

MSRP Board of Trustees
William Donald Schaefer Tower, Suite 200

2019 Comprehensive Annual Financial Report

Maryland Teachers & State Employees Supplemental
Retirement Plans





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

For the Calendar Years Ended
December 31, 2019 and 2018

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

Lawrence Hogan, Jr., Governor
Boyd Rutherford, Lt. Governor
T. Eloise Foster, Chairperson, Board of Trustees
Lara L. Hjortsberg, Esq, Interim Executive Director
Debra L. Roberts, Chief Financial Officer



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

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Maryland Supplemental Retirement Plans

INTRODUCTORY SECTION



MSRP

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

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Interim Executive Director*

Debra L. Roberts MBA CPA
Chief Financial Officer

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, I am pleased to present our Comprehensive Annual Financial Report for the year ended December 31, 2019. This is our tenth 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.

MSRP ended the 2019 calendar year demonstrating strong performance. At December 31, 2019, net assets in the Plans were \$4.39 billion, representing a 17% increase from \$3.76 billion in net assets at December 31, 2018. The Plans' strong performance is attributable to investment returns in U.S. and Non-U.S. equities and an increase in participant contributions, the combined effect of which offset withdrawals in this large and mature program.

The Plans continue to provide robust participant communication programs. Our annual Saving\$ EXPO – **"It's *your* financial future, pop in and plan it!"** – was attended by 361 employees. At the EXPO, 74 employees received one-on-one counseling, and it resulted in 16 new enrollments, 19 individual increases in annualized contributions, 13 rollovers into the Plans, and 15 new ProAccount® managed account service enrollments. In total, \$268,000 in new assets was from generated as a result of the 2019 EXPO. The Plans' communication programs also include webinars, "How-to" tutorials as well as other digital tools designed to add value to the participant experience.

On February 19, 2020, MSRP received its ninth consecutive "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association for its Comprehensive Annual Financial Report for the year ended December 31, 2018. MRSP intends to continue to pursue this recognition each year, as it signifies the sound administration of the Plans. We also believe that this uninterrupted commitment to high quality, clear and comprehensive annual financial reporting regarding the Plans encourages State employees to prepare for their retirement with the Maryland Supplemental Retirement Plans.

Sincerely,

T. Eloise Foster, Chairperson



MSRP

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

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Letter of Transmittal

June 17, 2020

Honorable Chairperson and Members of the Board of Trustees:

It is our pleasure to present the 2019 Comprehensive Annual Financial Report (“CAFR”) of the Maryland Teachers and State Employees Supplemental Retirement Plans (the “Plans”). The Plans consist of four separate defined contribution plans: the 457(b), 401(k), 403(b) and 401(a) Match Plans. 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 CAFR, 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, 2019. The independent public accountants’ report is located at the front of the Financial Section of this CAFR.

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’s Discussion and Analysis in the Financial Section of the CAFR.

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 this objective.

At the end of 2019, the plans ended with over \$4 billion in assets. This is an all-time high for the Plans. The increases were primarily attributable to strong investment performance, particularly in the U.S. and non-U.S. equity, with returns in these asset classes exceeding 22%. The Plan participation rate remained stable at 80.23% of eligible employees, with over 44.3% actively making contributions to the Plans.

Economic Outlook and Condition

The value of Plan assets increased by \$639.5 million, or 14.8%, from \$3.746 billion at December 31, 2018, to \$4.390 billion at December 31, 2019. Employee contributions into the Plans increased by \$18.3 million, or 11%, to \$182.4 million for the year ended December 31, 2019, from \$164 million for the prior year. U.S. and international investment returns netted an overall increase of 15% for the year ended December 31, 2019, as compared to a 20% decrease during the 4th quarter of 2018.

A comparative analysis of rates of return of MSRP investments and their respective benchmarks is presented in the Investment Section of this CAFR, along with schedules of management fees and information relevant to evaluation of asset quality.

Revenues and Expenses – Board & Staff

The resources necessary to oversee and manage the Plans are funded by fees collected from MSRP participant accounts. The Board collects a share of participant fee which is comprised of a 0.05% asset fee and a monthly \$0.50 per account fee charged to all accounts over \$500 other than accounts in the 401(a) Match Plan. The Board approved a reduction of the asset fee to 0.425% effective October 1, 2019, in conjunction with the effective date of the new administrative services agreement with Nationwide Retirement Solutions. Expenses to operate the Plans include costs associated with investment consulting, audits, staff, and educational activities. MSRP maintains a reserve balance to accommodate fluctuations and timing differences between revenues and expenses. The Board reserve balance at the end of December 31, 2019 was \$938,851.

Major Issues and Initiatives

In 2019, a law exempting the MSRP Board's engagement of investment and other related services from Division II of the State Finance and Procurement Article of the Maryland Code was enacted. This exemption allows the Board change the Plans' investment lineup in response to advisor recommendations in a timely manner and to negotiate the necessary agreements with the providers of certain investment vehicles when these vehicles offer lower fees (e.g., collective investment trusts) than the mutual funds traditionally offered by the Plans.

As result of this procurement exemption, the Board approved the transition from mutual funds to collective investment trust vehicles in some plan options. The transition of the target date series to the collective investment trust format was completed during the first quarter of calendar year 2020, and it is expected to result in participant fee savings in excess of \$600,000. Transitions of some other investment options are anticipated during CY2020 as investment documents for these investment options are received from the investment providers recommended by the advisor to the Board and reviewed and negotiated by the Board's legal counsel.

Investments

The Plans are long-term retirement savings vehicles and are intended as a source of retirement income for voluntary participants. A summary of the Statement of Investment Policy for the Plans is included in the Investment Section of this CAFR. The following charts set forth the asset allocation for the Plans as of December 31, 2019 and 2018,

respectively. See the Investment Section of the CAFR for a more detailed analysis and additional information.

