

Maryland
Teachers and State Employees
Supplemental Retirement Plans

2017 Comprehensive
Annual Financial Report



MSRP



MSRP



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

For the Calendar Year Ended
December 31, 2017

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

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



Government Finance Officers Association

**Certificate of
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Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrell

Executive Director/CEO

TABLE OF CONTENTS

Introductory Section	1
Letter from the Chairperson	2
Letter of Transmittal	3
About the Plans	7
About the Board	8
Board of Trustees	9
Professional Services	10
Chart of Organization	11
 Financial Section	 12
Report of the Independent Auditors	13
Management's Discussion and Analysis	15
Maryland Supplemental Retirement Plans Basic Financial Statements	19
Statement of Net Position Held in Trust for Deferred Compensation Benefits	20
Statement of Combining Net Position Held in Trust for Deferred Compensation Benefits 2017	21
Statement of Combining Net Position Held in Trust for Deferred Compensation Benefits 2016	22
Statement of Changes in Net Position Held in Trust for Deferred Compensation Benefits	23
Statement of Combining Changes in Net Position Held in Trust for Deferred Compensation 2017	24
Statement of Combining Changes in Net Position Held in Trust for Deferred Compensation 2016	25
Notes to the Financial Statements	26
Additional Information	43
Schedule of Administrative Expenses	44
 Investment Section	 45
Investment Advisor's Report	46
Plan Summary Report	51
Investment Policy Statement	52
Investment Option Analysis	54
Investment Contract Pool Disclosure Report and Overview Document	57
Investment Performance Report	59
 Statistical Section	 63
Report on Plans Statistics	64
10 Years of Plans Statistics	65
Stable Value Manager Diversification Chart	67
Ten-Year History of Board Income and Expenses	68
 Other Information	 69
MSRP Contribution Limits 2017	69
Pre-Tax Plans Comparison Chart	70
After-Tax Plans Comparison Chart	71
Roth Plan Options	72
Glossary	73
Participant Data Definitions	76

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Introductory Section



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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.
Lynne M. Durbin, Esq.
Nancy K. Kopp
John D. Lewis
Johnathan R. West

STAFF

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*Secretary to the Board
Executive Director*

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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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Or 1-800-735-2258

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, we are pleased to present our Comprehensive Annual Financial Report for the year ended December 31, 2017. This is our eighth year using this expanded report format. We believe this format continues to deliver quality information and demonstrates that the Plans are worthy of our participants' confidence.

The calendar year 2017 ended with strong investment growth of 21.8% with net assets finishing at \$3.97 billion—a 12% increase over the previous year. Employee contributions during the year were sufficient to offset most of the withdrawals associated with increasing retirements in this sizeable and mature program.

The MSRP Board was recognized nationally for a robust and innovative communication program. We work alongside Nationwide in carrying out the retirement savings message to all employees, regardless of enrollment status. At year-end, the plan had 60,151 participants, and 7,171 with accounts in multiple plans; making this year our highest enrollment since inception of the plans over 40 years ago.

On November 17, 2017, MSRP received another “**Certificate of Achievement for Excellence in Financial Reporting**” from the **Government Finance Officers Association** for the December 31, 2016 comprehensive annual financial report. MRSP has received seven such awards previously, and will continue to pursue this recognition each year signifying the sound administration of the programs. With this solid tradition, we encourage all State employees to prepare for their retirement with the Maryland Supplemental Retirement Plans.

Sincerely,

T. Eloise Foster
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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Letter of Transmittal

June 4, 2018

Honorable Chairperson and Members of the Board of Trustees:

It is our pleasure to present the 2017 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, 2017. 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 2017 was 77% of eligible employees, with 44% of eligible employees actively making contributions. These rates have remained steady from the prior year. New enrollments for the year totaled 4,713, a 25% increase over the prior year. There was also a 5% decrease in participants receiving distributions, with 5,228 taking payouts as of December 31, 2017.

Economic Outlook and Condition

During the Plan year ended December 31, 2017, the value of Plan assets increased by 12%, from \$3.54 to \$3.97 billion. Increased participant contributions with strong market performance boosted 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, along with schedules of management fees and information relevant to evaluation of asset quality. For the year ended December 31, 2017, the Plans relied on Galliard Capital Management (Galliard) for oversight of the investment contract pool (ICP); and general investment advice, and assistance in selection and ongoing evaluations of investment options was provided by Segal Marco Advisors (Segal).

Revenues and Expenses – Board & Staff

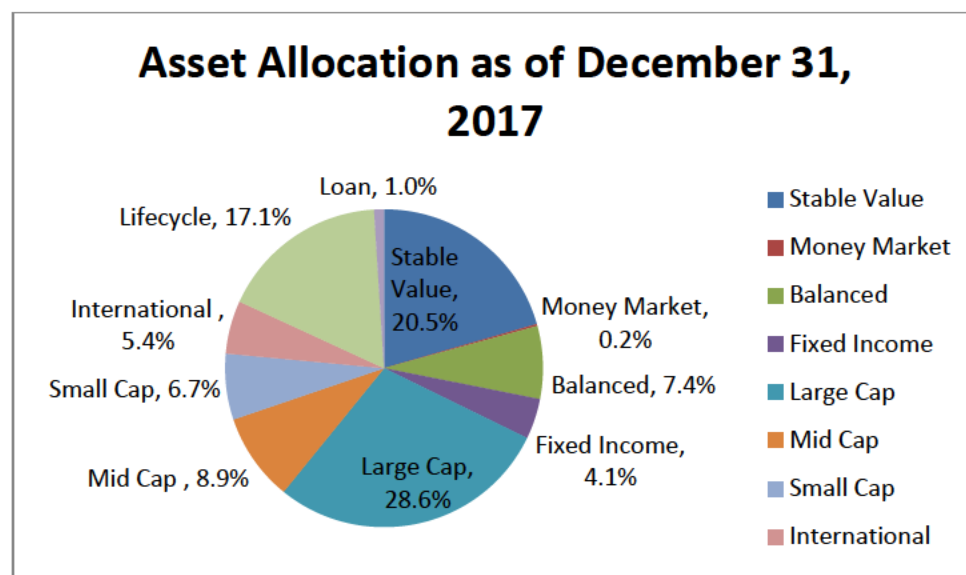
The resources necessary to oversee and manage the Plans are funded by fees collected from MSRP participant accounts. Currently, the Board's revenue is a share of the participant fee structure, comprised of a 0.05% asset fee and a monthly \$0.50 per account fee on all accounts over \$500 other than the 401(a) Match Plan. The Board's budgeted expenses to operate the Plans include costs associated with investment consulting, audits, staff and educational activities. A reserve balance is maintained to accommodate fluctuations and timing differences between revenues and expenses. Due to strong investment returns, the Board reserve balance at the end of December 31, 2017 was \$854,944. The board therefore decided to temporarily suspend the 0.05% asset fee beginning January 2018 for six months.

Major Issues and Initiatives

In January 2017, the Board of Trustees implemented an optional managed account service for participants. The ProAccount® program is offered with an affiliate of Nationwide Retirement Solutions, the current administrator and record keeper for the Plans for an additional charge and may be cancelled at any time.

Investments

The Plans are long-term retirement savings vehicles and are intended as a source of retirement income for voluntary participants. 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, 2017 and 2016, respectively. See the investment section of the CAFR for a more detailed analysis and additional information.



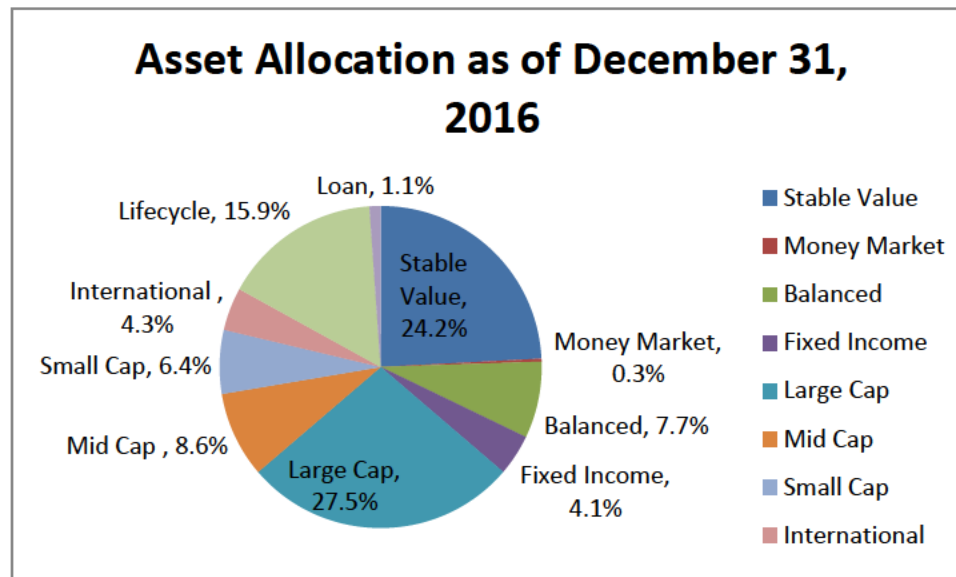


Figure 1: % may be greater or lesser than 100% due to rounding

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 were performed by Galliard Capital Management. Segal Marco Advisors 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 46.

Awards

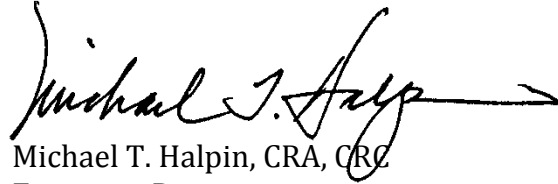
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MSRP for its comprehensive annual financial report for the calendar year ended December 31, 2016. This was the seventh consecutive year that 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,

A handwritten signature in black ink, appearing to read "Michael T. Halpin", with a long horizontal flourish extending to the right.

Michael T. Halpin, CRA, CRC
Executive Director

A handwritten signature in black ink, appearing to read "Debra L. Roberts", with a large, stylized loop at the end.

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

Picture not available

Johnathan R. West
Eligible Member



Thomas M. Brandt, Jr.
Public Member



Lynne M. Durbin
Public Member



John D. Lewis
Public Member



Maryland Teachers and State Employees Supplemental Retirement Plans

PROFESSIONAL SERVICES

Plan Administration

Nationwide Retirement Solutions, Inc

Independent Investment Consultants

Segal Marco Advisors

Stable Value Fund Manager

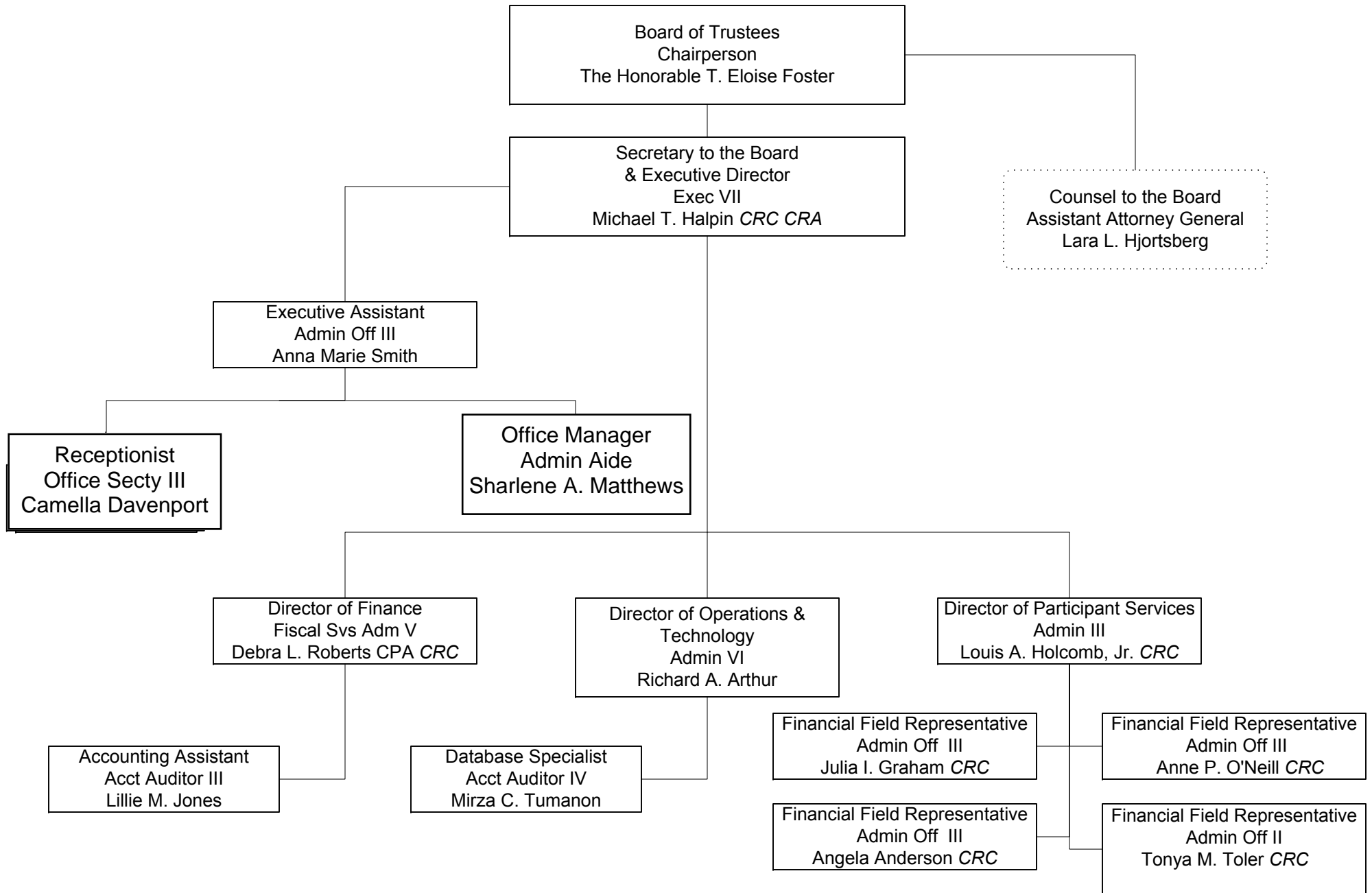
Galliard Capital Management

Independent Public Accountants

SB & Company, LLC

2017

Maryland Teachers & State Employees Supplemental Retirement Plans



Approved:
December 31, 2017

MSRP CAFR

Financial
Section



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, 2017 and 2016, 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.



