\$ 1,588,573,523	\$ 1,485,298,831	\$ 1,243,907,287	\$ 1,098,305,956	\$ 1,098,114,445	\$ 959,041,449	\$ 760,995,733	\$ 1,014,687,132
Contributions	\$ 85,851,612	\$ 94,255,440	\$ 89,859,775	\$ 82,602,393	\$ 92,031,387	\$ 90,335,102	\$ 91,618,867	\$ 93,712,324	\$ 95,898,797	\$ 94,729,303
Investment Return	\$ 124,406,877	\$ 4,757,388	\$ 106,157,203	\$ 238,848,850	\$ 129,977,565	\$ (11,369,467)	\$ 113,860,920	\$ 164,656,429	\$ (285,649,155)	\$ 48,776,621
Withdrawals	\$ (96,555,381)	\$ (99,554,689)	\$ (91,201,808)	\$ (79,068,751)	\$ (76,111,030)	\$ (75,308,991)	\$ (67,881,768)	\$ (56,731,898)	\$ (62,995,066)	\$ (56,946,200)
Mutual Fund	\$ 1,029,642	\$ 1,061,915	\$ 972,448	\$ 829,575	\$ 680,729	\$ 617,656	\$ 584,667	\$ 725,795	\$ 1,032,238	\$ 1,325,748
Reimbursements	\$ (2,348,520)	\$ (2,331,324)	\$ (2,512,926)	\$ (1,820,523)	\$ (2,599,233)	\$ (2,460,876)	\$ (2,151,134)	\$ (1,896,894)	\$ (1,978,213)	\$ (2,836,711)
Plan Administration Fees*	\$ 2646	\$ 2760	\$ 2638	\$ 2,575	\$ 2,596	\$ 2,596	\$ 916	\$ 1,770	\$ 1,425	\$ 1,546
Number of Loans	\$19,231,327	\$19,070,539	\$18,897,449	\$17,676,057	\$15,468,770	\$14,383,094	\$12,663,185	\$10,059,136	\$9,048,410	\$9,746,492
Loan Amount	\$ 822	\$ 834	\$ 855	\$ 879	\$ 908	\$ 930	\$ 959	\$ 988	\$ 980	\$ 926