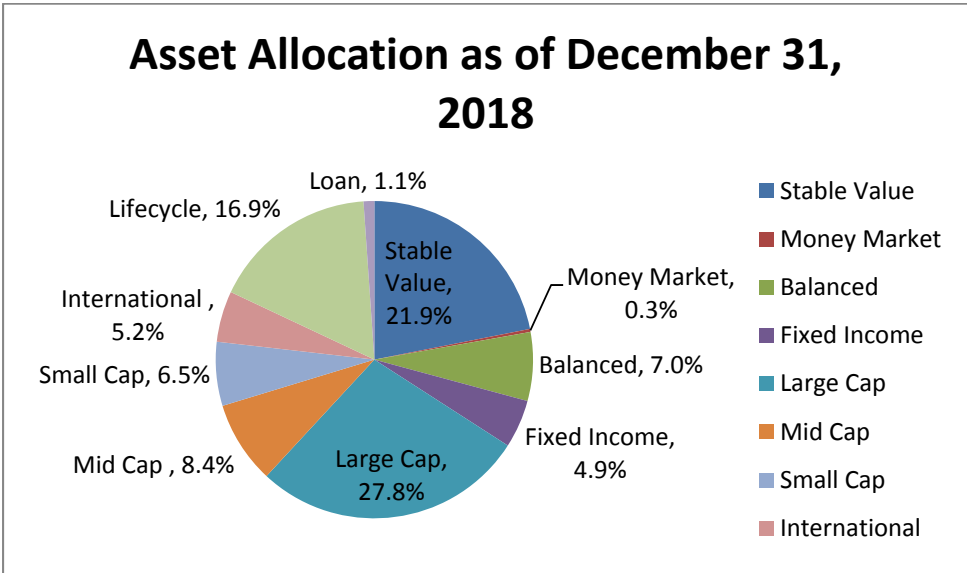
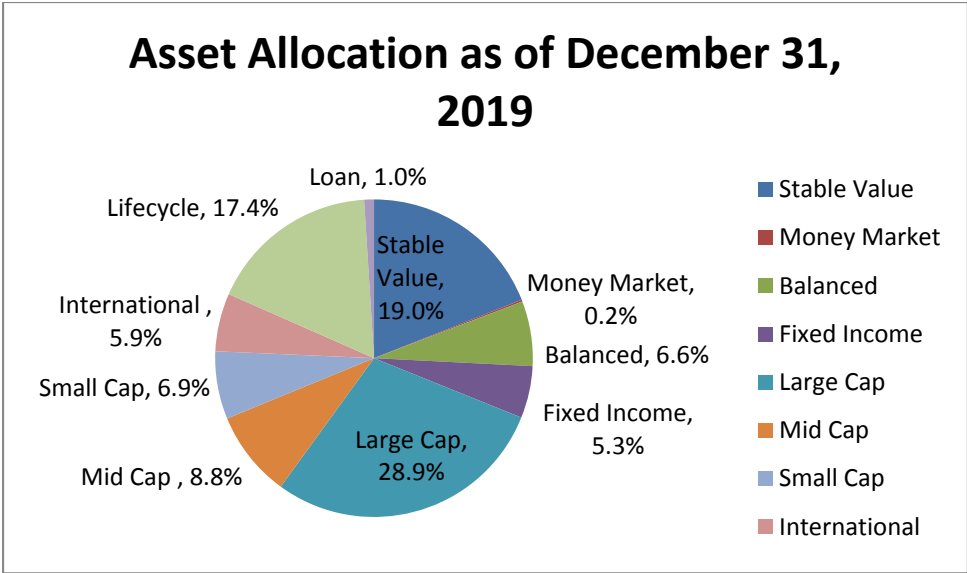


Figure 1: % may be greater or lesser than 100% due to rounding

Professional Services

The Board contracts for the services of various independent consulting, investment advisory, and financial professionals to assist it in carrying out its responsibility to manage the Plans. Nationwide Retirement Solutions performs plan administration and record keeping services. SB & Company, LLC, an independent auditing firm, conducts annual audits of the Plans. Wells Fargo Bank, N.A. is the mutual fund custodian of record for the 403(b) Plan. Galliard Capital Management performs investment advisory and management services for the investment contract pool. Segal Marco Advisors is the investment advisor and general pension consultant for the Plans.

The independent public accountant's report on the basic financial statements is included in the Financial Section of this CAFR. The Investment Advisor's Report prepared by Segal Marco Advisors is included in the Investment Section beginning on page _.

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, 2018. This was the ninth 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. We believe that our 2019 CAFR continues to meet the Certificate of Achievement Program's requirements, and we will be submitting it to the GFOA to determine its eligibility for another Certificate of Achievement.

Acknowledgements

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

Sincerely,



Lara L. Hjortsberg, Esq.
Interim Executive Director



Debra L. Roberts, MBA, CPA
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
Former Secretary, Department of
Budget and Management
State Agency Member



Nancy K. Kopp
Treasurer
State Agency Member



Johnathan R. West
Department of Budget and
Management
Eligible Member



Thomas M. Brandt, Jr.
Public Member



Lynne M. Durbin, Esq.
Public Member



Vacant
State Agency Member



Thomas P. Hickey
Chief Procurement Officer
University System of Maryland
Eligible 403(b) Member



John D. Lewis
Public Member

Vacant
Eligible Member



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

MAJOR PROFESSIONAL SERVICES

Plan Administration

Nationwide

Independent Investment Consultants

Segal Marco Advisors

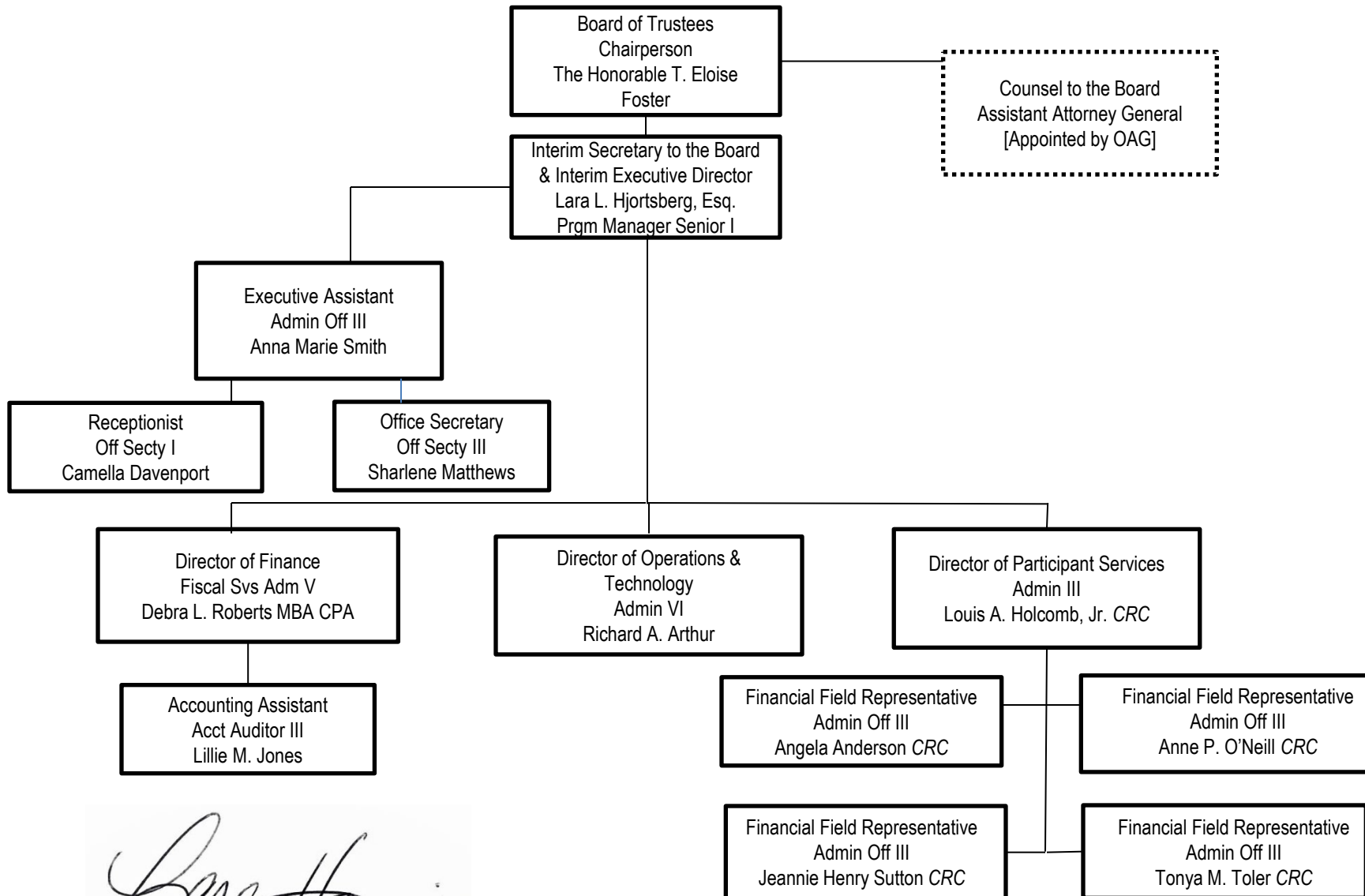
Stable Value Solutions
Galliard Capital Management, Inc.