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, 2017 and 2016, 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 15, 2018

SB & Company, LLC

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, 2017 and 2016. The financial statements appear at page 19 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(b) and 401(a)—has a separate, stand-alone financial statement; a combined statement that consolidates the assets and transactions of all Plans appears on page 21.

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

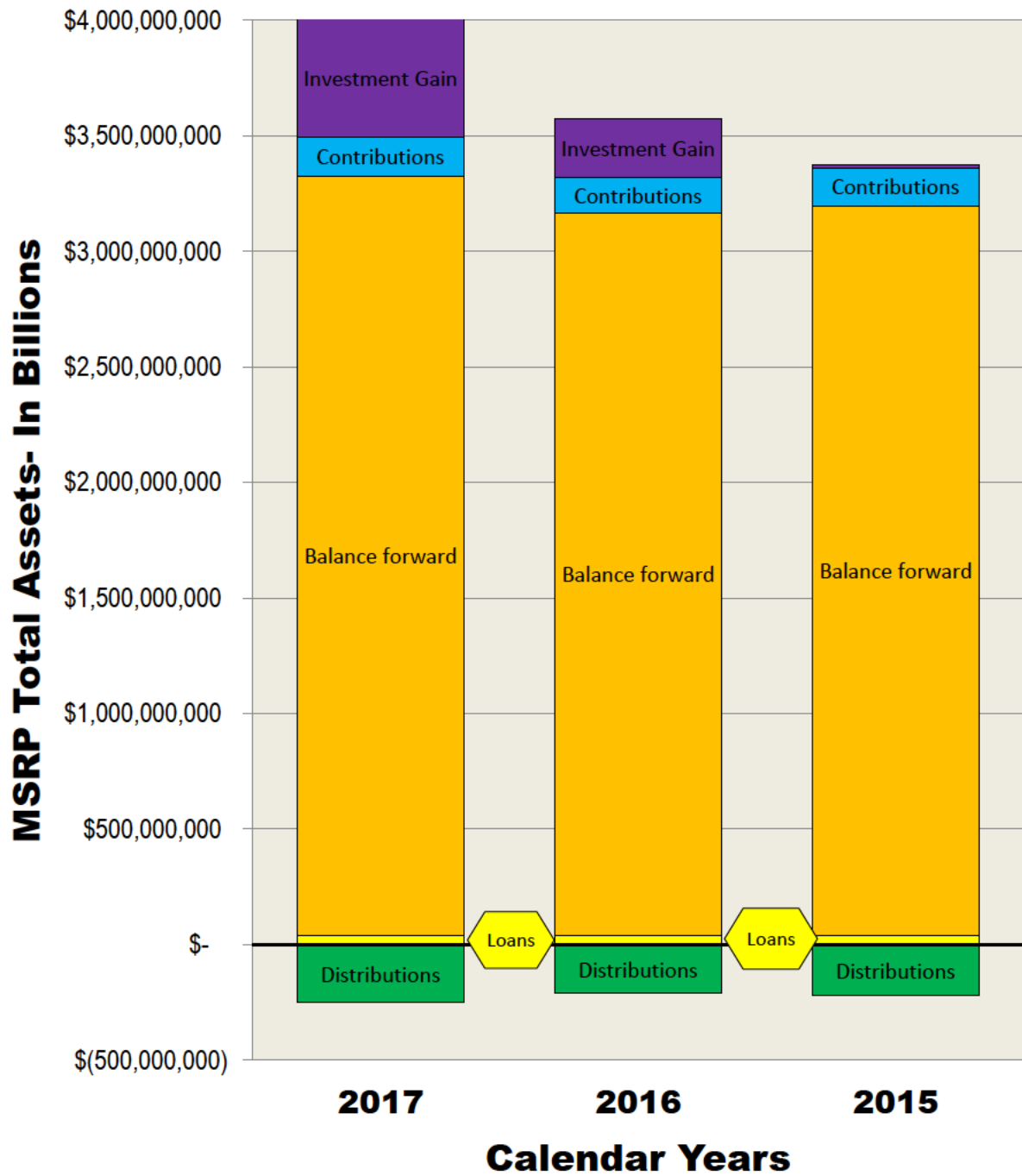
- Net position available for plan benefits increased by \$433 million for the year ended December 31, 2017 from \$3.54 billion as of December 31, 2016 to \$3.97 billion as of December 31, 2017. At the end of December 31, 2016, net position available for plan benefits increased by \$197 million from \$3.34 to \$3.54 billion. 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 net increase in plan assets was attributable to strong investment performance and increased participant deferrals.

- The Plans had a net investment gain of \$511 million as of December 31, 2017. The Plans had a net investment gain of \$250 million for the year ended December 31, 2016 and a gain of \$12 million for the year ended December 31, 2015.
- The contributions for calendar year ended December 31, 2017 increased to \$167 million from \$156 million as of December 31, 2016. Employee contributions had been \$164 million for the year ended December 31, 2015.
- Employer contributions have been virtually eliminated due to the suspension of the State Match program since June 2009. A few independent personnel system agencies reported variable employer contributions.
- Distributions to participants increased to \$242 million for the year ended December 31, 2017 from \$206 million for the year ended December 31, 2016. For the period ended December 31, 2015, distributions had been \$215 million.
- Administrative expenses for the Plans are a combination of participant fees paid to the Plan Administrator, Nationwide Retirement solutions (NRS), and participant Administrative expenses for the Plans are a combination of participant fees paid to the Plan Administrator, Nationwide Retirement Solutions (NRS), and participant fees paid to the Board of Trustees for all other Plan expenses of fiduciary supervision, participant education programs and agency operations. The combined Plan fees for the year ended December 31, 2017 were \$5.5 million as compared with \$5.2 million from the year ended December 31, 2016 and \$4.6 million for the year ended the year ended December 31, 2015. There was no fee holiday for the calendar year December 31, 2017, which resulted in higher administrative fees when compared with the prior 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(b), 401(k), 403(b) and 401(a) Match Plan in years 2015, 2016, and 2017. 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.

The remainder of the page deliberately left empty

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



Net Position Held in Trust for Deferred Compensation Benefits			
	2017	2016	2015
ASSETS			
Investments:			
Investment contract pool	\$ 752,631,315	\$ 779,300,553	\$ 764,981,938
Mutual funds	3,100,137,447	2,638,263,238	2,450,428,312
Annuities	71,319,929	75,724,842	81,209,448
Total investments	3,924,088,691	3,493,288,633	3,296,619,698
Cash surrender value of life insurance contracts	2,966,723	3,042,021	3,133,410
Cash	854,945	405,986	810,318
Receivables:			
Employee contributions	138,328	120,656	55,867
Loans receivable	39,942,647	38,366,303	37,491,312
Other receivable	163,947	147,036	138,780
Net Position held in Trust for Deferred Compensation Benefits	\$ 3,968,155,281	\$ 3,535,370,635	\$ 3,338,249,385
	2017	2016	2015
ADDITIONS			
Employee contributions	\$ 167,321,062	\$ 155,632,594	\$ 163,723,479
Employer contributions	70	16,363	9,750
Variable earnings reimbursements	2,102,082	2,096,422	2,206,440
Investment income:			
Variable earnings investment income	491,695,469	231,765,317	(6,641,027)
Interest income	18,923,831	18,431,370	18,549,979
Total Additions	680,042,512	407,942,066	177,848,621
DEDUCTIONS			
Distributions to participants	241,714,809	205,568,155	214,590,958
Administrative expenses	5,537,415	5,243,677	4,609,909
Life insurance premiums	6,644	7,982	11,725
Total Deductions	247,258,868	210,819,814	219,212,592
Net Increase (Decrease)	432,783,646	197,122,252	(41,363,971)
Net assets held in trust for deferred compensation benefits,			
beginning of year	3,535,371,635	3,338,249,385	3,379,613,356
Net Position Held in Trust for Deferred Compensation Benefits,			
End of Year	\$ 3,968,155,281	\$ 3,535,371,637	\$ 3,338,249,385

**Maryland Supplemental Retirement Plans
Basic Financial Statements**

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

**Statements of Net Position Held in Trust for Deferred Compensation Benefits
As of December 31, 2017 and 2016**

	2017	2016
ASSETS		
Investments:		
Investment contract pool	\$ 752,631,315	\$ 779,300,553
Mutual funds	3,100,137,447	2,638,232,460
Annuities	71,319,929	75,755,620
Total investments	3,924,088,691	3,493,288,633
Cash surrender value of life insurance contracts	2,966,723	3,043,021
Cash	854,945	405,986
Receivables:		
Employee contributions	138,328	120,656
Loans receivable	39,942,647	38,366,303
Other receivable	163,947	147,036
Net Position Held in Trust for Deferred Compensation Benefits	\$ 3,968,155,281	\$ 3,535,371,635

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, 2017**

	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	\$ 392,468,304	\$ 330,937,589	\$ 29,225,422	\$ -	\$ 752,631,315
Mutual funds	1,253,893,084	1,580,665,239	166,622,346	98,956,778	3,100,137,447
Annuities	71,319,929	-	-	-	71,319,929
Total Investments	1,717,681,317	1,911,602,828	195,847,768	98,956,778	3,924,088,691
Cash surrender value of life insurance contracts	2,966,723	-	-	-	2,966,723
Cash	854,945	-	-	-	854,945
Receivables:					
Employee contributions	63,163	70,370	-	4,795	138,328
Loans receivable	19,733,311	19,840,610	-	368,726	39,942,647
Other receivable	163,947	-	-	-	163,947
Net Position Held in Trust for Deferred Compensation Benefits	\$ 1,741,463,406	\$ 1,931,513,808	\$ 195,847,768	\$ 99,330,299	\$ 3,968,155,281

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, 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 Changes in Net Position Held in Trust for Deferred Compensation Benefits
For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ADDITIONS TO NET POSITION ATTRIBUTED TO:		
Employee contributions	\$ 167,321,062	\$ 155,632,594
Employer contributions	70	16,363
Variable earnings reimbursements	2,102,082	2,096,422
Investment income:		
Variable earnings investment (loss) income	491,695,469	231,765,315
Interest income	18,923,831	18,431,370
Total Additions	<u>680,042,514</u>	<u>407,942,064</u>
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:		
Distributions to participants	241,714,809	205,568,155
Administrative expenses	5,537,415	5,243,677
Life insurance premiums	6,644	7,982
Total Deductions	<u>247,258,868</u>	<u>210,819,814</u>
Net increase	432,783,646	197,122,250
Net position held in trust for deferred compensation benefits, beginning of year	<u>3,535,371,635</u>	<u>3,338,249,385</u>
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	<u><u>\$ 3,968,155,281</u></u>	<u><u>\$ 3,535,371,635</u></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, 2017**

	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	\$ 72,953,233	\$ 91,833,299	\$ -	\$ 2,534,530	\$ 167,321,062
Employer contributions	-	-	70	-	70
Variable earnings reimbursements	887,655	1,054,026	106,878	53,523	2,102,082
Investment income:					
Variable earnings investment income	199,094,597	250,346,155	27,749,907	14,504,810	491,695,469
Interest income	11,288,837	6,939,600	540,399	154,995	18,923,831
Total Additions	284,224,322	350,173,080	28,397,254	17,247,858	680,042,514
Deductions:					
Distributions to participants	112,575,538	113,816,600	9,218,727	6,103,944	241,714,809
Administrative expenses	2,202,739	2,927,240	264,863	142,573	5,537,415
Life insurance premiums	6,644	-	-	-	6,644
Total Deductions	114,784,921	116,743,840	9,483,590	6,246,517	247,258,868
Net increase	169,439,401	233,429,240	18,913,664	11,001,341	432,783,646
Net position held in trust for deferred compensation benefits, beginning of year	1,572,024,005	1,698,084,568	176,934,104	88,328,958	3,535,371,635
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	\$ 1,741,463,406	\$ 1,931,513,808	\$ 195,847,768	\$ 99,330,299	\$ 3,968,155,281

**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	<u>172,260,528</u>	<u>211,288,131</u>	<u>14,273,174</u>	<u>10,120,231</u>	<u>407,942,064</u>
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	<u>99,127,502</u>	<u>98,903,901</u>	<u>8,491,116</u>	<u>4,297,295</u>	<u>210,819,814</u>
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	<u>1,498,890,979</u>	<u>1,585,700,338</u>	<u>171,152,046</u>	<u>82,506,022</u>	<u>3,338,249,385</u>
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	<u>\$ 1,572,024,005</u>	<u>\$ 1,698,084,568</u>	<u>\$ 176,934,104</u>	<u>\$ 88,328,958</u>	<u>\$ 3,535,371,635</u>

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2017 and 2016

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 60,151 participants as of December 31, 2017. 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, 2017 and 2016

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, 2017 and 2016, respectively 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 \$2.5 million were made to the Roth accounts by approximately 4,737 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2017. 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.