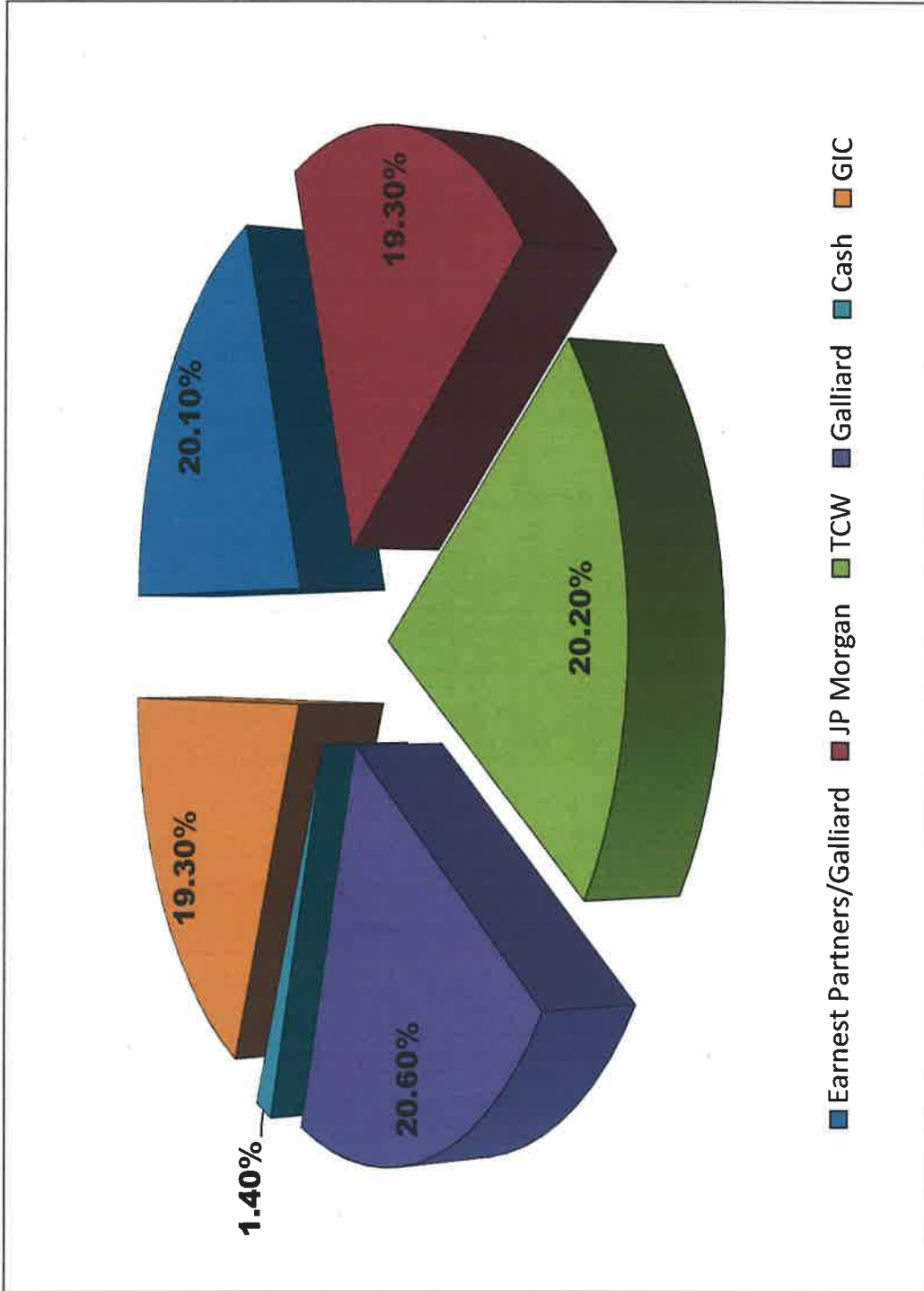
	32,175	33,681	35,322	36,776	38,424	40,085	41,965	44,705	44,705	44,119
Participant Accounts										
Deferring Participants										
Total Net Position	\$ 176,934,104	\$ 171,152,046	\$ 180,097,366	\$ 173,707,394	\$ 149,528,034	\$ 139,052,702	\$ 147,525,754	\$ 137,121,923	\$ 113,353,821	\$ 143,044,977
Contributions	\$ 16,363	\$ 9,750	\$ 28,418	\$ 39,564	\$ 495,460	\$ 400,092	\$ 408,268	\$ 3,493,268	\$ 15,979,591	\$ 20,722,388
Investment Return	\$ 14,139,706	\$ 566,917	\$ 13,953,357	\$ 31,448,528	\$ 16,896,830	\$ (1,494,596)	\$ 10,279,384	\$ 4,958,663	\$ (45,562,513)	\$ 5,724,281
Withdrawals	\$ (8,279,501)	\$ (9,303,180)	\$ (7,460,646)	\$ (7,240,428)	\$ (6,736,228)	\$ (7,188,029)	\$ (6,228,053)	\$ (4,565,333)	\$ (4,860,035)	\$ (4,754,283)
Mutual Fund										
Reimbursements	\$ 117,105	\$ 127,730	\$ 116,072	\$ 103,938	\$ 88,495	\$ 85,866	\$ 85,338	\$ 122,620	\$ 159,786	\$ 175,209
Plan Administration Fees*	\$ (8,279,501)	\$ (218,807)	\$ (247,229)	\$ (172,242)	\$ (279,225)	\$ (276,385)	\$ (261,262)	\$ (240,875)	\$ (268,020)	\$ (370,113)