Independent Public Accountants

SB & Company, LLC

2019

Maryland Teachers & State Employees Supplemental Retirement Plans



Approved:
June 1, 2020



Maryland Supplemental Retirement Plans

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, 2019 and 2018, 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 controls 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 controls. 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, 2019 and 2018, 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 statistical section 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 statistical section have 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.

Owings Mills, Maryland
June 17, 2020



MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

MANAGEMENT'S 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, 2019 and 2018. The financial statements appear at page 20 of this report. This narrative should be read in conjunction with the financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements for MSRP are prepared in accordance with accounting principles generally accepted in the United States 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 — the 457(b), 401(k), 403(b), and 401(a) Match Plan — has a separate, stand-alone financial statement. A combined statement that consolidates the assets and transactions of all four Plans appears on page 26 of this report.

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 expenses 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 \$643.9 million, or 17.2%, to \$4.3 billion for the year ended December 31, 2019, from \$3.7 billion for the year ended December 31, 2018. Net position available for plan benefits decreased by \$22.2 million, or 5.6%, to \$3.7 million for the year ended December 31, 2018, from \$3.97 billion for the year ended December 31, 2017. Strong performance during the 4th quarter of 2019, attributable to U.S. and Non-U.S. equity, contributed to the increase in net position in 2019 as compared to 2018, whereas poor investment performance during the 4th quarter of 2018, primarily in these same asset classes, and a slight decrease in participant

contributions during that time period, contributed to the decrease in net position in 2018 as compared to 2017.

- Employee contributions into the Plans increased by \$18.4 million, or 10%, to \$182.0 million for the year ended December 31, 2019, from \$164.0 million for the year ended December 31, 2018. Employee contributions into the Plans decreased by \$3.28 million, or 1.96%, to \$164.0 million for the year ended December 31, 2018, from \$167.3 million for the year ended of December 31, 2017.
- Due to the suspension of the funding for the State Match program in 2009, employer contributions have been virtually eliminated as a source of contributions to the Plans for the majority of the State; however, certain non-elective employer contributions, or “matches,” are funded by State agencies and instrumentalities with, among other things, independent salary setting and budget authority, which direct such contributions to be made on behalf of such agencies’ personnel into the Plans (“special matches programs”). Prior to implementation, requests for special match programs are reviewed by MSRP counsel and are subject to MSRP Board approval. For the year ended December 31, 2019, employer contributions decreased by \$19,278, to \$16,554 from \$35,822 for the year ended December 31, 2018. For the year ended December 31, 2018, employer contributions increased by \$35,752 to \$35,822 from \$70 for the year ended December 31, 2017.
- At the end of calendar year December 31, 2019, participant distributions increased by \$30.4 million to \$268.9 million from \$238.5 for the year ended December 31, 2018. For the year ended December 31, 2018, participant distributions decreased slightly to \$238.5 million from \$241.7 million for the year ended December 31, 2017. In general, increases in distributions are primarily associated with increasing retirements due to an aging participant population. Strong market performance experienced during the 4th quarter of 2019 may have also contributed to the increase in participant distributions experienced by the Plans in 2019.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the combined financial statements for the Plans. The notes to the financial statements can be found on pages 28 of this report.

Supplemental Information

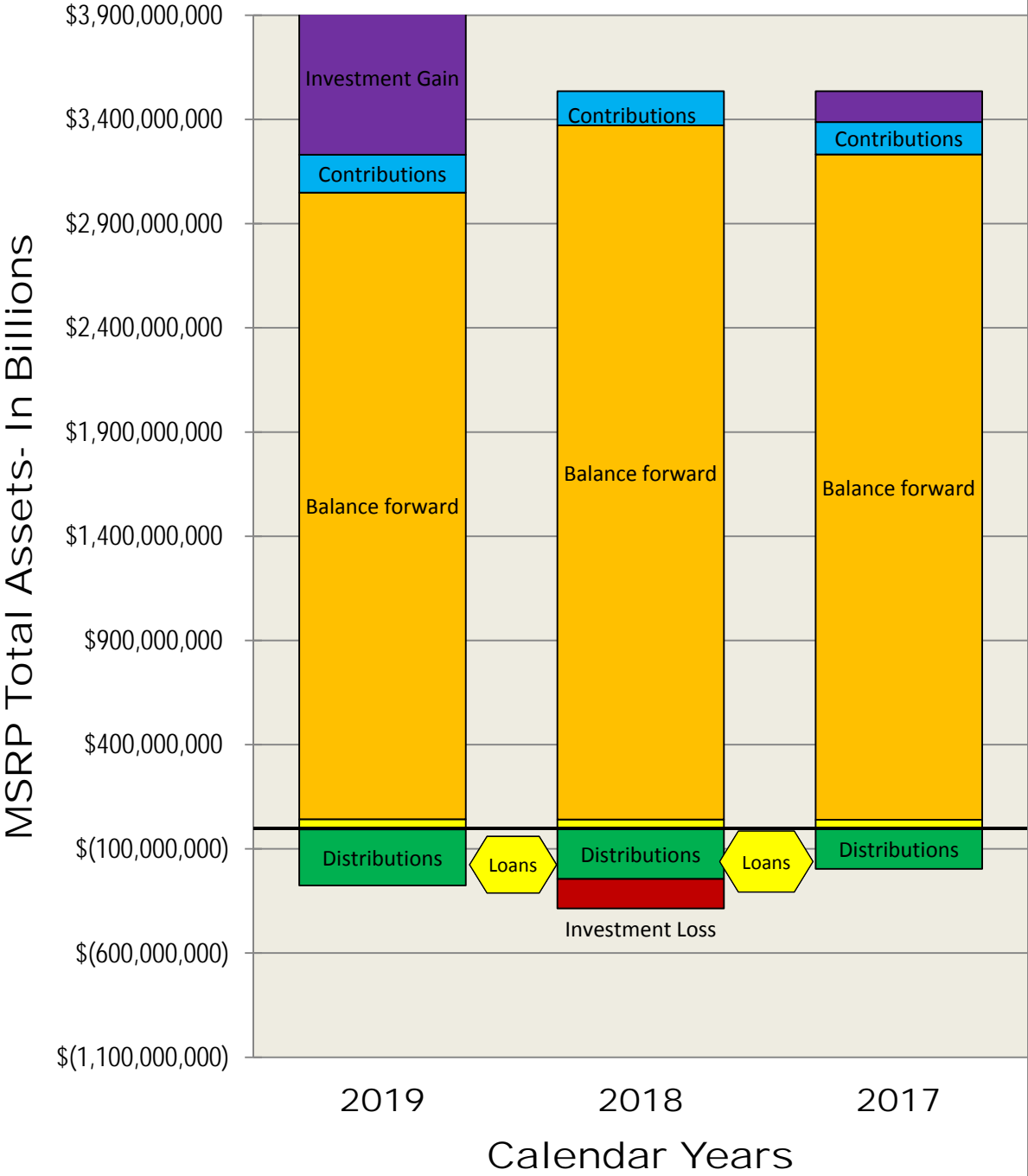
The report includes detailed statistical information on the Plans, the participants in the Plans, comparison schedules on the Plans, and information regarding administrative fees and expenses. This statistical information immediately follows the Investment Section of the report.