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, 2017, the State suspended the match contribution.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Fixed Investments - Investment Contract Pool	\$ 392,468,304	\$ 408,508,213
Vanguard Institutional Index Fund - Institutional Plus Shares	208,544,392	182,395,719
Fidelity Puritan Fund	130,653,416	119,490,197
Vanguard Mid Cap Index Fund - Institutional Plus Shares	84,013,659	77,571,928
Delaware Value Fund - Institutional Class	78,863,709	74,827,759
American Funds - The Growth Fund of America - Class R6	79,713,945	62,879,847
T. Rowe Price Institutional Small Cap Stock Fund, Inc.	64,642,237	57,795,169
American Century Equity Growth Fund - Institutional Class	57,920,553	48,998,907
American Funds - Euro Pacific Growth - Class R6	70,209,361	48,500,343
T Rowe Price Retirement 2020 Fund	46,508,922	41,678,356
TCW Core Fixed Income Fund - I Class	45,372,784	39,574,094
T Rowe Price Mid Cap Value Fund, Inc.	39,959,924	36,970,672
T Rowe Price Retirement 2030 Fund	45,647,507	36,882,752
T Rowe Price Retirement 2025 Fund	44,641,292	36,136,072
Vanguard Small-Cap Index Fund - Institutional Shares	38,054,549	35,436,014
T Rowe Price Retirement 2015 Fund	23,986,220	24,951,068
T Rowe Price Retirement 2035 Fund	30,729,730	23,648,520
T Rowe Price Retirement 2040 Fund	27,234,691	22,067,701
T Rowe Price Retirement 2045 Fund	18,211,408	13,571,436
Janus Enterprise Fund - N Shares	20,998,151	13,410,079
Parnassus Core Equity Fund - Institutional Shares	13,612,335	13,372,606
Vanguard Total Bond Market Index Fund - Institutional Shares	21,405,848	12,473,755
T Rowe Price Retirement 2050 Fund	14,714,294	10,412,532
T Rowe Price Retirement 2010 Fund	10,720,676	10,301,074
Vanguard Total International Stock Index Fund - Institutional Shares	20,072,179	9,079,967
T Rowe Price Retirement 2055 Fund	8,370,972	5,377,139
T Rowe Price Retirement Balanced Fund	5,232,666	4,400,258
T Rowe Price Retirement 2005 Fund	2,579,183	2,473,014
T Rowe Price Retirement 2060 Fund	1,278,481	660,006
Total Mutual Funds	1,253,893,084	1,065,336,984
Discontinued investment options - Nationwide Fixed Annuities	59,137,887	62,606,802
Nationwide Life annuity payout reserves	8,482,317	9,467,767
Metropolitan Life annuity payout reserves	3,699,725	3,681,051
Total Annuities	71,319,929	75,755,620
Total Investments	\$ 1,717,681,317	\$ 1,549,600,817

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2017 and 2016

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 2: 401(k) Plan

Investments held as of December 31, 2017 and 2016, were as follows:

	2017	2016
	\$	\$
Fixed Investments - Investment Contract Pool	330,937,589	340,115,872
Vanguard Institutional Index Fund - Institutional Plus Shares	307,306,983	265,417,027
Fidelity Puritan Fund	134,005,410	119,520,915
American Funds - The Growth Fund of America - Class R6	116,631,633	93,479,346
Vanguard Mid Cap Index Fund - Institutional Plus Shares	102,201,850	90,908,005
T. Rowe Price Institutional Small Cap Stock Fund, Inc.	88,776,360	79,439,344
T Rowe Price Retirement 2020 Fund	93,327,775	77,478,810
Delaware Value Fund - Institutional Class	70,926,904	66,728,967
American Funds - Euro Pacific Growth - Class R6	88,099,550	63,836,707
T Rowe Price Retirement 2025 Fund	74,588,698	59,154,419
TCW Core Fixed Income Fund - I Class	60,571,375	57,816,064
American Century Equity Growth Fund - Institutional Class	69,200,632	57,297,548
Vanguard Small-Cap Index Fund - Institutional Shares	51,927,286	45,790,041
T Rowe Price Retirement 2030 Fund	56,611,963	44,067,205
T. Rowe Price MidCap Value Fund, Inc. - Retail Shares	45,304,503	43,379,398
T Rowe Price Retirement 2015 Fund	41,354,712	39,556,439
T Rowe Price Retirement 2035 Fund	29,034,254	22,798,347
T Rowe Price Retirement 2040 Fund	21,462,631	17,323,605
Janus Enterprise Fund - N Shares	26,730,088	17,167,101
Vanguard Total Bond Market Index Fund - Institutional Shares	23,735,342	17,123,360
T Rowe Price Retirement 2010 Fund	15,776,205	14,840,367
Parnassus Core Equity Fund - Institutional Shares	14,121,998	13,572,992
Vanguard Total International Stock Index Fund - Institutional Shares	20,105,957	9,710,968
T Rowe Price Retirement 2045 Fund	9,776,446	7,523,731
T Rowe Price Retirement 2050 Fund	6,201,836	4,440,300
T Rowe Price Retirement Balanced Fund	5,848,411	4,335,616
T Rowe Price Retirement 2005 Fund	2,999,257	3,138,689
T Rowe Price Retirement 2055 Fund	3,142,866	2,279,535
T Rowe Price Retirement 2060 Fund	894,314	549,442
Total Mutual Funds	1,580,665,239	1,338,674,288
Total Investments	\$ 1,911,602,828	\$ 1,678,790,160

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2017 and 2016

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 3: 401(a) Plan

Investments held as of December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Fixed Investments - Investment Contract Pool	\$ 29,225,422	\$ 30,676,468
Vanguard Institutional Index Fund - Institutional Plus Shares	45,911,570	40,295,117
Fidelity Puritan Fund	16,265,894	14,581,801
Vanguard Mid Cap Index Fund - Institutional Plus Shares	12,830,395	11,537,908
T. Rowe Price Institutional Small Cap Stock Fund, Inc.	10,715,024	9,737,226
Delaware Value Fund - Institutional Class	10,336,704	9,676,350
American Funds - The Growth Fund of America - Class R6	11,464,356	9,386,965
American Century Equity Growth Fund - Institutional Class	10,417,137	9,038,979
American Funds - Euro Pacific Growth - Class R6	7,177,177	5,467,541
T Rowe Price Retirement 2020 Fund	5,545,348	5,044,196
T Rowe Price Retirement 2025 Fund	5,110,865	4,430,838
TCW Core Fixed Income Fund - I Class	4,213,490	4,060,107
T Rowe Price Retirement 2030 Fund	4,834,062	4,030,911
Vanguard Small-Cap Index Fund - Institutional Shares	4,262,012	3,983,895
T Rowe Price Mid Cap Value Fund, Inc.	3,056,339	2,983,996
T Rowe Price Retirement 2035 Fund	3,106,224	2,684,030
T Rowe Price Retirement 2015 Fund	2,634,425	2,611,842
T Rowe Price Retirement 2040 Fund	2,378,828	2,017,221
T Rowe Price Retirement 2045 Fund	1,062,527	899,685
Janus Enterprise Fund - N Shares	1,316,282	877,624
T Rowe Price Retirement 2010 Fund	815,171	783,736
Parnassus Core Equity Fund - Institutional Shares	540,450	567,468
Vanguard Total Bond Market Index Fund - Institutional Shares	832,522	455,744
T Rowe Price Retirement 2050 Fund	446,545	374,566
Vanguard Total International Stock Index Fund - Institutional Shares	828,508	287,922
T Rowe Price Retirement Balanced Fund	269,271	221,759
T Rowe Price Retirement 2005 Fund	122,591	130,481
T Rowe Price Retirement 2055 Fund	82,232	71,061
T Rowe Price Retirement 2060 Fund	46,399	18,667
Total Mutual Funds	166,622,346	146,257,636
Total Investments	\$ 195,847,768	\$ 176,934,104

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2017 and 2016

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 4: 403(b) Plan

Investments held as of December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Vanguard Institutional Index Fund - Institutional Plus Shares	\$ 18,628,595	\$ 15,855,113
Vanguard Mid Cap Index Fund - Institutional Plus Shares	10,313,237	9,280,273
Fidelity Puritan Fund	9,956,175	8,659,003
Delaware Value Fund - Institutional Class	7,351,794	7,096,132
Vanguard Federal Money Market Fund - Investor Class	5,889,313	6,142,607
American Funds - The Growth Fund of America - Class R6	4,772,435	4,296,218
American Century Equity Growth Fund - Institutional Class	4,685,380	3,865,379
Great West Life Insurance Company	3,528,973	3,565,448
TCW Core Fixed Income Fund - I Class	3,399,364	3,413,497
American Funds - Euro Pacific Growth - Class R6	4,497,655	3,212,105
Vanguard Small-Cap Index Fund - Institutional Shares	3,343,311	3,146,526
T. Rowe Price Institutional Small Cap Stock Fund, Inc.	2,650,167	2,583,642
T. Rowe Price MidCap Value Fund, Inc. - Retail Shares	3,194,613	2,484,349
Janus Enterprise Fund - N Shares	2,513,865	2,015,319
T Rowe Price Retirement 2020 Fund	2,479,803	1,959,470
Vanguard Total Bond Market Index Fund - Institutional Shares	2,103,557	1,736,327
T Rowe Price Retirement 2015 Fund	1,690,254	1,656,334
Parnassus Core Equity Fund - Institutional Shares	606,375	1,166,767
T Rowe Price Retirement 2025 Fund	1,528,515	1,154,240
T Rowe Price Retirement 2040 Fund	721,288	1,069,371
Vanguard Total International Stock Index Fund - Institutional Shares	1,843,224	827,335
T Rowe Price Retirement 2010 Fund	805,903	720,607
T Rowe Price Retirement 2030 Fund	604,498	598,251
T Rowe Price Retirement Balanced Fund	669,419	443,412
T Rowe Price Retirement 2035 Fund	345,728	351,029
T Rowe Price Retirement 2005 Fund	229,265	277,766
T Rowe Price Retirement 2045 Fund	379,044	236,976
T Rowe Price Retirement 2050 Fund	145,755	105,238
T Rowe Price Retirement 2060 Fund	68,796	39,572
T Rowe Price Retirement 2055 Fund	10,476	5,246
Total Mutual Funds	<u><u>\$ 98,956,778</u></u>	<u><u>\$ 87,963,552</u></u>

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2017 and 2016

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, 2017 and 2016, were as follows:

	2017	2016
Fixed Investments - Investment Contract Pool	\$ 752,631,315	\$ 779,300,553
Vanguard Institutional Index Fund - Institutional Plus Shares	580,391,540	503,962,976
Fidelity Puritan Fund	290,880,895	262,251,916
Vanguard Mid Cap Index Fund - Institutional Plus Shares	209,359,141	189,298,114
Delaware Value Fund - Institutional Class	167,479,111	158,329,208
T. Rowe Price Institutional Small Cap Stock Fund, Inc.	166,783,788	149,555,381
T Rowe Price Retirement 2020 Fund	147,861,848	126,160,832
American Century Equity Growth Fund - Institutional Class	142,223,702	119,200,813
Great West Life Insurance Company	3,528,973	3,565,448
TCW Core Fixed Income Fund - I Class	113,557,012	104,863,762
T Rowe Price Retirement 2025 Fund	125,869,370	100,875,569
American Funds - The Growth Fund of America - Class R6	212,582,369	170,042,376
Vanguard Small-Cap Index Fund - Institutional Shares	97,587,158	88,356,476
T Rowe Price Retirement 2030 Fund	107,698,030	85,579,119
T Rowe Price Retirement 2015 Fund	69,665,612	68,775,683
American Funds - Euro Pacific Growth - Class R6	169,983,743	121,016,696
T Rowe Price Retirement 2035 Fund	63,215,936	49,481,926
T. Rowe Price MidCap Value Fund, Inc. - Retail Shares	48,499,116	45,863,747
T Rowe Price Retirement 2040 Fund	51,797,438	42,477,898
T Rowe Price Mid Cap Value Fund, Inc.	43,016,263	39,954,668
Janus Enterprise Fund - N Shares	51,558,386	33,470,123
Vanguard Total Bond Market Index Fund - Institutional Shares	48,077,269	31,789,186
Parnassus Core Equity Fund - Institutional Shares	28,881,157	28,679,833
T Rowe Price Retirement 2010 Fund	28,117,955	26,645,784
T Rowe Price Retirement 2045 Fund	29,429,425	22,231,828
Vanguard Total International Stock Index Fund - Institutional Shares	42,849,868	19,906,192
T Rowe Price Retirement 2050 Fund	21,508,430	15,332,636
T Rowe Price Retirement Balanced Fund	12,019,766	9,401,045
T Rowe Price Retirement 2055 Fund	11,606,546	7,732,981
Vanguard Federal Money Market Fund - Investor Class	5,889,313	6,142,607
T Rowe Price Retirement 2005 Fund	5,930,296	6,019,950
T Rowe Price Retirement 2060 Fund	2,287,990	1,267,687
Total Mutual Funds	3,100,137,447	2,638,232,460
Discontinued investment options - Nationwide Fixed Annuities	59,137,887	62,606,802
Nationwide Life annuity payout reserves	8,482,317	9,467,767
Metropolitan Life annuity payout reserves	3,699,725	3,681,051
Total Annuities	71,319,929	75,755,620
Total Investments	\$ 3,924,088,691	\$ 3,493,288,633

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2017 and 2016

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 1.83% as of December 31, 2017, and ranged from 1.69% to 1.94% during the year ended December 31, 2017. 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 contract value as of December 31, 2017 and 2016, was \$752,631,315 and \$779,300,553, respectively. The fair market value as of December 31, 2017 and 2016, was \$747,990,604 and \$777,501,220, respectively.