* Includes any additional special fee

TEN YEAR HISTORY OF BOARD INCOME AND EXPENSES

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Revenues	\$ 1,580,828	\$ 1,693,232	\$ 1,889,868	\$ 1,353,339	\$ 1,649,707	\$ 1,640,000	\$ 1,402,986	\$ 1,309,730	\$ 1,172,650	\$ 1,211,767
Expenditures										
Salaries, Wages and Fringe										
Benefits	1,252,561	1,179,174	1,093,162	1,131,212	1,035,850	1,070,891	1,078,193	1,062,340	985,373	950,415
Technical & Special fees	-	2,427	5,945	889	25	943	4,401	2,740	(646)	3,973
Communications	19,279	16,823	26,243	9,433	25,549	18,797	22,451	23,482	35,056	17,795
Travel	20,659	19,823	20,513	16,257	18,966	15,523	12,243	13,372	18,799	21,974
Contractual Services	279,367	298,242	241,535	285,473	214,478	235,772	233,543	232,603	238,632	214,459
Supplies and Materials	10,404	8,794	12,142	4,500	4,769	3,830	4,935	13,451	7,188	(2,855)
Equipment/Furnishings	10,986	78	354	15,883	22,442	45,205	5,183	7,099	309	11,726
Fixed Charges	137,890	150,571	138,659	134,222	129,760	127,935	124,314	121,180	112,299	111,056
Total Expenditures	1,731,146	1,675,932	1,538,593	1,597,869	1,451,839	1,518,896	1,485,263	1,476,267	1,397,010	1,328,543
Revenue Less Expenditures	(150,318)	17,300	351,275	(244,530)	197,868	121,104	(82,277)	(166,537)	(224,360)	(116,776)
Adjustment (timing differences)							17,036	87,052	(153,218)	113,537
Reserve Balance	\$ 469,027	\$ 619,345	\$ 602,045	\$ 250,770	\$ 495,300	\$ 297,432	\$ 176,328	\$ 241,569	\$ 321,054	\$ 698,652

STABLE VALUE MANAGER DIVERSIFICATION





MARYLAND SUPPLEMENTAL RETIREMENT PLANS

Other statistical Section

IRS Contribution Limits for MSRP

Understanding IRS contribution limits is important, especially when your goal is to contribute the maximum to your account. Even if you can't do the max, consider increasing your contribution a little each year to potentially move closer to your retirement goals.

2016 and 2017 Contribution Limits¹

Plan	Contribution limit
457(b) Deferred Compensation Plan	Up to 100 percent of your compensation, but no more than \$18,000
403(b) Tax Sheltered Annuity Plan	Up to 100 percent of your compensation, but no more than \$18,000
401(k) Savings & Investment Plan	Up to 100 percent of your compensation, but no more than \$18,000

When participating in both the 457(b) and 401(k) (or 403(b)) plan, you may contribute \$18,000 per year to each plan, for a total of \$36,000. If you are participating in both the 401(k) and 403(b) plans, your total combined contribution amount cannot be higher than \$18,000 (or \$24,000 if using the Age 50 catch-up provision).

2016 and 2017 contribution limits with catch-up provisions

	Standard deferral limit	Deferral limit with Age 50 catch-up	Deferral limit with Special 457(b) catch-up
Catch-up provision	If you're under age 50 this year, you may defer as much as:	If you're age 50 or older this year, you may defer as much as:	If you're within three years of retirement, you may defer as much as:
457(b) plan	\$18,000	\$24,000 (\$18,000 + \$6,000)	\$36,000 (\$18,000 + \$18,000)
401(k) or 403(b)	\$18,000	\$24,000 (\$18,000 + \$6,000)	\$24,000 (if you use the Age 50 catch-up with 401(k) or 403(b))
Total	\$36,000	\$48,000	\$60,000