The chart located on the following page illustrates a summary of the changes in four Plans from calendar year 2017 to calendar year 2019, with the most recent year presented on the left.

The stacked bar for each year reflects a balance of assets that is increased that year by contributions from participant payroll deductions and transfers into of the Plans. The bar also shows the amounts (negative) paid out in distributions to participants and the amounts of outstanding loans (positive to be paid back by participants). Finally, the top or bottom of each bar indicates the net 12-month investment gain or loss for all Plans as of that year end.

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





Maryland Supplemental Retirement Plans

Basic financial statements

Maryland Supplemental Retirement Plans

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

**Statements of Net Position Held in Trust for Deferred Compensation Benefits
As of December 31, 2019 and 2018**

| ASSETS | 2019 | 2018 |
|--|--------------------------------|--------------------------------|
| Investments: | | |
| Investment contract pool | \$ 776,536,816 | \$ 760,780,877 |
| Mutual funds: | | |
| Target date funds | 747,157,509 | 617,270,625 |
| Equity funds | 2,217,790,352 | 1,797,881,264 |
| Fixed income funds | 533,578,825 | 457,919,102 |
| Annuities | 63,421,140 | 67,704,693 |
| Total investments | <u>4,338,484,642</u> | <u>3,701,556,561</u> |
| Cash surrender value of life insurance contracts | 2,720,028 | 2,926,123 |
| Cash | 938,851 | 427,462 |
| Receivables: | | |
| Employee contributions | 5,493,452 | 143,379 |
| Loans receivable | 42,154,112 | 40,863,029 |
| Other receivable | 152,595 | 155,128 |
| Net Position Held in Trust for Deferred Compensation Benefits | <u><u>\$ 4,389,943,680</u></u> | <u><u>\$ 3,746,071,682</u></u> |

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

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

**Statement of Combining Net Position Held in Trust for Deferred Compensation Benefits
As of December 31, 2019**

| | 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 | \$ 399,652,170 | \$ 348,558,258 | \$ 28,326,388 | \$ - | \$ 776,536,816 |
| Mutual funds: | | | | | |
| Target date funds | 321,730,980 | 389,458,013 | 26,097,394 | 9,871,123 | 747,157,509 |
| Equity funds | 873,820,103 | 1,138,052,504 | 129,442,411 | 76,475,333 | 2,217,790,352 |
| Fixed income funds | 226,693,880 | 266,780,715 | 23,641,420 | 16,462,809 | 533,578,825 |
| Annuities | 63,421,140 | - | - | - | 63,421,140 |
| Total Investments | 1,885,318,274 | 2,142,849,490 | 207,507,613 | 102,809,265 | 4,338,484,642 |
| Cash surrender value of life insurance contracts | 2,720,028 | - | - | - | 2,720,028 |
| Cash | 938,851 | - | - | - | 938,851 |
| Receivables: | | | | | |
| Employee contributions | 2,719,843 | 2,722,034 | - | 51,575 | 5,493,452 |
| Loans receivable | 21,730,622 | 19,959,610 | - | 463,880 | 42,154,112 |
| Other receivable | 152,595 | - | - | - | 152,595 |
| Net Position Held in Trust for Deferred Compensation Benefits | \$ 1,913,580,213 | \$ 2,165,531,134 | \$ 207,507,613 | \$ 103,324,720 | \$ 4,389,943,680 |

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, 2018**

| | 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 | \$ 394,740,352 | \$ 337,420,271 | \$ 28,620,254 | \$ - | \$ 760,780,877 |
| Mutual funds: | | | | | |
| Target date funds | 259,592,763 | 326,186,345 | 22,888,679 | 8,602,838 | 617,270,625 |
| Equity funds | 707,459,321 | 917,560,982 | 106,119,593 | 66,741,368 | 1,797,881,264 |
| Fixed income funds | 195,719,249 | 226,262,067 | 20,660,162 | 15,277,624 | 457,919,102 |
| Annuities | 67,704,693 | - | - | - | 67,704,693 |
| Total Investments | 1,625,216,378 | 1,807,429,665 | 178,288,687 | 90,621,831 | 3,701,556,561 |
| Cash surrender value of life insurance contracts | 2,926,123 | - | - | - | 2,926,123 |
| Cash | 427,462 | - | - | - | 427,462 |
| Receivables: | | | | | |
| Employee contributions | 67,666 | 72,061 | - | 3,652 | 143,379 |
| Loans receivable | 20,921,752 | 19,528,307 | - | 412,970 | 40,863,029 |
| Other receivable | 155,128 | - | - | - | 155,128 |
| Net Position Held in Trust for Deferred Compensation Benefits | \$ 1,649,714,509 | \$ 1,827,030,033 | \$ 178,288,687 | \$ 91,038,453 | \$ 3,746,071,682 |

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

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

**Statements of Changes in Net Position Held in Trust for Deferred Compensation Benefits
For the Years Ended December 31, 2019 and 2018**