The Nationwide Life fixed account in the 457 Plan reflects investments related to a group annuity contract issued by Nationwide Life to the MSRP Board of Trustees. That option has been closed to new contributions since January 1, 1987.

Interest income on investments in the Nationwide Life fixed account 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 account contributions was 3.50% as of December 31, 2017, and was 3.50% as of December 31, 2016.

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 administration expenses charged by NRS and the Board. The gross interest rate paid on contributions to this investment was 4.0% in both 2017 and 2016. 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, 2017 and 2016

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, 2017 and 2016, were as follows:

	December 31, 2017	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 752,631,315	3.0 years
TCW Core Fixed Income Fund - I Class	113,557,012	7.0 years
Great-West Fixed Investment Fund	3,565,448	3.2 years
Vanguard Federal Money Market Fund - Investor Class	5,889,313	.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, 2017 and 2016**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

	December 31, 2016	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 779,300,553	3.0 years
TCW Core Fixed Income Fund - I Class	104,863,762	7.2 years
Great-West Fixed Investment Fund	3,565,448	3.2 years
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.

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, 2017 and 2016. 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, 2017 and 2016

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, 2017:

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

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2017				
Investments by fair value level				
Bond and Equity Securities				
Target Date Retirement Funds	\$ 664,988,876	\$ 664,988,876	\$ -	\$ -
Bonds	161,634,281	161,634,281	-	-
Balanced	302,900,662	302,900,662	-	-
Large-Cap Stocks	1,301,541,622	1,301,541,622	-	-
Mid-Cap Stocks	352,432,906	352,432,906	-	-
Small-Cap Stocks	264,370,946	264,370,946	-	-
International Stocks	42,849,868	42,849,868	-	-
Total Investments by fair value level	\$ 3,090,719,161	\$ 3,090,719,161	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Investment Contract Pool (ICP)	\$ 752,631,315			
Annuities	71,319,929			
Life Insurance Contracts (Cash surrender value)	3,528,973			
Money Markets	5,889,313			
Total Investments measured at the net asset value	\$ 833,369,530			

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2017 and 2016

3. FAIR VALUE MEASUREMENTS (continued)

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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	1,101,231,902	1,101,231,902	-	-
Mid-Cap Stocks	308,586,652	308,586,652	-	-
Small-Cap Stocks	237,911,857	237,911,857	-	-
International Stocks	19,906,192	19,906,192	-	-
Total Bond and Equity Securities	\$ 2,628,524,405	\$ 2,628,524,405	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Investment Contract Pool (ICP)	\$ 779,300,553			
Annuities	75,755,620			
Life Insurance Contracts (Cash surrender value)	3,565,448			
Money Markets	6,142,607			
Total Investments measured at the NAV	\$ 864,764,228			

4. LIFE INSURANCE

In the 457 Plan, the amount of life insurance in force with Unum Life was approximately \$6,167,244 and \$6,414,175 as of December 31, 2017 and 2016, respectively. Participants in the 457 Plan contributed \$6,643 and \$7,981 towards premiums for life insurance contracts offered by Unum Life during the years ended December 31, 2017 and 2016, 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 2017 and 2016, against the mutual fund, ICP and fixed annuity assets.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2017 and 2016

5. ADMINISTRATIVE EXPENSES (continued)

During 2017 and 2016, 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 2017 and 2016, 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 2017 and 2016.

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, 2017 and 2016, 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 \$854,945 and \$405,986 as of December 31, 2017 and 2016, 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, 2017 and 2016

8. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

As of December 31, 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*; GASB Statement No. 85, *Omnibus 2017* effective for the year ending December 31, 2018; and GASB Statement No. 84, *Fiduciary Activities* effective for the year ending December 31, 2019. MSRP has not completed the process of evaluating the impact that will result from adopting these GASB statements, but does not expect these GASB statements would have a material effect on the financial statements. MSRP will be adopting these GASB statements, 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, 2017 and 2016**

	<u>2017</u>	<u>2016</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.

MSRP CAFR

Investment Section

INVESTMENT ADVISORS' REPORT

For the year ended December 31, 2017

Prepared by Segal Marco Advisors

The report below discusses the overall performance of the Plans' investments for the year ended December 31, 2017, as well as the 2017 market environment.

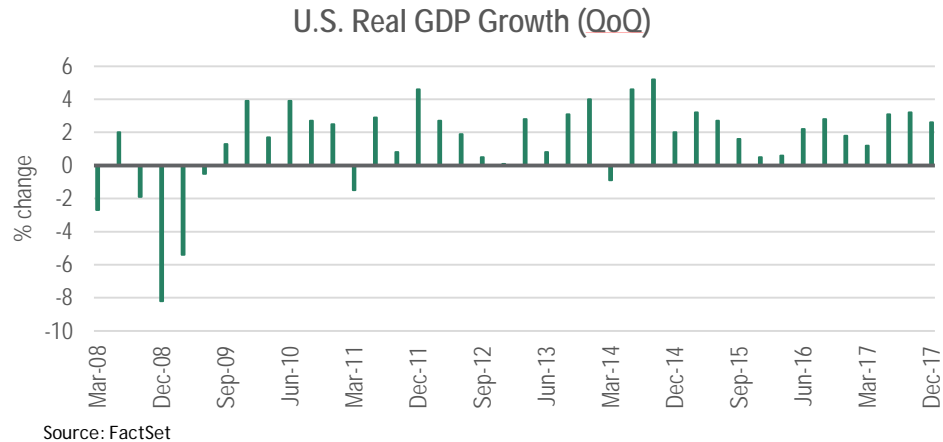
Asset Class	Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
World Equity	MSCI World*	5.51	22.40	22.40	9.26	11.64	5.03
U.S. Equity	Russell 3000	6.34	21.13	21.13	11.12	15.58	8.60
Non-U.S. Equity	MSCI EAFE*	4.23	25.03	25.03	7.80	7.90	1.94
Emerging Market Equity	MSCI EM*	7.44	37.28	37.28	9.10	4.35	1.68
U.S. Fixed Income	Bloomberg Barclays U.S. Aggregate	0.39	3.54	3.54	2.24	2.10	4.01
Non-U.S. Fixed Income	Citigroup Non-U.S. WGBI (Unhedged)	1.57	10.33	10.33	1.99	-0.29	2.44
Commodities	Bloomberg Commodity Index	4.71	1.70	1.70	-5.04	-8.45	-6.83
Private Real Estate	NCREIF NPI	1.80	6.96	6.96	9.38	10.19	6.08
Private Equity	Thomson Reuters Private Equity**	4.21	13.57	16.02	11.57	13.84	9.08
Hedge Funds	HFRI Fund of Funds Composite	2.03	7.74	7.74	2.60	4.00	1.08

* Net of Dividends

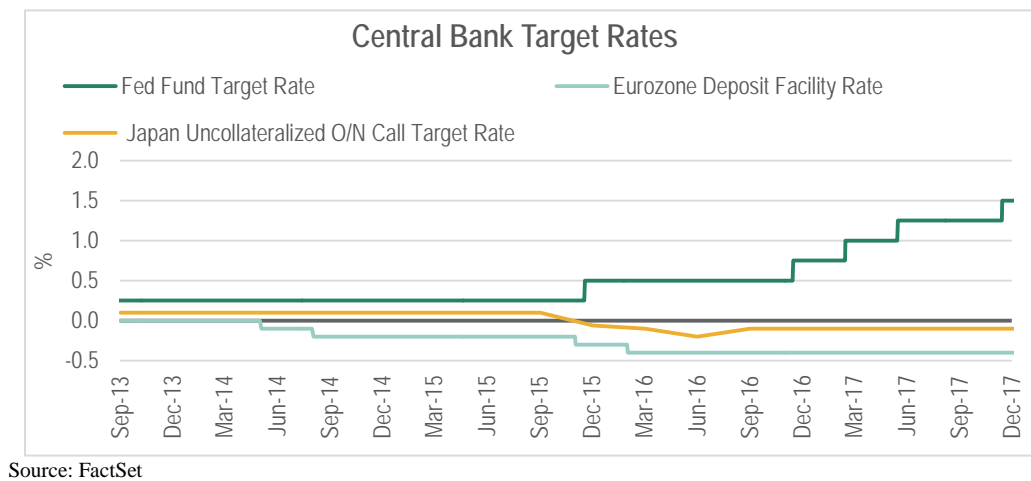
** Performance reported as of Q3 2017 because Q4 2017 performance data is not yet available.

Sources: Investment Metrics, Thomson One, FactSet

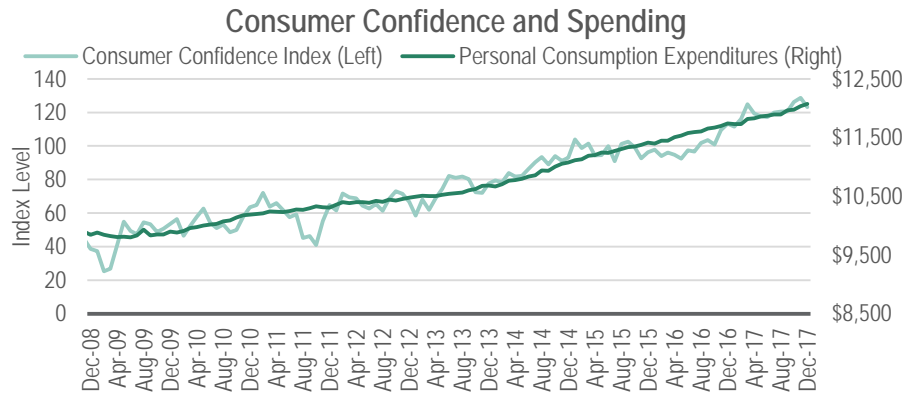
World equity markets rose again in the fourth quarter with sustained positive global growth. U.S. equity gained in the fourth quarter, as investors cheered the tax reform legislation signed into law by President Trump. International equity rose with Japan investors encouraged after the results of October parliamentary elections. Emerging market equity posted a strong return again in the fourth quarter with investors encouraged by political developments in South Africa, India and South Korea. U.S. fixed income was barely positive, as the Federal Reserve raised interest rates again in December.



Real GDP grew at a rate of 2.6% in the fourth quarter of 2017. Revised real GDP growth for the third quarter was 3.2%. GDP growth in the fourth quarter came from personal consumption expenditures (PCE), nonresidential fixed investment, exports, state/local government spending and federal government spending. A downturn in private inventory investment and an increase in imports led to the relative deceleration in growth since the third quarter.

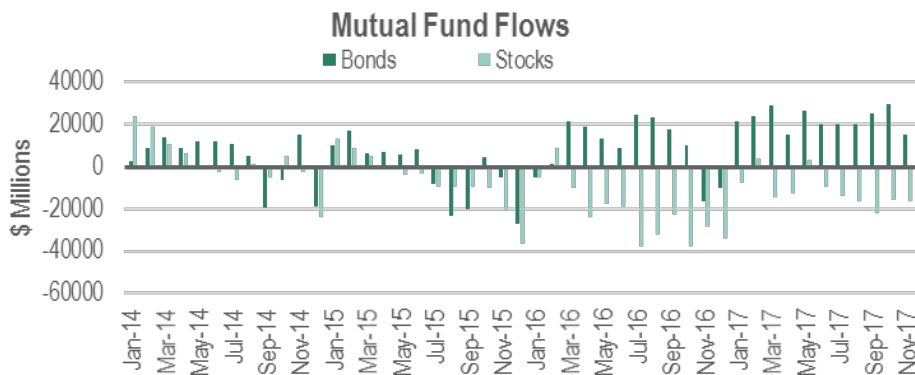


Central bank deposit rates remain negative in many developed markets. The U.S. is the exception—the Federal Reserve (Fed) raised rates again in December, the third hike of 2017. It is unknown if and how the new Fed chair Jerome Powell will make any changes from the policies and rate hike targets set forth under previous chair Janet Yellen.



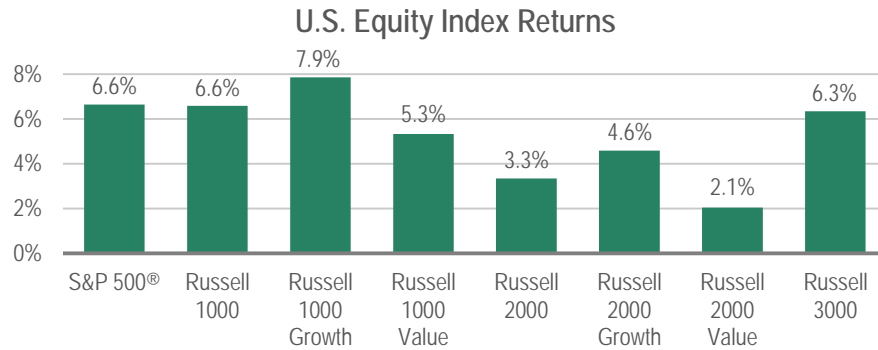
Source: FactSet

Consumer confidence improved in the fourth quarter of 2017, as the Conference Board's Consumer Confidence Index rose from 121 in September to 123 at the end of December. Personal consumption expenditures were higher during the quarter. Optimism surrounding the recently passed tax reform bill and its potential to encourage continued economic growth in the U.S. spurred consumer confidence in the fourth quarter. The savings rate dropped to 2.6% from 3.3% in the third quarter. The savings rate amount consumers in the U.S. continues to drop, suggestive that more people are using credit cards and other debt to finance purchases.