Pre-tax Plans comparison chart

	Traditional 457(b) Deferred Compensation Plan	Traditional 401(k) Savings & Investment Plan	403(b) Tax Deferred Annuity Plan
Who's eligible to participate?	All regular and contractual State employees		State educational institution employees
Who's eligible for the State match?	All State employees in the State Employees' Alternate Contributory Pension Plan		
Are payroll deductions pretax?	Yes (after FICA deduction)		
What's the minimum I may contribute?	\$5 per biweekly pay		
What's the maximum I may contribute?	\$17,500 effective Calendar Year 2014 (may be adjusted in future years for inflation) ¹		
May I "catch-up" in a later year?	Age 50 or older bonus: \$5,500 effective Calendar Year 2014. Special 457(b) Catch-up provision available within 3 years of retirement. These two provisions may not be used in the same year. ¹	Age 50 or older bonus: \$5,500 deferral effective Calendar Year 2014 ¹	
May I contribute to more than one Plan at the same time?	Yes – but with the following limitations:	<ul style="list-style-type: none"> • \$17,500 457(b) and/or Roth 457(b) + \$17,500 401(k) and/or Roth 401(k) = \$35,000/yr¹ • \$17,500 457(b) and/or Roth 457(b) + \$17,500 403(b) = \$35,000/yr¹ • \$17,500 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$17,500 = \$35,000/yr¹ 	
How often may I change my contribution amount?	Unlimited		
What are the costs to participate?	0.14% of your account value a year, no more than \$2,000, and 50 cents per month per account. ²		
What are the current investment options?	Investment Contract Pool Mutual Funds Targeted Retirement Funds	Vanguard Money Market Mutual Funds Targeted Retirement Funds	
May I roll over money from other retirement accounts into my Maryland Supplemental Retirement account? ³	Yes – from a 457(b), 401(k), 403(b), thrift savings plan or IRA into your supplemental retirement account		
May I roll over my supplemental retirement account to another type of retirement account, like an IRA?	Yes – to a 457(b), 403(b), 401(k) or IRA, upon leaving State service	Yes – to a 457(b), 403(b), 401(k) or IRA, upon leaving State service or obtaining age 59½	
May I withdraw money from my account while employed?	Yes, but only at age 70½ or older, or qualify for an unforeseeable emergency withdrawal	Yes, but only at age 59½ or older, or qualify for a hardship withdrawal	
When may I begin withdrawals from my account without a penalty? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or age 59½ regardless of employment. Other exceptions may apply. Consult your tax or legal advisor for more information	
May I change my withdrawal option, amount or frequency once I start payout?	Yes, excluding purchased annuities		
Must I elect my payout date when I leave State employment?	No – payouts not required until 70½ and separated from service		
Is there a loan provision and a hardship/emergency provision?	Yes/Yes		

NOTE: 401(a) Match Plan: The withdrawal rules are the same for the 401(a) and 401(k) plans except that in the 401(a) plan, distributions are not permitted until separation from State service.

¹ Source: IRS Announces Pension Plan Limits for 2014, www.irs.gov

² In addition, each of the mutual funds offered by the plan has fund expenses that are netted directly from the mutual fund's daily price. These will vary based upon the mutual fund selected. Also, some mutual funds may impose a short-term trade fee. Please read the underlying prospectuses carefully. NOTE: some mutual funds pay reimbursements that offset fees, see our "Mutual Fund Savings" pamphlet and your account statement for more information.

³ As you make decisions about rolling over assets especially qualified retirement plans and IRAs, keep in mind that each type of account has different rules about fees, when you can access your funds, surrender charges and tax penalties.

⁴ Withdrawals are taxed as ordinary income.

Money market funds: Investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other federal government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

Targeted Retirement Funds offered by T. Rowe Price, also known as target date funds, are asset allocation funds that are based on a targeted date as to when an investor plans to begin to withdraw money. These funds use a strategy that reallocates equity exposure to a higher percentage of fixed investments over time. As a result, the funds become more conservative over time as you approach retirement. It's important to remember that no strategy can assure a profit or prevent a loss in a declining market. The principal value of the fund(s) is not guaranteed at any time, including at the target date.

Fund prospectuses can be obtained by calling 800-545-4730. Before investing, carefully consider the fund's investment objectives, risks, and charges and expenses. The fund prospectus contains this and other important information. Read prospectuses carefully before investing.