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|
| ADDITIONS TO NET POSITION ATTRIBUTED TO: | | |
| Employee contributions | \$ 182,405,999 | \$ 164,038,436 |
| Employer contributions | 16,554 | 35,822 |
| Variable earnings reimbursements | 2,666,215 | 3,057,487 |
| Investment income: | | |
| Variable earnings investment income (loss) | 711,776,796 | (165,557,554) |
| Interest income | 22,656,096 | 21,104,108 |
| Total Additions | <u>919,521,660</u> | <u>22,678,299</u> |
| DEDUCTIONS FROM NET POSITION ATTRIBUTED TO: | | |
| Distributions to participants | 268,869,648 | 238,492,183 |
| Administrative expenses | 6,776,494 | 6,264,365 |
| Life insurance premiums | 3,520 | 5,350 |
| Total Deductions | <u>275,649,662</u> | <u>244,761,898</u> |
| Net increase (decrease) | 643,871,998 | (222,083,599) |
| Net position held in trust for deferred compensation benefits, beginning of year | <u>3,746,071,682</u> | <u>3,968,155,281</u> |
| Net Position Held in Trust for Deferred Compensation Benefits, End of Year | <u>\$ 4,389,943,680</u> | <u>\$ 3,746,071,682</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, 2019**

| | 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 | \$ 83,003,502 | \$ 96,378,764 | \$ - | \$ 3,023,733 | \$ 182,405,999 |
| Employer contributions | - | - | 16,554 | - | 16,554 |
| Variable earnings reimbursements | 1,158,842 | 1,308,936 | 126,702 | 71,735 | 2,666,215 |
| Investment income: | | | | | |
| Variable earnings investment income | 288,178,173 | 364,875,896 | 38,673,762 | 20,048,965 | 711,776,796 |
| Interest income | 12,945,421 | 8,913,552 | 647,667 | 149,456 | 22,656,096 |
| Total Additions | 385,285,938 | 471,477,148 | 39,464,685 | 23,293,889 | 919,521,660 |
| Deductions: | | | | | |
| Distributions to participants | 118,685,821 | 129,392,771 | 9,935,402 | 10,855,654 | 268,869,648 |
| Administrative expenses | 2,730,893 | 3,583,276 | 310,357 | 151,968 | 6,776,494 |
| Life insurance premiums | 3,520 | - | - | - | 3,520 |
| Total Deductions | 121,420,234 | 132,976,047 | 10,245,759 | 11,007,622 | 275,649,662 |
| Net increase | 263,865,704 | 338,501,101 | 29,218,926 | 12,286,267 | 643,871,998 |
| Net position held in trust for deferred compensation benefits, beginning of year | 1,649,714,509 | 1,827,030,033 | 178,288,687 | 91,038,453 | 3,746,071,682 |
| Net Position Held in Trust for Deferred Compensation Benefits, End of Year | \$ 1,913,580,213 | \$ 2,165,531,134 | \$ 207,507,613 | \$ 103,324,720 | \$ 4,389,943,680 |

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

**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, 2018**

| | 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 | \$ 74,578,951 | \$ 87,096,485 | \$ - | \$ 2,363,000 | \$ 164,038,436 |
| Employer contributions | - | - | 35,822 | - | 35,822 |
| Variable earnings reimbursements | 1,338,076 | 1,468,987 | 159,419 | 91,005 | 3,057,487 |
| Investment income: | | | | | |
| Variable earnings investment loss | (68,699,821) | (84,251,466) | (8,168,313) | (4,437,954) | (165,557,554) |
| Interest income | 12,477,751 | 7,871,978 | 600,099 | 154,280 | 21,104,108 |
| Total Additions | 19,694,957 | 12,185,984 | (7,372,973) | (1,829,669) | 22,678,299 |
| Deductions: | | | | | |
| Distributions to participants | 108,390,085 | 113,827,709 | 9,940,434 | 6,333,955 | 238,492,183 |
| Administrative expenses | 3,048,419 | 2,842,050 | 245,674 | 128,222 | 6,264,365 |
| Life insurance premiums | 5,350 | - | - | - | 5,350 |
| Total Deductions | 111,443,854 | 116,669,759 | 10,186,108 | 6,462,177 | 244,761,898 |
| Net decrease | (91,748,897) | (104,483,775) | (17,559,081) | (8,291,846) | (222,083,599) |
| Net position held in trust for deferred compensation benefits, beginning of year | 1,741,463,406 | 1,931,513,808 | 195,847,768 | 99,330,299 | 3,968,155,281 |
| Net Position Held in Trust for Deferred Compensation Benefits, End of Year | \$ 1,649,714,509 | \$ 1,827,030,033 | \$ 178,288,687 | \$ 91,038,453 | \$ 3,746,071,682 |

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

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2019 and 2018

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 62,385 participants as of December 31, 2019. 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, 2019 and 2018

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 position held in trust for deferred compensation 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 IRC, MSRP limits the amount of an individual's annual contributions to an amount not to exceed the lesser of \$19,000 and \$18,500 for the years ended December 31, 2019 and 2018, 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 \$3.7 million were made to the Roth accounts by approximately 6,537 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2019. Contributions of \$5.9 million were made to the Roth accounts by approximately 5,543 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2018.

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, 2019, the State has suspended the match contribution.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2019 and 2018

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) Match 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, 2019 and 2018

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% of 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, 2019 and 2018**

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, 2019 and 2018**

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, 2019 and 2018, were as follows:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------------|-------------------------|
| Fixed Investments - Investment Contract Pool | \$ 399,652,170 | \$394,740,352 |
| Fidelity 500 Index Fund | 228,527,077 | - |
| Vanguard Institutional Index Fund - Institutional Plus Shares | - | 185,419,042 |
| Fidelity(R) Puritan Fund | 129,736,382 | 117,055,804 |
| American Funds - Growth Fund of America - Class R6 | 91,524,245 | 76,641,906 |
| Delaware Value Fund - Institutional Class | 83,351,866 | 73,102,712 |
| Vanguard Mid Cap Index Fund - Institutional Plus Shares | 83,932,907 | 70,339,568 |
| American Funds - Euro Pacific Growth - Class R6 | 79,937,580 | 61,294,855 |
| T. Rowe Price Institutional Small Cap Stock Fund, Inc. | 77,976,137 | 61,047,025 |
| American Century Equity Growth Fund - Institutional Class | 66,621,424 | 52,118,660 |
| TCW Core Fixed Income Fund - I Class | 54,610,387 | 46,208,217 |
| T Rowe Price Retirement 2030 Fund | 52,562,768 | 42,802,430 |
| T Rowe Price Retirement 2025 Fund | 49,729,961 | 41,468,856 |
| T Rowe Price Retirement 2020 Fund | 45,627,056 | 40,497,481 |
| Vanguard Small-Cap Index Fund - Institutional Shares | 40,135,280 | 34,431,250 |
| T Rowe Price Mid Cap Value Fund, Inc. - Retail Shares | 38,540,465 | 33,887,469 |
| T Rowe Price Retirement 2035 Fund | 38,902,482 | 30,102,304 |
| Vanguard Total Bond Market Index Fund - Institutional Shares | 36,560,270 | 27,232,528 |
| T Rowe Price Retirement 2040 Fund | 35,737,969 | 27,031,993 |
| Janus Henderson Enterprise Fund - N Shares | 35,275,772 | 24,328,488 |
| Vanguard Total International Stock Index Fund - Institutional Shares | 29,049,989 | 22,140,606 |
| T Rowe Price Retirement 2015 Fund | 21,327,122 | 20,722,873 |
| T Rowe Price Retirement 2045 Fund | 26,433,253 | 18,895,319 |
| T Rowe Price Retirement 2050 Fund | 21,898,664 | 15,345,646 |
| Parnassus Core Equity Fund - Institutional Shares | 18,947,361 | 12,707,740 |
| T Rowe Price Retirement 2055 Fund | 13,754,696 | 9,342,879 |
| T Rowe Price Retirement 2010 Fund | 10,105,423 | 9,208,175 |
| T Rowe Price Retirement Balanced Fund | 5,786,841 | 5,222,700 |
| T Rowe Price Retirement 2005 Fund | 2,801,734 | 2,512,757 |
| T Rowe Price Retirement 2060 Fund | 2,849,851 | 1,662,050 |
| Total Mutual Funds | <u>1,422,244,964</u> | <u>1,162,771,333</u> |
| Discontinued investment options - Nationwide Fixed Annuities | 53,291,344 | 56,370,052 |
| Nationwide Life annuity payout reserves | 6,817,640 | 7,617,569 |
| Metropolitan Life annuity payout reserves | 3,312,156 | 3,717,072 |
| Total Annuities | <u>63,421,140</u> | <u>67,704,693</u> |
| Total Investments | <u>\$ 1,885,318,274</u> | <u>\$ 1,625,216,378</u> |