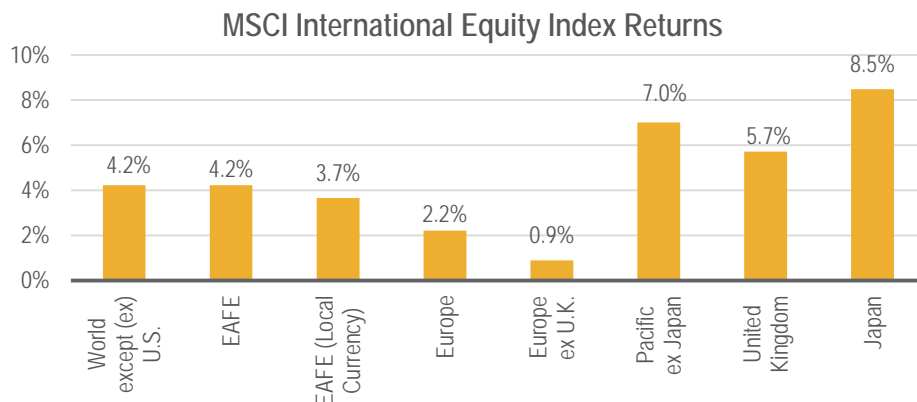
Source: FactSet

The graph above shows net flows into equity and fixed income mutual funds. Fixed income received net new inflows of approximately \$44.8 billion in the fourth quarter through November 30, 2017. December estimated net inflows are \$11.2 billion. Revised flows for the third quarter were positive at \$65.9 billion. Equity experienced net outflows of approximately \$32.4 billion in the fourth quarter through November 30. Estimated net flows for December are also negative, with \$35.2 billion in losses. Equity mutual funds had net outflows of \$52.3 billion in the third quarter of 2017.



Source: Investment Metrics

U.S. equity markets continued to rise during the fourth quarter, with the Dow Jones Industrial Average finishing the year close to 25,000. Broad-based market indices such as the S&P 500 and Russell 1000 delivered returns in excess of long-term averages. During the fourth quarter, large cap stocks outperformed small cap stocks, and growth beat value. Within the S&P 500 Index, Consumer Discretionary (9.7%) was the fourth quarter's best performing sector, while IT (8.9%), Financials (8.5%), Materials (6.8%), Consumer Staples (6.3%), Industrials (5.9%), and Energy (5.8%) all posted very strong returns, boosted by the passage of tax reform in early December. Telecom (3.2%) and Healthcare (1.4%) delivered positive but more muted returns, while Utilities (0.0%) remained flat for the quarter, as investors eschewed traditionally defensive sectors in favor of higher-growth areas

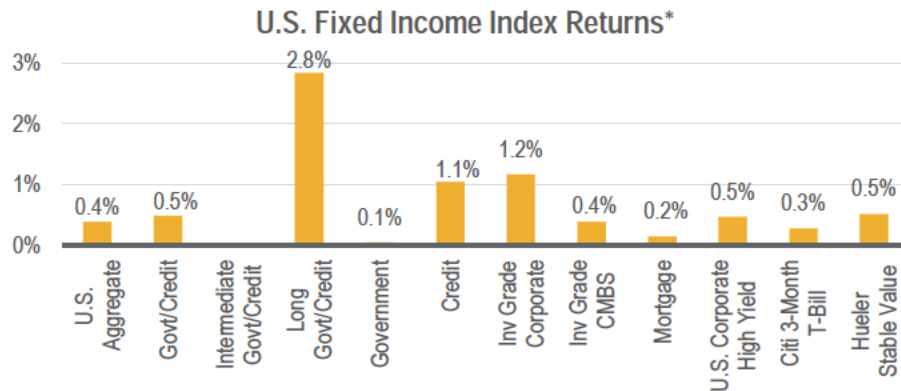


Source: Bloomberg

International equity markets ended the fourth quarter on a positive note, and the EAFE and World ex U.S. indices gained 25.0% and 24.2%, respectively, for the year. Notable macro events, such as U.S. tax reform, strengthening global economic growth, positive manufacturing data, increased corporate earnings, and rising oil prices positively affected market sentiment. Many major currencies, including the euro and the pound, strengthened against the U.S. dollar, which boosted returns in USD terms. However, the Japanese yen and the Canadian dollar weakened slightly.

Asia was the best performing region in the developed world. The Pacific ex Japan index rose 7.0% in the fourth quarter, with countries such as Singapore, Japan, Australia and Hong Kong contributing to the strength. In fact, Japan logged its sixth straight quarter of growth and marked its longest expansion in more than 15 years. European markets were challenged in the fourth quarter, as geopolitical events such as the Catalan vote for

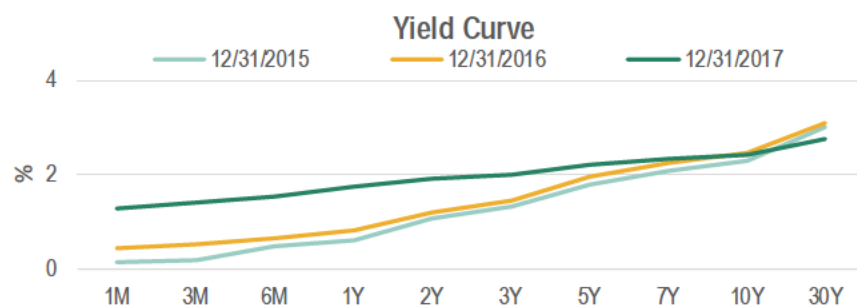
independence from Spain, Brexit-related uncertainty, and unsuccessful coalition talks between Germany's political parties contributed to weaker returns (Europe ex U.K. posted 0.9% in Q4). Italy lagged as investors started to look ahead to the Italian elections. The Swedish housing market has also given investors' concerns amid pricing corrections.



*Bloomberg Barclays Indices, unless otherwise noted.

Source: Investment Metrics, Hueler Analytics

All sectors of the Bloomberg Barclays U.S. Aggregate Index, except for the ABS and Agency sectors (not shown in the graph above), were positive in the fourth quarter of 2017. Investment grade (IG) corporate bonds returned 1.2%, outperforming MBS at 0.2% and CMBS at 0.4%. High yield bonds also underperformed IG corporates with a return of 0.5%. The Treasury component of the Aggregate Index was only up 0.1% in the fourth quarter. The Federal Reserve hiked short-term interest rates again in December. All standard U.S. spread sectors were trading below historic medians at quarter end. High yield bond spreads ended the fourth quarter at 358 basis points over like-duration Treasuries versus 93 basis points for IG corporates. “AAA” corporates were the best performer in IG, while the “CCC” sector posted the strongest returns in the below IG liquid corporate credit universe.



The yield curve flattened in the fourth quarter of 2017. Short-term yields rose significantly while long rates modestly declined. The 30-year Treasury yield fell 12 basis points to 2.74% in the fourth quarter. The 10-year yield rose seven basis points, ending the fourth quarter at 2.41%. The 5-year yield rose 27 basis points, ending the quarter at 2.21%. The 2-year nominal Treasury yield rose 40 basis points to 1.89% by quarter end.

Plan Summary Report

For period ended December 31, 2017
Prepared by Segal Marco Advisors

Assets of the Maryland Teachers and State Employees Supplemental Retirement Plans (the Plans) totaled \$3.951 billion as of December 31, 2017. This reflected an increase of approximately \$433 million from the prior calendar year-end. During 2017, the Plans received \$208.0 million in contributions and paid \$280.0 million in distributions to participants, which accounted for a \$71.9 million decrease in Plan assets that was offset by investment earnings of \$511.2 million. In terms of the overall asset allocation, the assets were invested as follows: 20.5% in stable value, 28.6% in large cap equity, 17.1% in lifecycle, 8.9% in mid cap equity, 7.4% in balanced, 6.7% in small cap equity, 5.4% in international equity, 4.1% in fixed income, and 0.2% in money market, with the remaining 1.0% in loans. The largest investment option was the Investment Contract Pool, which comprised 19.0% of Plan assets.

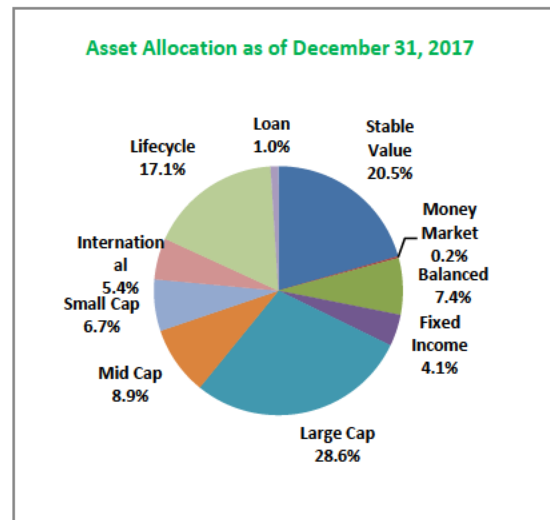
The 401(k) Plan comprised the largest portion of the Plans at 48.9%, with \$1.931 billion in assets as of December 31, 2017. As of year-end, participants' assets were invested 17.1% in stable value, 46.2% in domestic equity, 18.7% in lifecycle, 6.9% in balanced, 4.4% in fixed income, 5.6% in international equity, and 1.0% in loans. The largest investment option was the Investment Contract Pool with 17.1% of participant assets.

The assets of the 457 Plan were valued at \$1.725 billion as of December 31, 2017, comprising 43.7% of the Plans. As of year-end, participants' assets were invested 26.2% in stable value, 39.8% in domestic equity, 16.2% in lifecycle, 7.6% in balanced, 3.9% in fixed income, 5.2% in international equity, and 1.1% in loans. The investment option was to the Investment Contract Pool with 22.7% of participant assets.

As of December 31, 2017, the 401(a) Plan was valued at \$195.8 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 with 23.4% of participant assets. As of year-end, participants' assets were invested 14.9% stable value, 56.6% domestic equity, 13.5%

lifecycle, 8.3% balanced, 2.6% fixed income, and 4.1% international equity.

The 403(b) Plan comprised the smallest portion of the overall Plans, with \$98.9 million in assets, which accounted for 2.5% of the Plans. As of year-end, participants' assets were invested 58.7% domestic equity, 9.2% money market, 10.1% balanced, 5.6% fixed income, 9.8% lifecycle, 6.4% international equity, and 0.3% in loans. The largest investment option in the 403(b) Plan, by participant assets, was the Vanguard Institutional Index Fund at 18.8%.



Top 5 Holdings	% of Total
Investment Contract Pool	19%
Vanguard Institutional Index	15%
Fidelity Puritan	7%
Vanguard Mid Cap Index Institutional	5%
American Funds Growth Fund	5%
Subtotal	52%

Investment Categories	Market Value	% of Plan
Stable Value	\$ 820,845,112	21%
Active Core Options	\$ 1,435,445,549	36%
Passive Options	\$ 978,273,432	25%
Lifecycle Funds	\$ 677,008,640	17%
Loan	\$ 39,894,221	1%
Total Assets	\$ 3,951,466,954	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 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 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 herein. 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 \$752.6 million as of December 31, 2017. This investment option is not available on the 403(b) Plan. Galliard commenced managing the ICP on February 1, 2014. The Q4 2017 return was 0.48%, slightly below the Hueler return of 0.51%.

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, 2017, the value of the option was \$59.1 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, 2017, the largest fund by participant assets was the 84-month CD, which was valued at \$2.3 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 \$5.9 million in assets as of December 31, 2017. Over the 1-year period, the Fund earned 81 basis points, which was higher than the Lipper U.S. Government Money Market Index. During the last 5 years, the Fund earned 0.24% on an average, annual basis, which was better than its benchmark.

Passive Options

Vanguard Total Bond Market Fund: This passively managed core bond performed in line with the custom policy index for the quarter and six basis points below the index for the 1-year period of 2017. The bond fund slightly underperformed its custom policy index for the 3-, 5-, and 10-years periods ending December 31, 2017. Participant investments in this fund were valued at \$48.1 million as of December 31, 2017.

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 2017. Participant investments in this fund were valued at \$580.4 million as of December 31, 2017.

Vanguard Mid Cap Index Institutional 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 \$209.4 million as of December 31, 2017.

Vanguard Small Cap Index Institutional: This passively managed small cap blend equity fund produced results generally consistent with its custom policy index. For the trailing 5-year period, it underperformed the index by nine basis points. Participant investments in this fund were valued at \$97.6 million as of December 31, 2017.

Vanguard Total International Stock Institutional: This passively managed international blend fund underperformed the quarter by 49 basis points. The fund outperformed its custom policy index for the trailing 1- and 3-year periods, but underperformed for the trailing 5-year period. Participant investments in this fund totaled \$42.8 million as of December 31, 2017.

Active Options

TCW Core Fixed Income Fund: As of December 31, 2017, participant assets invested in this fund were valued at \$113.6 million. This total includes 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. Over the trailing 3- and 5- year periods, the fund also underperformed the index and ranked below the median in its peer group.

Fidelity Puritan Fund: As of December 31, 2017, \$290.9 million of participant assets were invested in one of the Plans' balanced option. For the year, the Fidelity Puritan Fund outperformed its blended benchmark and ranked above the median in its peer group. The fund ranked among the top quartile of the balanced mutual fund universe during the 3-, 5-, and 10-year periods.

Delaware Value InstlFund: The Delaware Value Fund outperformed the Russell 1000 Value Index for the quarter; but 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, 2017, participant assets invested in this fund were valued at \$167.5 million.

American Century Equity Growth: For the calendar year 2017, the actively managed large cap blend fund outperformed the S&P 500 Index, and ranked above the median in its peer group. The fund underperformed its benchmark and the median of its peer group during the trailing 3- and 5-year periods. Participant assets invested in this fund were valued at \$142.2 million as of December 31, 2017.

Parnassus Equity Income Instl: The large cap blend equity, socially responsible option, underperformed the S&P 500 Index during 2017. In addition, the fund underperformed the market index during the trailing 3- and 5-year periods. For the trailing 3-year period, the fund underperformed the median of its peer group but for the trailing 5-year period, the fund slightly outperformed the median of its peer group. As of December 31, 2017, participants' assets invested in this fund were valued at \$28.9 million.