After-tax Plans comparison chart

MarylandDC.com | Customer Service Center | 800-545-4730

Roth 457(b) Deferred Compensation Plan

Roth 401(k) Savings & Investment Plan

Who's eligible to participate?	All regular and contractual State employees	
Who's eligible for the State match?	All State employees in the State Employees' Alternate Contributory Pension Plan	
Are payroll deductions pretax?	No	
What's the minimum I may contribute?	\$5 per biweekly pay	
What's the maximum I may contribute?	\$17,500 effective Calendar Year 2014 (may be adjusted in future years for inflation) ³	
May I "catch-up" in a later year?	Age 50 or older bonus: \$5,500 effective Calendar Year 2014. Special 457(b) Catch-up provision available within 3 years of retirement. These two provisions may not be used in the same year. ⁵	Age 50 or older bonus: \$5,500 deferral effective Calendar Year 2014 ⁶
May I contribute to more than one Plan at the same time?	Yes – but with the following limitations: <ul style="list-style-type: none"> • \$17,500 457(b) and/or Roth 457(b) + \$17,500 401(k) and/or Roth 401(k) = \$35,000/yr⁸ • \$17,500 457(b) and/or Roth 457(b) + \$17,500 403(b) = \$35,000/yr⁸ • \$17,500 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$17,500 = \$35,000/yr⁸ 	
How often may I change my contribution amount?	Unlimited	
What are the costs to participate?	0.14% of your account value a year, no more than \$2,000, and 50 cents per month per account. ⁶	
What are the current investment options?	Investment Contract Pool Mutual Funds Targeted Retirement Funds	
May I roll over money to or from other retirement accounts into my Maryland Supplemental Retirement account??	Yes – but only a direct rollover from another Roth 457(b) account.	Yes – but only a direct rollover from another Roth 401(k) account.
Will my distributions be taxed?	Qualified distributions are not subject to federal or Maryland income tax. If not a qualified distribution, investment earnings are subject to ordinary income tax and possibly a 10% early withdrawal penalty. ⁸	
When may I begin withdrawals from my account without a penalty? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or age 59½ regardless of employment. Other exceptions may apply. Consult your tax or legal advisor for more information
May I change my withdrawal option, amount or frequency once I start my payout?	Yes, excluding purchased annuities	
Must I elect my payout date when I leave State employment?	No – payouts not required until 70½ and separated from service	
Is there a loan provision and a hardship/emergency provision?	Yes/Yes	

NOTE: 401(a) Match Plan: The withdrawal rules are the same for the 401(a) and 401(k) plans except that in the 401(a) plan, distributions are not permitted until separation from State service.

⁵ Source: IRS Announces Pension Plan Limits for 2014, www.irs.gov

⁶ In addition, each of the mutual funds offered by the plan has fund expenses that are netted directly from the mutual fund's daily price. These will vary based upon the mutual fund selected. Also, some mutual funds may impose a short-term trade fee. Please read the underlying prospectuses carefully. NOTE: some mutual funds pay reimbursements that offset fees, see our "Mutual Fund Savings" pamphlet and your account statement for more information.

⁷ As you make decisions about rolling over assets especially qualified retirement plans and IRAs, keep in mind that each type of account has different rules about fees, when you can access your funds, surrender charges and tax penalties.

⁸ Generally, a Roth 401(k) account distribution is a qualified distribution if 1) the Roth 401(k) account has been in existence for a five-year period (the five-year period begins January 1 of the year a participant first makes a Roth contribution into the plan, and 2) a participant is age 59½, or has died or become disabled under IRC section 72(m)(7). Distributions made prior to these requirements being met are non-qualified distributions, and earnings could be taxable.

Fund prospectuses can be obtained by calling 800-545-4730. Before investing, carefully consider the fund's investment objectives, risks, and charges and expenses. The fund prospectus contains this and other important information. Read prospectuses carefully before investing.

This information is of a general and informational nature and is NOT INTENDED TO CONSTITUTE LEGAL OR INVESTMENT ADVICE.

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GLOSSARY

Rates of Returns

Rates of Returns. The rates of returns are net of the fund's annual operating expenses. They are before the deduction of plan administration asset fees.

Betas

Five-Year Beta. The beta coefficient is a statistical measure of a stock's relative volatility (or risk). For comparative purposes, the Fund's beta are measured relative to the S&P 500 Index, a measure of broad market activity. The Standard & Poor's 500 Index (S&P 500) has a beta coefficient of 1.00. A stock with a higher beta is more volatile than the S&P 500. A stock with a lower beta is less volatile than the S&P 500.

Indices

91-Day Treasury Bill. A negotiable debt obligation issued by the U.S. government and backed by its full faith and credit, having a maturity of three months. Exempt from state and local taxes.

50% S&P/50% Lehman Bros. Aggregate Bond. This is the 50% S&P 500 and 50% Lehman Brothers Aggregate Bond Index. The Standard & Poor's 500 Index is a broad-based measurement of stock market conditions, as 70% of U.S. equity is tracked by the S&P 500. The index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index, with each stock's weight proportionate to its market value. The Lehman Brothers Aggregate Bond Index is a mix of government, corporate, mortgage-backed, asset-backed, and Yankee bonds.