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

**Notes to the Financial Statements
December 31, 2019 and 2018**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 2: 401(k) Plan

Investments held as of December 31, 2019 and 2018, were as follows:

| | <u>2019</u> | <u>2018</u> |
|--|--------------------------------|--------------------------------|
| Fixed Investments - Investment Contract Pool | \$ 348,558,258 | \$337,420,271 |
| Fidelity 500 Index Fund | 341,907,048 | - |
| Vanguard(R) Institutional Index Fund - Institutional Plus Shares | - | 277,244,033 |
| Fidelity Puritan Fund | 134,366,885 | 120,602,322 |
| The Growth Fund of America®, - Class R6 | 130,121,088 | 110,498,751 |
| Vanguard® Mid-Cap Index Fund - Institutional Plus Shares | 104,832,021 | 86,260,277 |
| T. Rowe Price Institutional Small-Cap Stock Fund | 105,091,120 | 83,486,623 |
| T. Rowe Price Retirement 2020 Fund | 90,865,831 | 81,667,769 |
| EuroPacific Growth Fund® - Class R6 | 99,728,687 | 77,520,219 |
| T. Rowe Price Retirement 2025 Fund | 85,412,219 | 69,463,360 |
| Delaware Value Fund - Institutional Class | 77,818,162 | 67,623,763 |
| TWC Core Fixed Income Fund - I Class | 79,117,928 | 66,790,749 |
| American Century Equity Growth Fund - Institutional Class | 82,965,415 | 63,815,693 |
| T. Rowe Price Retirement 2030 Fund | 64,783,643 | 53,583,212 |
| Vanguard® Small-Cap Index Fund - Institutional Shares | 55,070,399 | 46,335,717 |
| T. Rowe Price MidCap Value Fund, Inc. - Retail Shares | 45,282,303 | 39,549,027 |
| T. Rowe Price Retirement 2015 Fund | 39,988,015 | 36,482,107 |
| Vanguard® Total Bond Market Index Fund - Institutional Shares | 45,635,501 | 32,824,639 |
| Janus Henderson Enterprise Fund - N Shares | 44,350,892 | 29,661,763 |
| T. Rowe Price Retirement 2035 Fund | 36,806,289 | 28,303,003 |
| Vanguard Total International Stock Index Fund - Institutional Shares | 31,782,625 | 22,678,249 |
| T. Rowe Price Retirement 2040 Fund | 26,370,776 | 20,260,083 |
| T. Rowe Price Retirement 2010 Fund | 14,934,904 | 13,897,021 |
| Parnassus Core Equity Fund - Institutional Shares | 19,102,744 | 12,886,867 |
| T. Rowe Price Retirement 2045 Fund | 12,841,544 | 9,317,516 |
| T. Rowe Price Retirement 2050 Fund | 8,455,323 | 6,340,023 |
| T. Rowe Price Retirement Balanced Fund | 7,660,401 | 6,044,357 |
| T. Rowe Price Retirement 2055 Fund | 4,534,438 | 3,400,563 |
| T. Rowe Price Retirement 2005 Fund | 2,961,082 | 2,519,753 |
| T. Rowe Price Retirement 2060 Fund | 1,503,949 | 951,935 |
| Total Mutual Funds | <u>1,794,291,232</u> | <u>1,470,009,394</u> |
| Total Investments | <u>\$ 2,142,849,490</u> | <u>\$ 1,807,429,665</u> |

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

**Notes to the Financial Statements
December 31, 2019 and 2018**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 3: 401(a) Plan

Investments held as of December 31, 2019 and 2018, were as follows:

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------|-----------------------|
| Fixed Investments - Investment Contract Pool | \$ 28,326,388 | \$28,620,254 |
| Fidelity 500 Index Fund | 49,494,596 | - |
| Vanguard Institutional Index Fund - Institutional Plus Shares | - | 40,433,421 |
| Fidelity® Puritan® Fund | 16,004,675 | 14,415,737 |
| Vanguard Mid Cap Index Fund - Institutional Plus Shares | 12,857,615 | 10,765,181 |
| American Funds - Growth Fund of America - Class R6 | 12,579,874 | 10,627,057 |
| T Rowe Price Institutional Small Cap Stock Fund, Inc. | 12,173,434 | 9,766,500 |
| American Century Equity Growth Fund - Institutional Class | 11,321,117 | 9,216,764 |
| Delaware Value Fund - Institutional Class | 10,864,495 | 9,579,059 |
| American Funds - Euro Pacific Growth - Class R6 | 7,881,574 | 6,198,755 |
| T Rowe Price Retirement 2020 Fund | 5,305,795 | 4,784,421 |
| T Rowe Price Retirement 2025 Fund | 5,154,781 | 4,454,329 |
| T Rowe Price Retirement 2030 Fund | 4,844,948 | 4,210,609 |
| Vanguard Small-Cap Index Fund-Institutional Shares | 4,429,147 | 3,698,783 |
| TCW Core Fixed Income Fund - I Class | 5,200,138 | 4,523,386 |
| T Rowe Price Retirement 2035 Fund | 3,327,173 | 2,780,360 |
| T Rowe Price Mid Cap Value Fund, Inc. | 3,207,081 | 2,730,065 |
| T Rowe Price Retirement 2015 Fund | 2,427,546 | 2,297,925 |
| T Rowe Price Retirement 2040 Fund | 2,473,779 | 2,063,915 |
| Janus Henderson Enterprise Fund - N Shares | 2,216,903 | 1,451,759 |
| T Rowe Price Retirement 2045 Fund | 1,109,093 | 939,418 |
| Vanguard Total Bond Market Index Fund - Institutional Shares | 2,087,500 | 1,445,039 |
| Vanguard Total International Stock Index Fund - Institutional Shares | 1,713,545 | 1,185,646 |
| T Rowe Price Retirement 2010 Fund | 770,492 | 720,950 |
| Parnassus Core Equity Fund - Institutional Shares | 703,030 | 466,604 |
| T Rowe Price Retirement 2050 Fund | 477,735 | 425,264 |
| T Rowe Price Retirement Balanced Fund | 349,107 | 276,000 |
| T Rowe Price Retirement 2005 Fund | 109,739 | 102,792 |
| T Rowe Price Retirement 2055 Fund | 78,075 | 76,558 |
| T Rowe Price Retirement 2060 Fund | 18,238 | 32,137 |
| Total Mutual Funds | 179,181,225 | 149,668,433 |
| Total Investments | \$ 207,507,613 | \$ 178,288,687 |