American Funds Growth Fund of America: For the trailing 1-year period, the Plans' actively managed large cap growth option underperformed its benchmark and ranked below the median return of the large cap growth equity mutual fund universe. The fund ranked in the top quartile of the median large cap growth equity mutual fund universe for the trailing 3- and 5-year periods. There were \$212.6 million in participant assets invested in this fund as of December 31, 2017.

T. Rowe Price Mid Cap Value: The Plans' actively managed mid cap value equity fund underperformed the Russell Mid Cap Value Index and ranked below the median of the mid cap value equity mutual fund universe for the trailing 1-year period. For the trailing 3-year period, the fund outperformed the index and ranked in the top quartile of the mid cap value equity mutual fund universe. For the trailing 5-year period, the fund underperformed the benchmark, but ranked above the median in its peer group. As of December 31, 2017, participant assets invested in this fund were valued at \$91.5 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. For the trailing 3- and 5-year periods, the fund outperformed the index and ranked in the top quartile of its peer group. Participant assets invested in this fund were valued at \$51.6 million as of December 31, 2017.

T Rowe Price Small Cap Stock: The Plans' actively managed small cap blend equity fund outperformed 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 3-, 5- and 10- year periods. As of December 31, 2017, participant assets invested in this fund were valued at \$166.8 million.

American Funds EuroPacific Growth Fund: During the trailing 1-year period, the Plans' actively managed international equity fund outperformed the MSCI ACWI ex-US Index and ranked in the top 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, 2017, participant assets invested in the fund were valued at \$170.0 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 \$677.0 million as of December 31, 2017. These funds have varied asset allocations, based upon the projected retirement date of a participant, with more conservative allocations as retirement date approaches. For 2017, the most conservative fund (T. Rowe Price Retirement 2005) earned +10.67%, while the most aggressive fund (T. Rowe Price Retirement 2060), designed for participants approximately 40+ years from retirement, earned +22.29%. 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 +6.14% to approximately +6.88%, whereas, the fund designed for those younger employees (T. Rowe Price Retirement 2055) earned approximately +12.02%. The following table illustrates the target asset allocation of each of the specific lifecycle funds for the period ending December 31, 2017.

Target Allocation by Fund as of 12/31/2017								
	2005		2010		2015		2020	
	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage
Total Domestic Equity	\$ 1,384,131.12	23.34%	\$ 7,577,788.87	26.95%	\$ 22,216,363.56	31.89%	\$ 56,852,880.34	38.45%
Total Fixed Income	\$ 3,825,041.01	64.50%	\$ 16,589,593.45	59.00%	\$ 35,877,790.01	51.50%	\$ 61,362,666.69	41.50%
Total International Equity	\$ 673,681.64	11.36%	\$ 3,691,887.49	13.13%	\$ 10,812,102.93	15.52%	\$ 27,694,524.03	18.73%
Total Real Assets	\$ 47,442.37	0.80%	\$ 258,685.19	0.92%	\$ 759,355.17	1.09%	\$ 1,951,776.39	1.32%
Total	\$ 5,930,296.14	100%	\$ 28,117,955.00	100%	\$ 69,665,611.67	100%	\$ 147,861,847.44	100%

Target Allocation by Fund as of 12/31/2017								
	2025		2030		2035		2040	
	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage
Total Domestic Equity	\$ 55,017,501.33	43.71%	\$ 52,739,725.36	48.97%	\$ 33,447,551.57	52.91%	\$ 29,115,340.03	56.21%
Total Fixed Income	\$ 42,166,238.72	33.50%	\$ 27,462,997.69	25.50%	\$ 12,327,107.46	19.50%	\$ 7,510,628.54	14.50%
Total International Equity	\$ 26,797,588.73	21.29%	\$ 25,685,980.19	23.85%	\$ 16,297,068.22	25.78%	\$ 14,176,958.84	27.37%
Total Real Assets	\$ 1,888,040.54	1.50%	\$ 1,809,326.91	1.68%	\$ 1,144,208.44	1.81%	\$ 994,510.81	1.92%
Total	\$ 125,869,369.32	100%	\$ 107,698,030.14	100%	\$ 63,215,935.68	100%	\$ 51,797,438.23	100%

Target Allocation by Fund as of 12/31/2017								
	2045		2050		2055		2060	
	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage
Total Domestic Equity	\$ 17,024,922.49	57.85%	\$ 12,442,627.05	57.85%	\$ 6,714,386.79	57.85%	\$ 1,323,601.25	57.85%
Total Fixed Income	\$ 3,531,531.03	12.00%	\$ 2,581,011.66	12.00%	\$ 1,392,785.51	12.00%	\$ 274,558.60	12.00%
Total International Equity	\$ 8,290,269.08	28.17%	\$ 6,058,924.87	28.17%	\$ 3,269,563.97	28.17%	\$ 644,526.31	28.17%
Total Real Assets	\$ 582,702.62	1.98%	\$ 425,866.92	1.98%	\$ 229,809.61	1.98%	\$ 45,302.17	1.98%
Total	\$ 29,429,425.22	100%	\$ 21,508,430.51	100%	\$ 11,606,545.88	100%	\$ 2,287,988.33	100%

Source: T. Rowe Price



Investment Contract Pool

Separate Account Report as of December 31, 2017

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	\$751,555,851
Average Duration	2.95 years
Previous monthly crediting rate (annualized)	1.94%
Inception Date	1987
Manager ¹	Galliard Capital Management, Inc.

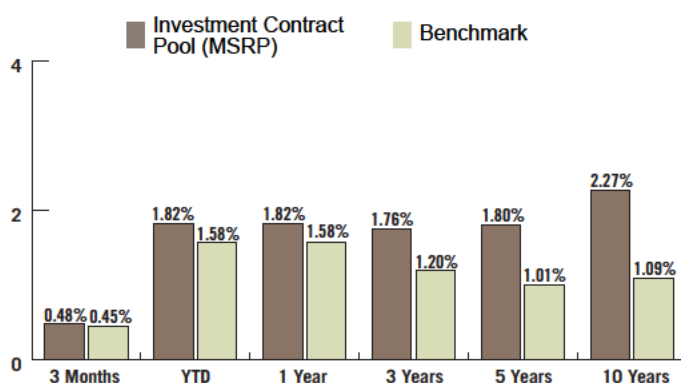
Sector Allocation of the Underlying Fixed Income Portfolios²

U.S. Treasury/Agency	30.5%
Other U.S. Government	11.6%
Corporate/Taxable Municipal Securities	28.7%
Mortgage Backed Securities (MBS)	16.7%
Asset Backed Securities (ABS)	10.6%
Guaranteed Investment Contracts (GICs)	0.0%
International Gov't/ Agency Securities	0.0%
Cash/Equivalents	1.9%

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

AAA	68.1%
AA	4.7%
A	13.5%
BBB	13.4%
<BBB	0.1%
NR/NA	0.2%

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, 2017

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 0.39% (\$3.92 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}

Short Term Investment Funds (STIF)	S&P	Moody's	% of Portfolio
STIF	AAA	Aaa	0.8%
General Account GIC	S&P	Moody's	% of Portfolio
-	-	-	-
Synthetic GICs / Wrappers and Separate Account Issuers	S&P	Moody's	% of Portfolio
Massachusetts Mutual Life Ins. Co.	AA+	Aa2	19.6%
Metropolitan Life Insurance Co.	AA-	Aa3	19.4%
Prudential Insurance Co. of America	AA-	A1	20.2%
RGA Reinsurance Company	AA-	A1	20.7%
Transamerica Premier Life Ins. Co.	AA-	A1	19.4%

Fixed Income Portfolios ^{6,7}

Barings, LLC	19.6%
Earnest Partners	19.4%
Galliard Capital Management, Inc.	20.5%
J.P. Morgan Investment Management Co.	19.4%
TCW	20.4%

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, 2017 to December 31, 2017

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	TRRF	10.67%	5.44%	6.14%	5.09%	5.91%	02/27/04	0.58%
		Combined Index Portfolio 2005		10.10%	5.21%	6.18%	4.66%			
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	TRRAX	11.66%	5.88%	6.88%	5.24%	7.72%	09/30/02	0.57%
		Combined Index Portfolio 2010		11.21%	5.67%	6.93%	4.89%			
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	TRRGX	13.34%	6.54%	7.97%	5.67%	6.68%	02/27/04	0.59%
		Combined Index Portfolio 2015		12.87%	6.36%	8.02%	5.32%			
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	TRRBX	15.74%	7.41%	9.09%	6.04%	8.85%	09/30/02	0.63%
		Combined Index Portfolio 2020		14.96%	7.20%	9.09%	5.68%			
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	TRRHX	17.68%	8.11%	10.06%	6.34%	7.44%	02/27/04	0.67%
		Combined Index Portfolio 2025		16.66%	7.88%	10.03%	5.99%			
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	PRILX	19.45%	8.75%	10.92%	6.63%	9.67%	09/30/02	0.69%
		Combined Index Portfolio 2030		18.28%	8.50%	10.85%	6.26%			
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	TRRJX	20.88%	9.22%	11.53%	6.83%	7.90%	02/27/04	0.72%
		Combined Index Portfolio 2035		19.58%	8.99%	11.46%	6.49%			
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	TRRD	22.02%	9.57%	11.96%	7.06%	9.98%	09/30/02	0.74%
		Combined Index Portfolio 2040		20.61%	9.38%	11.89%	6.70%			
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	PRILX	22.41%	9.71%	12.03%	7.10%	8.22%	05/31/05	0.74%
		Combined Index Portfolio 2045		21.03%	9.56%	12.00%	6.75%			
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	TRRMX	22.38%	9.71%	12.04%	7.10%	7.07%	12/29/06	0.74%
		Combined Index Portfolio 2050		21.03%	9.56%	12.00%	6.75%			
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	TRRN	22.33%	9.70%	12.02%	7.08%	7.06%	12/29/06	0.74%
		Combined Index Portfolio 2055		21.03%	9.56%	12.00%	6.75%			
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	TRRLX	22.29%	9.68%	N/A	N/A	8.29%	06/23/14	0.74%
		Combined Index Portfolio 2060		21.03%	9.56%	N/A	N/A			



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 '18	Dec '17	Nov '17	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		1.97%	1.94%	1.93%							
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: 1.21%	Money Market	VMRXX	0.81%	0.38%	0.24%	0.41%	4.25%	7/13/81	0.11%	
		INDEX Citigroup 3-month T-bill		0.84%	0.38%	0.24%	0.34%				
	Bonds			1	3	5	10				
1641	 TCW Core Fixed Income I ^(a) 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	3.23%	1.86%	1.90%	5.26%	5.50%	02/26/93	0.51%	
		INTERMEDIATE TERM BOND INDEX Barclays Capital US Aggregate Bond		3.54%	2.24%	2.10%	4.01%				
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	VBPIX	3.57%	2.19%	2.03%	3.98%	5.21%	09/18/95	0.04%	
		INTERMEDIATE TERM BOND INDEX Barclays Capital Intermediate Government Bond		1.14%	1.12%	0.92%	2.70%				
	Balanced			1	3	5	10				
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	10.36%	5.26%	5.75%	4.94%	6.45%	09/30/02	0.56%	
		COMBINED INDEX Portfolio Income		10.13%	5.25%	5.88%	4.45%				
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	18.74%	8.27%	11.08%	7.09%	10.98%	04/16/47	0.55%	
		BALANCED INDEX 60% S&P 500/40% Barclays Capital Aggregate Bond		14.21%	7.80%	10.25%	6.98%				
	Large-Cap Stocks			1	3	5	10				
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	21.82%	11.41%	15.78%	8.52%	7.44%	07/07/97	0.02%	
		LARGE CAP BLEND INDEX Standard & Poor's 500 Index		21.83%	11.41%	15.79%	8.50%				
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	16.81%	8.79%	14.65%	9.92%	10.37%	04/28/06	0.66%	
		LARGE CAP BLEND INDEX Standard & Poor's 500 Index		21.83%	11.41%	15.79%	8.50%				
959	 American Century Equity Growth Inst ^(a) 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	22.12%	8.91%	14.34%	7.96%	7.00%	01/02/98	0.47%	
		LARGE CAP BLEND INDEX Standard & Poor's 500 Index		21.83%	11.41%	15.79%	8.50%				

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	26.53%	13.32%	16.46%	8.68%	14.04%	11/30/73	0.33%
		LARGE CAP GROWTH INDEX Russell 1000 Growth		30.21%	13.79%	17.33%	10.00%			
942	 Delaware Value Inst 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	13.64%	9.14%	14.55%	8.49%	8.10%	09/15/98	0.72%
		LARGE CAP VALUE INDEX CRSP US Large Value		17.16%	10.74%	15.46%	8.00%			
	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	19.28%	9.41%	15.04%	N/A	12.86%	12/15/10	0.04%
		MID CAP BLEND INDEX S&P 400 Midcap Index		16.24%	11.14%	15.01%	9.97%			
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	26.65%	13.74%	16.67%	9.89%	11.22%	09/01/92	0.68%
		MID CAP GROWTH INDEX Russell Midcap Growth		25.27%	10.30%	15.30%	9.10%			
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	11.64%	10.26%	14.29%	9.52%	11.76%	06/28/96	0.80%
		MID CAP VALUE INDEX Russell Midcap Value		13.34%	9.00%	14.68%	9.10%			
	Small-Cap Stocks			1	3	5	10			
1533	 T. Rowe Price Inst Small Cap Stock Fund 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	15.45%	10.02%	14.83%	11.39%	10.20%	03/31/00	0.67%
		SMALL CAP GROWTH INDEX CRSP US Small Cap Growth		21.90%	9.51%	13.59%	8.92%			
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	16.25%	9.85%	14.45%	9.71%	9.17%	07/07/97	0.05%
		SMALL CAP BLEND INDEX Russell 2000 Blend		14.65%	9.96%	14.12%	8.71%			
	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	RERGX	31.17%	9.66%	9.21%	3.94%	11.35%	04/16/84	0.50%
		FOREIGN LARGE GROWTH FTSE Developed ex North America		26.50%	8.50%	8.06%	2.24%			
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	27.55%	8.54%	7.14%	N/A	6.18%	11/29/10	0.09%
		INTERNATIONAL INDEX FTSE Global All Cap ex US		27.77%	8.80%	7.66%	2.66%			