MSCI EAFE Index. The Morgan Stanley Capital International (MSCI) Europe, Australia, and the Far East (EAFE) Index is an international equity index. It consists of 1,030 securities from the following 20 countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

Russell 2000 Index. This index is a small-capitalization index that consists of the 2,000 smallest stocks in the Russell 3000 Index, representing 10% of the total U.S. equity market.

60% S&P/40% Lehman Bros. Aggregate Bond. This is the 60% S&P 500 and 40% Lehman Brothers Aggregate Bond Index. The Standard & Poor's 500 Index is a broad-based measurement of stock market conditions, as 70% of U.S. equity is tracked by the S&P 500. The index consists of 500 stocks chosen for market size, liquidity, and industry group presentation. It is a market weighted index, with each stock's weight proportionate to its market size. The Lehman Brothers Aggregate Bond Index is a mix of government, corporate, mortgage-backed, asset-backed, and Yankee bonds.

GLOSSARY(continued)

Standard & Poor's 500 Index. This index is a broad-based measurement of stock market conditions, as 70% of U.S. equity is tracked by the S&P 500. The index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighed index, with each stock's weight proportionate to its market value.

S&P BARRA Growth Index and S&P BARRA Value Index. These indices take the stocks in the S&P 500 and portion them into equal halves based on their price-to-book ratios.

Lehman Bros. Intermediate Gov't Bond Index. Includes Government Index Issues with a time to maturity between 1 and 10 years.

Medians

Fixed Income – Short Term. Median. This universe includes funds defined by Morningstar as Short-Term Bond. Short-Term Bond funds have an average duration of more than one but less than 3.5 years or an average effective maturity of more than one but less than four years.

Foreign Equity Non-U.S. Median. This universe includes funds defined by Morningstar as Foreign Stock funds which have no more than 10% of stocks invested in the United States. The median return represents the mid point of this universe.

Large Cap Blend Median. This universe includes funds defined by Morningstar as Large Blend. Large Blend funds invest in a combination of Large Cap Growth and Large Cap Value stocks. The return represents the mid point of this universe. Market caps greater than \$10 billion are considered large cap.

Managed Balanced Median. This universe includes funds defined by Morningstar as Balanced, which includes funds with stock holdings of greater than 20% but less than 70% of the portfolio. The return represents the mid-point of this universe.

Mid Cap Growth Median. This universe includes funds defined by Morningstar as Mid-Cap Growth. Mid-Cap Growth funds primarily invest in stocks of mid-sized companies which are growing at faster than average rates. The return represents the mid point of this universe. Market caps greater than or equal to \$2 billion but less than or equal to \$10 billion are considered mid-cap funds.

GLOSSARY(continued)

Small Cap Core Median. This universe includes funds defined by Morningstar as Small Blend. Small Blend funds invest in a combination of Small-Cap Growth and Small-Cap Value stocks. The return represents the mid point of this universe. All funds with market caps less than \$2 billion are considered small-cap funds.

PARTICIPANT DATA DEFINITIONS

Participants. Those who have an account value, including those who are receiving systematic withdrawals and those who have recently enrolled in the plans and are awaiting their first deferral.

Deferring Participants. Those participating employees who made a contribution to the plan by payroll deduction at the end of the reporting period.

Net New Enrollments. The net change of State employee participants from year to year. New enrollments and restarted contributors are reduced by retirement and transfer withdrawals, death claims and other full distributions.

Annuitants. Participants who are receiving withdrawals from purchased annuity contracts.

Systematic Payouts. Participants who are receiving withdrawals from the plans with remaining balances invested in the plan(s).

Average Deferrals per Participant. Calculated by dividing the dollar value of "TOTAL Deferrals" in all plans combined by the number of "TOTAL Deferring Participants" at year-end.

Average Combined Plan Assets by Participants. Calculated by dividing the dollar value of Plan Assets in all plans by the number of "TOTAL Participants" in all plans.

¹ Source: Nationwide Retirement Solutions, Inc. Administrator Report