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

**Notes to the Financial Statements
December 31, 2019 and 2018**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 4: 403(b) Plan

Investments held as of December 31, 2019 and 2018, were as follows:

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------|----------------------|
| Fidelity 500 Index Fund | \$ 20,122,396 | \$ - |
| Vanguard(R) Institutional Index Fund - Institutional Plus Shares | - | 17,014,627 |
| Fidelity Puritan Fund | 9,747,323 | 9,336,749 |
| Vanguard® Mid-Cap Index Fund - Institutional Plus Shares | 9,038,799 | 8,249,604 |
| Delaware Value Fund - Institutional Class | 7,317,027 | 6,616,000 |
| Vanguard Federal Money Market Fund - Investor Class | 7,191,363 | 6,595,522 |
| The Growth Fund of America®, - Class R6 | 4,673,510 | 4,722,201 |
| American Century Equity Growth Fund - Institutional Class | 4,579,202 | 4,094,373 |
| EuroPacific Growth Fund® -Class R6 | 4,129,873 | 3,456,492 |
| TWC Core Fixed Income Fund - I Class | 3,449,062 | 3,055,375 |
| T. Rowe Price MidCap Value Fund, Inc.- Retail Shares | 2,502,336 | 2,781,782 |
| Vanguard® Small-Cap Index Fund - Institutional Shares | 3,091,160 | 2,708,976 |
| T. Rowe Price Institutional Small-Cap Stock Fund | 3,550,299 | 2,661,561 |
| Janus Henderson Enterprise Fund - N Shares | 4,365,356 | 2,556,107 |
| T. Rowe Price Retirement 2020 Fund | 2,335,817 | 2,382,079 |
| Vanguard® Total Bond Market Index Fund - Institutional Shares | 2,927,356 | 2,329,762 |
| T. Rowe Price Retirement 2015 Fund | 1,629,717 | 1,687,637 |
| Vanguard Total International Stock Index Fund - Institutional Shares | 1,559,101 | 1,345,975 |
| T. Rowe Price Retirement 2025 Fund | 1,522,547 | 1,326,603 |
| T. Rowe Price Retirement 2040 Fund | 1,025,134 | 785,061 |
| T. Rowe Price Retirement 2010 Fund | 864,178 | 727,581 |
| T. Rowe Price Retirement 2030 Fund | 980,537 | 688,571 |
| T. Rowe Price Retirement Balanced Fund | 339,068 | 555,739 |
| Parnassus Core Equity Fund - Institutional Shares | 1,191,575 | 548,609 |
| T. Rowe Price Retirement 2035 Fund | 544,668 | 344,479 |
| T. Rowe Price Retirement 2045 Fund | 447,768 | 302,458 |
| T. Rowe Price Retirement 2050 Fund | 257,929 | 164,491 |
| T. Rowe Price Retirement 2005 Fund | 117,312 | 107,501 |
| T. Rowe Price Retirement 2060 Fund | 145,372 | 85,957 |
| T. Rowe Price Retirement 2055 Fund | 142 | 420 |
| Great West Life Assurance Company | 3,163,336 | 3,389,539 |
| Total Mutual Funds | \$ 102,809,265 | \$ 90,621,831 |

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

**Notes to the Financial Statements
December 31, 2019 and 2018**

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, 2019 and 2018, were as follows:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------------|-------------------------|
| Fixed Investments - Investment Contract Pool | \$ 776,536,816 | \$760,780,877 |
| Fidelity 500 Index Fund | 640,051,117 | - |
| Vanguard Institutional Index Fund - Institutional Plus Shares | - | 520,111,123 |
| Fidelity Puritan Fund | 289,855,266 | 261,410,612 |
| Vanguard Mid Cap Index Fund - Institutional Plus Shares | 210,661,342 | 175,614,630 |
| Delaware Value Fund - Institutional Class | 179,351,550 | 156,921,534 |
| T. Rowe Price Institutional Small Cap Stock Fund, Inc. | 198,790,990 | 156,961,709 |
| T Rowe Price Retirement 2020 Fund | 144,134,499 | 129,331,751 |
| American Century Equity Growth Fund - Institutional Class | 165,487,159 | 129,245,490 |
| Great West Life Insurance Company | 3,163,336 | 3,389,539 |
| TCW Core Fixed Income Fund - I Class | 142,377,516 | 120,577,727 |
| T Rowe Price Retirement 2025 Fund | 141,819,508 | 116,713,149 |
| American Funds - The Growth Fund of America - Class R6 | 238,898,717 | 202,489,915 |
| Vanguard Small-Cap Index Fund - Institutional Shares | 102,725,986 | 87,174,726 |
| T Rowe Price Retirement 2030 Fund | 123,171,896 | 101,284,822 |
| T Rowe Price Retirement 2015 Fund | 65,372,400 | 61,190,542 |
| American Funds - Euro Pacific Growth - Class R6 | 191,677,713 | 148,470,322 |
| T Rowe Price Retirement 2035 Fund | 79,580,612 | 61,530,147 |
| T. Rowe Price MidCap Value Fund, Inc. - Retail Shares | 86,325,104 | 42,330,809 |
| T Rowe Price Retirement 2040 Fund | 65,607,658 | 50,141,052 |
| T Rowe Price Mid Cap Value Fund, Inc. | 3,207,081 | 36,617,534 |
| Janus Enterprise Fund - N Shares | 86,208,923 | 57,998,116 |
| Vanguard Total Bond Market Index Fund - Institutional Shares | 87,210,627 | 63,831,968 |
| Parnassus Core Equity Fund - Institutional Shares | 39,944,711 | 26,609,820 |
| T Rowe Price Retirement 2010 Fund | 26,674,998 | 24,553,728 |
| T Rowe Price Retirement 2045 Fund | 40,831,658 | 29,454,710 |
| Vanguard Total International Stock Index Fund - Institutional Shares | 64,105,259 | 47,350,475 |
| T Rowe Price Retirement 2050 Fund | 31,089,651 | 22,275,424 |
| T Rowe Price Retirement Balanced Fund | 14,135,416 | 12,098,796 |
| T Rowe Price Retirement 2055 Fund | 18,367,351 | 12,820,420 |
| Vanguard Federal Money Market Fund - Investor Class | 7,191,363 | 6,595,522 |
| T Rowe Price Retirement 2005 Fund | 5,989,868 | 5,242,802 |
| T Rowe Price Retirement 2060 Fund | 4,517,410 | 2,732,079 |
| Total Mutual Funds | 3,498,526,686 | 2,873,070,991 |
| Discontinued investment options - Nationwide Fixed Annuities | 53,291,344 | 56,370,052 |
| Nationwide Life annuity payout reserves | 6,817,640 | 7,617,569 |
| Metropolitan Life annuity payout reserves | 3,312,156 | 3,717,072 |
| Total Annuities | 63,421,140 | 67,704,693 |
| Total Investments | \$ 4,338,484,642 | \$ 3,701,556,561 |

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2019 and 2018

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 2.30% as of December 31, 2019, and ranged from 2.23% to 2.36% during the year ended December 31, 2019. The blended gross interest rate was 2.10% as of December 31, 2018, and ranged from 1.97% to 2.20% during the year ended December 31, 2018. The contract value as of December 31, 2019 and 2018, was \$776,536,816 and \$760,780,877, respectively. The fair market value as of December 31, 2019 and 2018, was \$787,004,536 and \$747,868,688, respectively.