^(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 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 18	4th Qtr 17	3rd Qtr 17	2nd Qtr 17
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 2018 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 18	4th Qtr 17	3rd Qtr 17
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 withdrawal 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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Contact us

Enrollment and Information Hotline

800-545-4730

For information about the match, to enroll in the 457(b), 401(k) and 403(b) plans, or to change your contribution amount

Nationwide Web Site MarylandDC.com

For information about the 457(b), 401(k), 403(b), and 401(a) plans, to enroll, to change your contribution amount, to get 24-hour account information, to make investment option exchanges and allocation changes

Nationwide Hunt Valley Office (443) 886-9402 or 800-966-6355

To enroll in the 457(b), 401(k) and 403(b) plans, to change your deferral amount, for mutual fund prospectuses or annual reports, for investment option booklets, or to arrange a meeting with a representative

Nationwide Customer Service Center 800-545-4730

For account information, to make investment option exchanges and allocation changes, to change address, name or beneficiary, for payout calculations in the 457(b), 401(k) and 403(b) and 401(a) plans, and for financial hardship inquiries

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

For information about the Maryland Supplemental Retirement Plans, for booklets, to arrange educational seminars and for other general information

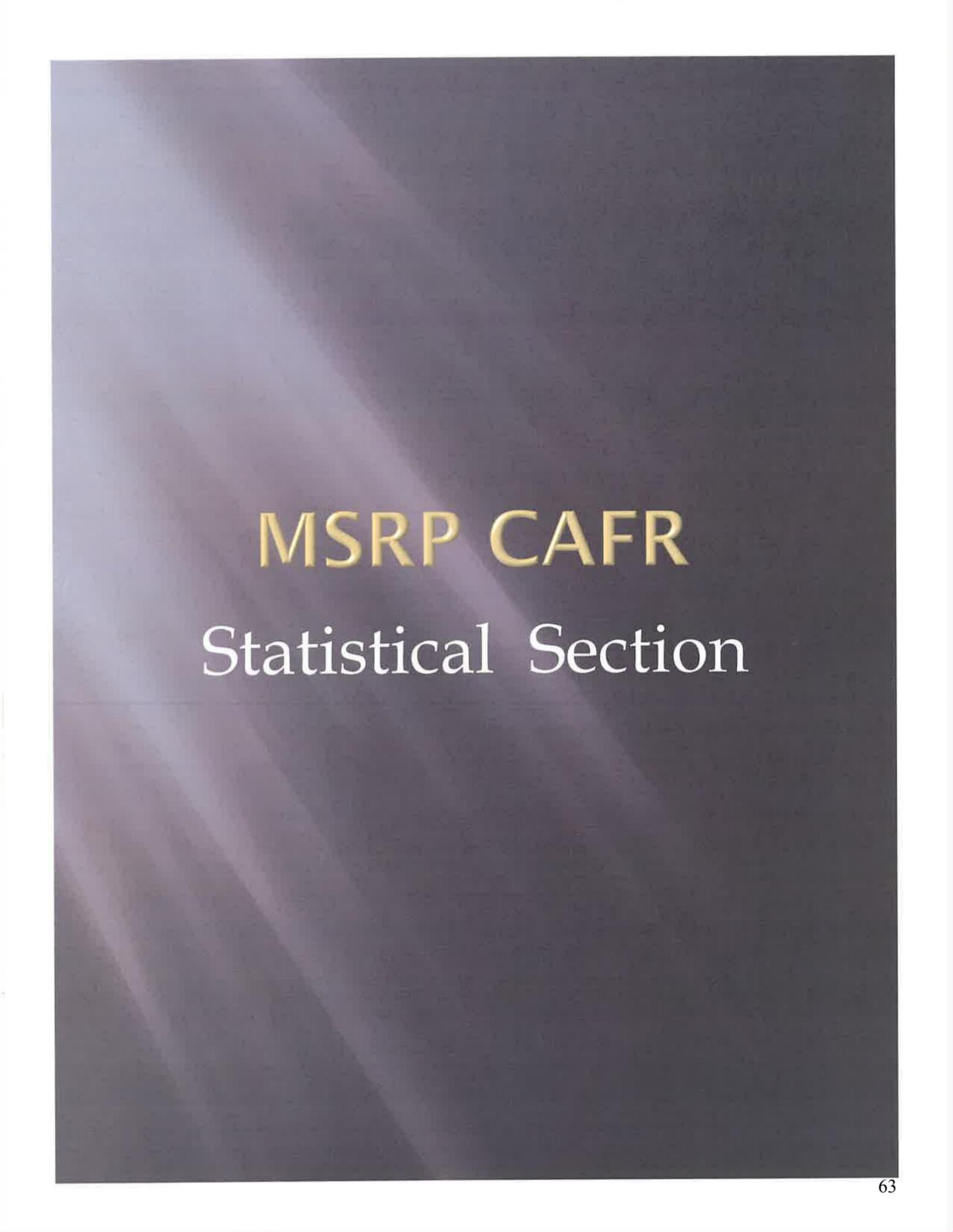
MSRP Web Site MSRP.maryland.gov

For the latest MSRP news, information available on the Board of Trustees and staff, newsletters, booklets, legislation updates, and more



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MarylandDC.com**

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MSRP CAFR
Statistical Section

2017 PLANS STATISTICS

2017 TOTALS FOR ALL PLANS

Participants in Multiple Plans	7,171
TOTAL Participants	60,151
Average Combined Plan Assets by Participant	\$65,859
Total Roth Accounts	4,737
Average Roth Assets by Participant	\$7,914
TOTAL Deferring Participants	34,235
Participants with Multiplan Deferrals	3,057
Average Annual Deferrals per Participant	\$4,887
TOTAL Participants with Systematic Payouts	5,228

457(b) DEFERRED COMPENSATION PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Participants	33,577	32,558	31,694	30,409
Net New Enrollments	1,019	864	1285	889
Deferring Participants	19,315	18,690	18,171	17,266
Annuitants	1	1	1	1
Systematic Payouts	3,030	2,811	2,690	2,537
Loans	2,610	2,498	2,464	2,343

401(k) SAVINGS & INVESTMENT PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Participants	32,919	33,139	33,506	33,813
Net New Enrollments	-220	-367	-307	-161
Deferring Participants	17,659	18,170	18,838	19,600
Annuitants	3	3	3	3
Systematic Payouts	2,638	2,197	1,959	1,666
Number of Loans	2,632	2,646	2,760	2,638

403(b) TAX DEFERRED ANNUITY PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Participants	826	822	834	855
Net New Enrollments	4	-12	-21	-24
Deferring Participants	318	320	329	346
Annuitants	0	0	0	0
Systematic Payouts	131	113	116	109
Number of Loans	32	29	31	29

401(a) MATCH PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Participants	31,435	32,175	33,681	35,322

457(b) PLAN SUMMARY

	<u>2017</u>	<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>
Participant Accounts	33,577	32,558	31,694	30,409	29,520	29,425	29,512	29,803	30,274	30,715
Deferring Participants	19,315	18,690	18,171	17,266	16,498	16,510	16,501	16,900	17,541	18,457
Total Net Position	\$ 1,741,463,406	\$ 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
Additions: Contributions	\$ 72,953,233	\$ 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
Additions: Investment Return	\$ 210,383,434	\$ 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)
Withdrawals	\$ (112,575,538)	\$ (96,552,120)	\$ (99,281,258)	\$ (94,808,702)	\$ (90,898,692)	\$ (93,841,613)	\$ (93,841,613)	\$ (84,728,730)	\$ (73,512,296)	\$ (97,490,302)
Mutual Fund	\$ 887,655	\$ 893,437	\$ 937,423							
Reimbursements			\$	\$ 877,045	\$ 770,557	\$ 639,560	\$ 609,104	\$ 585,014	\$ 727,509	\$ 1,071,061
Plan Administration Fees*	\$ (2,202,739)	\$ (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)
Number of Loans	2,610	2,498	2,464	2,343	2,176	2,076	2,076	720	1,306	995
Loan Amount	\$ 19,733,311	\$ 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

401(k) PLAN SUMMARY

	<u>2017</u>	<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>
Participant Accounts	32,919	33,139	33,506	33,813	33,974	34,524	35,100	35,829	36,703	37,375
Deferring Participants	17,659	18,170	18,838	19,600	20,100	20,898	21,639	22,826	24,255	25,930
Total Net Position	\$ 1,931,513,808	\$ 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
Contributions	\$ 91,833,299	\$ 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
Investment Return	\$ 257,285,755	\$ 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)
Withdrawals	\$ 113,816,600	\$ (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)
Mutual Fund										
Reimbursements	\$ 1,054,026	\$ 1,029,642	\$ 1,061,915	\$ 972,448	\$ 829,575	\$ 680,729	\$ 617,656	\$ 584,667	\$ 725,795	\$ 1,032,238
Plan Administration Fees*	(2,927,240)	(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)
Number of Loans	2,632	2646	2760	2638	2,575	2,596	2,596	916	1,770	1,425
Loan Amount	\$19,840,610	\$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

403(b) PLAN SUMMARY

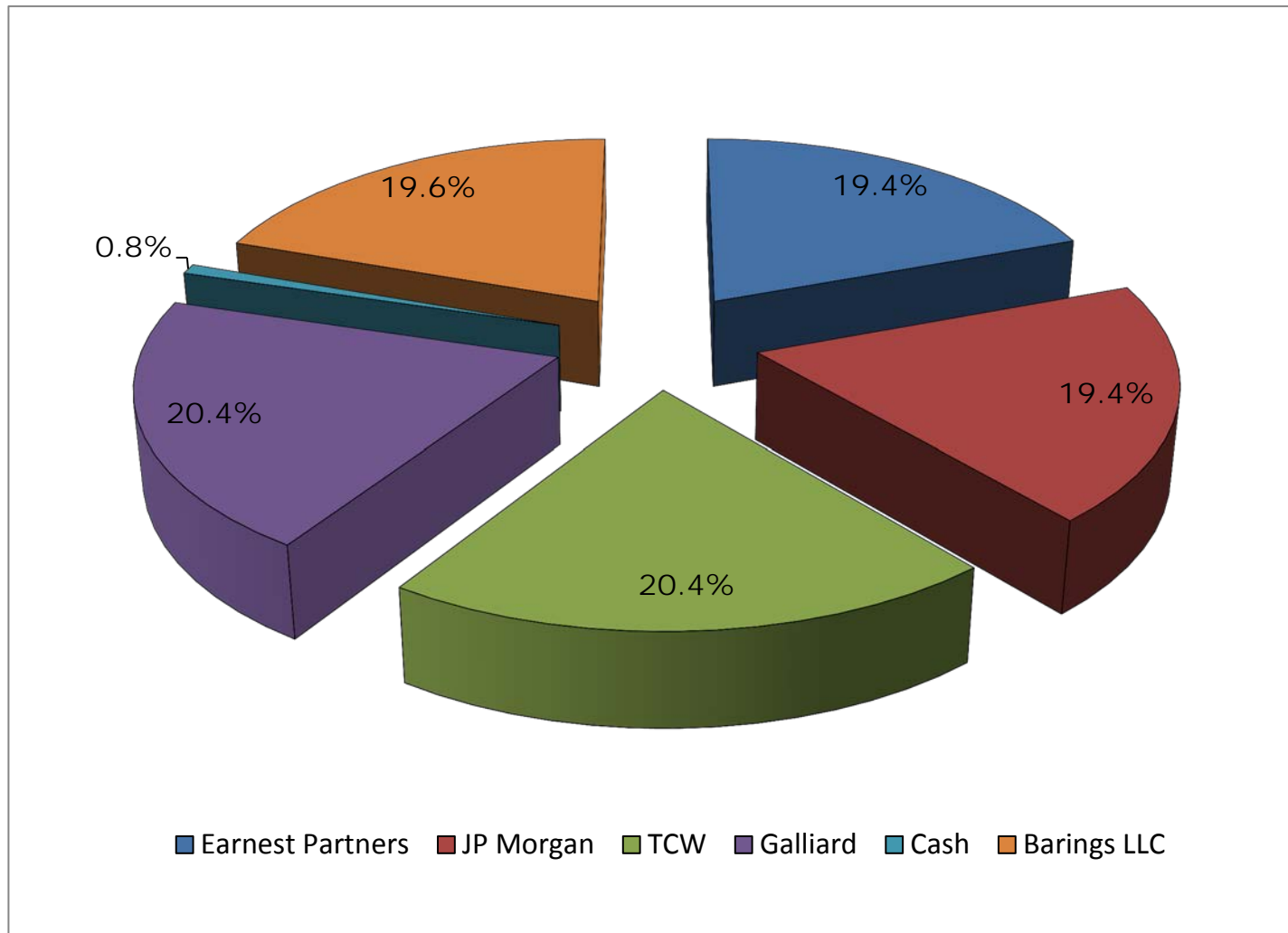
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Participant Accounts	826	822	834	855	879	908	930	959	988	980
Deferring Participants	318	320	329	346	368	393	397	415	439	429
Total Net Position	\$ 99,330,299	\$ 88,028,958	\$ 82,506,022	\$ 86,496,946	\$ 82,945,266	\$ 70,886,080	\$ 64,382,973	\$ 67,104,804	\$ 61,021,200	\$ 49,647,286
Contributions	\$ 2,534,530	\$ 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
Investment Return	\$ 14,659,805	\$ 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)
Withdrawals	\$ 6,103,944	\$ (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)
Mutual Fund										
Reimbursements	\$ 53,523	\$ 56,238	\$ 79,372	\$ 60,830	\$ 52,550	\$ 43,542	\$ 43,404	\$ 45,169	\$ 75,786	\$ 122,270
Plan Administration Fees*	\$ (142,573)	\$ (116,142)	\$ (117,798)	\$ (131,290)	\$ (96,524)	\$ (140,571)	\$ (138,429)	\$ (128,769)	\$ (106,903)	\$ (136,773)
Number of Loans	32	29	31	29	31	25	25	14	12	5
Loan Amount	\$368,725	\$362,992	\$344,010	\$365,015	\$413,951	\$338,100	\$370,236	\$286,301	\$176,447	\$127,838

401(a) PLAN SUMMARY

	<u>2017</u>	<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>
Participant Accounts	31,435	32,175	33,681	35,322	36,776	38,424	40,085	41,965	44,705	44,705
Deferring Participants	—	—	—	—	—	—	—	—	—	—
Total Net Position	\$ 195,847,768	\$ 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
Contributions	\$ 70	\$ 16,363	\$ 9,750	\$ 28,418	\$ 39,564	\$ 495,460	\$ 400,092	\$ 408,268	\$ 3,493,268	\$ 15,979,591
Investment Return	\$ 27,749,907	\$ 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)
Withdrawals	\$ (9,218,727)	\$ (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)
Mutual Fund										
Reimbursements	\$ 106,878	\$ 117,105	\$ 127,730	\$ 116,072	\$ 103,938	\$ 88,495	\$ 85,866	\$ 85,338	\$ 122,620	\$ 159,786
Plan Administration Fees*	\$ (264,863)	\$ (8,279,501)	\$ (218,807)	\$ (247,229)	\$ (172,242)	\$ (279,225)	\$ (276,385)	\$ (261,262)	\$ (240,875)	\$ (268,020)

* Includes any additional special fee

STABLE VALUE MANAGER DIVERSIFICATION



TEN YEAR HISTORY OF BOARD INCOME AND EXPENSES

Calendar/Plan Years	2017	2016*	2015*	2014	2013	2012	2011	2010	2009	2008
Total Revenues	\$ 2,084,562	\$ 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
Expenditures										
Salaries, Wages and Fringe										
Benefits	1,236,248	1,252,561	1,179,268	1,093,162	1,131,212	1,035,850	1,070,891	1,078,193	1,062,340	985,373
Technical & Special fees	-	-	2,427	5,945	889	25	943	4,401	2,740	(646)
Communications	39,751	19,279	16,823	26,243	9,433	25,549	18,797	22,451	23,482	35,056
Travel	22,483	20,659	19,823	20,513	16,257	18,966	15,523	12,243	13,372	18,799
Contractual Services	373,298	279,367	298,242	241,535	285,473	214,478	235,772	233,543	232,603	238,632
Supplies and Materials	6,249	10,404	8,794	12,142	4,500	4,769	3,830	4,935	13,451	7,188
Equipment/Furnishings	15,545	10,986	78	354	15,883	22,442	45,205	5,183	7,099	309
Fixed Charges	152,415	248,648	298,486	138,699	134,222	129,760	127,935	124,314	121,180	112,299
Total Expenditures	1,845,989	1,841,904	1,823,941	1,538,593	1,597,869	1,451,839	1,518,896	1,485,263	1,476,267	1,397,010
Revenue Less Expenditures	238,573	(261,076)	(130,709)	351,275	(244,530)	197,868	121,104	(82,277)	(166,537)	(224,360)
Adjustment (timing differences)				-	-	-	-	17,036	87,052	(153,218)
Reserve Balance	\$ 448,833	\$ 210,260	\$ 471,336	\$ 602,045	\$ 250,770	\$ 495,300	\$ 297,432	\$ 176,328	\$ 241,569	\$ 321,054

*Prior year expenditures were adjusted to restate expenses that were moved to the subsequent fiscal year.

MSRP Contribution Limits

For Calendar Year 2017

PLAN	2015 LIMIT
457(b) Deferred Compensation Plan	Up to 100% of compensation, but not more than \$18,000
403(b) Tax Sheltered Annuity Plan	Up to 100% of compensation, but not more than \$18,000
401(k) Savings & Investment Plan	Up to 100% of compensation, but not more than \$18,000
When participating in <i>both</i> the 457(b) Plan and the 401(k) Plan [or 403(b)], one may contribute \$18,000 a year to each Plan for a potential combined contribution of \$36,000.	


CATCH-UP PROVISION	2015 LIMIT
Catch-Up for Age 50 and Over	Employees over 50 years old may make catch-up contributions to the 457(b), 403(b) and 401(k) Plans over and above the 401(k) and other limits. The amount of these contributions is \$6,000 per Plan in 2017. The maximum amount of these additional contributions will be indexed and may increase with inflation, as frequently as yearly, in \$500 increments.
Special 457(b) Catch-Up	Assuming prior years of employment contributing less than the maximum, the limit on special catch-up contributions in the 457(b) Plan is double the \$18,000 regular deferral limit, or \$36,000 in 2017.

Calendar Year 2017	Maximum Deferral Limit	Deferral Limit plus Age 50 Catch-Up	Special 457(b) Catch-Up Deferral Limit
	If you're <i>less than age 50</i> this year, you may defer as much as...	If you're <i>at least age 50</i> this year, you may defer as much as...	If you have <i>three years before the year you will retire</i> , you may defer as much as...
457(b) Plan	\$18,000	\$24,000	\$36,000
401(k) Plan or 403(b) Plan	\$18,000	\$24,000	\$24,000 (Use Age 50 Catch-Up)
TOTAL	\$36,000	\$48,000	\$60,000



Pre-tax Plans comparison chart

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 Pre-tax Plans MSRP 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 or Reformed Contributory Pension Plans			
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?	\$18,500 effective this calendar year (may be adjusted in future years for inflation) ¹			
May I "catch-up" in a later year?	Age 50 or older catch-up: \$6,000 per calendar year. 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 catch-up: \$6,000 deferral per calendar year 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">• \$18,500 457(b) and/or Roth 457(b) + \$18,500 401(k) and/or Roth 401(k) = \$37,000/yr¹• \$18,500 457(b) and/or Roth 457(b) + \$18,500 403(b) = \$37,000/yr¹• \$18,500 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$18,500 = \$37,000/yr¹		
How often may I change my contribution amount?	Unlimited, effective within timing restrictions			
What are the costs to participate?	0.14% of your account value a year, capped at \$2,000 per year, plus 50 cents per month per account. ²			
What are the current investment options?	Investment Contract Pool Mutual Funds Target Date Retirement Funds	Vanguard Money Market Mutual Funds Target Date Retirement Funds		
Does MSRP allow roll over money from other retirement accounts? ³	Yes – from a 457(b), 401(k), 403(b), thrift savings plan or IRA into your supplemental retirement account			
Does MSRP allow roll overs 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 an additional 10% early withdrawal tax? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or at 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 State service			
Is there a loan provision and a hardship/emergency provision?	Yes			

NOTE: 401(a) 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.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 There are generally several considerations relevant to evaluating whether you might rollover outside assets or leave the money where it is currently invested. Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets rolled over from your account(s) may be subject to surrender charges, other fees and/or a 10% early withdrawal tax if withdrawn before age 59½. It's important to understand retirement account differences and similarities, such as fees, services, investment options, etc., before making any rollover decisions.

This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

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 a money market fund.

Target Date Retirement Funds offered by T. Rowe Price 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 fees and expenses. The fund prospectus contains this and other important information. Read prospectuses carefully before investing.



After-tax Plans comparison chart

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	Roth 457(b) Deferred Compensation Plan	Roth 401(k) Savings & Investment Plan
Who's eligible to participate?	All regular and contractual State employees (including employees in higher education institutions)	
Who's eligible for the State match?	All State employees in the State Employees' Alternate Contributory Pension or Reformed Contributory Pension Plans	
Are payroll deductions pretax?	No	
What's the minimum I may contribute?	\$5 per biweekly pay	
What's the maximum I may contribute?	\$18,500 effective this calendar year (may be adjusted in future years for inflation) ⁵	
May I "catch-up" in a later year?	Age 50 or older catch-up: \$6,000 per calendar year. 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 catch-up: \$6,000 deferral per calendar year ⁵
May I contribute to more than one Plan at the same time?	Yes — but with the following limitations: <ul style="list-style-type: none"> • \$18,500 457(b) and/or Roth 457(b) + \$18,500 401(k) and/or Roth 401(k) = \$37,000/yr⁵ • \$18,500 457(b) and/or Roth 457(b) + \$18,500 403(b) = \$37,000/yr⁵ • \$18,500 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$18,500 = \$37,000/yr⁵ 	
How often may I change my contribution amount?	Unlimited, effective within timing restrictions	
What are the costs to participate?	0.14% of your account value a year, capped at \$2,000 per year, plus 50 cents per month per account. ⁶	
What are the current investment options?	Investment Contract Pool Mutual Funds Target Date Retirement Funds	
Does MSRP allow roll over money to or from other retirement accounts? ⁷	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 an additional 10% early withdrawal tax. ⁸	
When may I begin withdrawals from my account without an additional 10% early withdrawal tax? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or at 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 State service	
Is there a loan provision and a hardship/emergency provision?	Yes	

NOTE: 401(a) 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.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 There are generally several considerations relevant to evaluating whether you might rollover outside assets or leave the money where it is currently invested. Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets rolled over from your account(s) may be subject to surrender charges, other fees and/or a 10% early withdrawal tax if withdrawn before age 59½. It's important to understand retirement account differences and similarities, such as fees, services, investment options, etc., before making any rollover decisions.

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⁸ Generally, a Roth 401(k) or Roth 457(b) distribution is a qualified distribution if: 1) the first Roth contribution has been in the account for 5 years (the five-year period begins January 1 of the year a member first makes a Roth contribution into the account); and 2) a member is age 59½, (and for the Roth 457(b) has separated from State service) or has died or become disabled under IRC section 72(m)(7). Distributions made prior to these requirements being met are nonqualified 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 fees and expenses. The fund prospectus contains this and other important information. Read prospectuses carefully before investing.

Investing involves risk, including possible loss of principal.

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.

Nationwide Investment Services Corporation (NISC), member, FINRA, an affiliate of Nationwide, provides educational and enrollment services on behalf of MSRP. Financial & Realty Services, LLC may provide education and marketing support services on behalf of Nationwide. Its Retirement Consultants are registered representatives of NISC. Financial & Realty Services, LLC is not affiliated with MSRP, Nationwide or NISC.

MSRP Roth plan options

Same plan benefits, more retirement savings strategies



MSRP offers the opportunity to designate all or part of your contributions to an after-tax Roth 457(b) and/or Roth 401(k) plan. No matter how recently you were hired, no matter how high or low your earned income, any employee can contribute to a traditional pre-tax and/or a Roth after-tax plan through payroll deduction. You can even split contributions between traditional and Roth plans.

What's the benefit of designating some or all of your contributions as Roth?

It gives you the opportunity to pay taxes on your contributions now and avoid taxes later.¹

In a Roth 401(k) or a Roth 457(b) account, investments occur after income taxes are taken. Additionally, any earnings accounts may receive are not subject to income tax at all. Income taxes for a Roth 401(k) account are paid up front at current tax rates instead of being subject to income taxes at retirement.

\$10,000 invested in a Traditional vs. a Roth for 20 years

 Net total contribution
 Net distribution



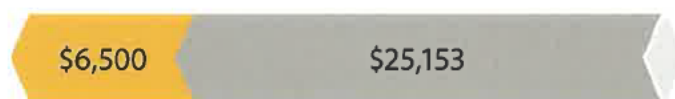
Traditional 457(b) or 401(k)



Roth 15% tax bracket



Roth 25% tax bracket



Roth 35% tax bracket

These examples are hypothetical in nature and assume a 25% tax bracket at distribution. It also assumes that the retirement plan's value earns an average total return of 7% compounded annually. Investment return is not guaranteed and will vary depending upon the investments and market experience.

A single contribution of \$10,000 will be worth the same amount in 20 years if the tax bracket remains the same.

However, if the future tax rate is greater, the amount distributed from the Roth account will be greater than the post-tax amount distributed from the traditional 457(b) or 401(k) account.

Is a Roth option right for you?

Consider making Roth contributions if you:

- Believe taxes will be higher when you retire and want to take advantage of the potentially tax-free withdrawals provided by a Roth account
- Expect to be in a higher tax bracket in retirement
- Are unable to contribute to a Roth IRA because of your income
- Are looking for an estate-planning tool to leave assets tax-free to heirs
- Don't anticipate needing the assets in retirement and would roll a Roth 457(b) or 401(k) into a Roth IRA which does not require distributions at age 70½

¹Contribution earnings are not taxable in the year distributed assuming all contributions have been held in the Roth account for five consecutive years after the first Roth contribution is made AND the distribution is made after age 59½; or for death, disability, first-time home purchase, transferring money to a Roth IRA.

Neither Nationwide nor its representatives may offer tax or legal advice. Consult with your own counsel before making any decisions about contributing or converting your Plan assets to Roth 457.

Information provided by a retirement specialist or plan representative is for educational purposes only and is not intended as investment advice.

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 & Poors 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.

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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.

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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