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

Interest income on investments in Nationwide Life fixed annuities and annuity payout reserves are recorded as earned on an accrual basis. Beginning in 1982, based upon the date of contribution, Nationwide Life initiated a plan for paying different rates to specific pools of money. The gross interest rate paid on fixed annuity contributions was 3.5% as of December 31, 2019 and 2018.

The 403(b) Plan includes a closed fixed earnings investment with the Great-West Fixed Investment Fund and is valued at contract value, which represents costs plus interest credited at guaranteed rates (subject to quarterly market adjustments, as reported by Great-West as of December 31). These amounts are credited to the participants' accounts prior to charges for administration expenses charged by NRS and the Board. The gross interest rate paid on contributions to this investment was 4.0% in both 2019 and 2018. 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, 2019 and 2018**

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, 2019 and 2018, were as follows:

| | December 31, 2019 | |
|--|--------------------------|--------------------------------------|
| | Valuation | Weighted Average Maturity |
| Investment Contract Pool | \$ 776,536,816 | 3.0 years |
| TCW Core Fixed Income Fund - I Class | 142,377,516 | 7.5 years |
| Great-West Fixed Investment Fund | 3,163,336 | 3.2 years |
| Vanguard Federal Money Market Fund - Investor Class | 7,191,363 | 0.1 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, 2019 and 2018**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

| | December 31, 2018 | |
|--|--------------------------|--------------------------------------|
| | Valuation | Weighted Average Maturity |
| Investment Contract Pool | \$ 760,780,877 | 3.0 years |
| TCW Core Fixed Income Fund - I Class | 120,577,727 | 7.5 years |
| Great-West Fixed Investment Fund | 3,389,539 | 3.2 years |
| Vanguard Federal Money Market Fund - Investor Class | 6,595,522 | 0.1 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, 2019 and 2018. 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, 2019 and 2018

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, 2019 and 2018:

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

| | <u>Total</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|--|-------------------------|---|--|--|
| As of December 31, 2019 | | | | |
| Investments by fair value level | | | | |
| Bond and Equity Securities | | | | |
| Target Date Retirement Funds | \$ 747,157,509 | \$ 747,157,509 | \$ - | \$ - |
| Bonds | 229,588,142 | 229,588,142 | - | - |
| Balanced | 303,990,682 | 303,990,682 | - | - |
| Large-Cap Stocks | 1,455,410,968 | 1,455,410,968 | - | - |
| Mid-Cap Stocks | 386,402,450 | 386,402,450 | - | - |
| Small-Cap Stocks | 301,516,976 | 301,516,976 | - | - |
| International Stocks | 64,105,259 | 64,105,259 | - | - |
| Total Investments by fair value level | <u>\$ 3,488,171,987</u> | <u>\$ 3,488,171,987</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments measured at the net asset value (NAV) | | | | |
| Investment Contract Pool (ICP) | \$ 776,536,816 | | | |
| Annuities | 63,421,140 | | | |
| Contracts (Certificate investments) | 3,163,336 | | | |
| Money Markets | 7,191,363 | | | |
| Total Investments measured at the net asset value | <u>\$ 850,312,655</u> | | | |

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2019 and 2018

3. FAIR VALUE MEASUREMENTS (continued)

| | <u>Total</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|--|-------------------------|---|--|--|
| As of December 31, 2018 | | | | |
| Investments by fair value level | | | | |
| Bond and Equity Securities | | | | |
| Target Date Retirement Funds | \$ 617,270,625 | \$ 617,270,625 | \$ - | \$ - |
| Bonds | 184,409,695 | 184,409,695 | - | - |
| Balanced | 273,509,408 | 273,509,408 | - | - |
| Large-Cap Stocks | 1,183,848,204 | 1,183,848,204 | - | - |
| Mid-Cap Stocks | 312,561,089 | 312,561,089 | - | - |
| Small-Cap Stocks | 244,136,435 | 244,136,435 | - | - |
| International Stocks | 47,350,475 | 47,350,475 | - | - |
| Total Bond and Equity Securities | <u>\$ 2,863,085,930</u> | <u>\$ 2,863,085,930</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments measured at the net asset value (NAV) | | | | |
| Investment Contract Pool (ICP) | \$ 760,780,877 | | | |
| Annuities | 67,704,693 | | | |
| Contracts (Certificate investments) | 3,389,539 | | | |
| Money Markets | 6,595,522 | | | |
| Total Investments measured at the NAV | <u>\$ 838,470,631</u> | | | |

4. LIFE INSURANCE

In the 457 Plan, the amount of life insurance in force with Unum Life was approximately \$6,019,640 and \$6,033,954 as of December 31, 2019 and 2018, respectively. Participants in the 457 Plan contributed \$3,520 and \$5,350 towards premiums for life insurance contracts offered by Unum Life during the years ended December 31, 2019 and 2018, 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 between the Board and NRS pursuant to which NRS provides administrative services to MSRP became effective October 1, 2019. Under the agreement, NRS provides administrative services, such as account statements, financial statement monitoring, participant relations, and general management. NRS charged fees at an annual rate of 0.09% from January 1, 2019 until September 30, 2019, the date on which the prior agreement between the Board and NRS terminated and the current agreement became effective. Under the current agreement, NRS charges an annual rate of 0.0775%. This is the rate that was effective from October 1, 2019 through December 31, 2019. The fee is charged against the mutual fund, ICP and fixed annuity assets.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2019 and 2018

5. ADMINISTRATIVE EXPENSES (continued)

From January 1, 2019 until September 30, 2019 and during 2018, an additional charge of 0.05% was imposed by MSRP for its expenses (staff, auditor, consultants, education and other administrative expenses). The Board reduced this fee to 0.0425% effective October 1, 2019, to coincide with the effective date of the new administrative services agreement with NRS and the reduced fee thereunder as described above. This was the rate that was in effect from October 1, 2019 through December 31, 2019. The Board fee is collected directly from participants' accounts.

During 2019 and 2018, 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 2019 and 2018.

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, 2019 and 2018, 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 \$938,852 and \$448,833 as of December 31, 2019 and 2018, 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.

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

**Notes to the Financial Statements
December 31, 2019 and 2018**

7. RELATED PARTIES

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

8. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities* effective for the year ending December 31, 2019. MSRP adopted this standard effective January 1, 2019; however, it did not have a significant impact on MSRP's financial statements.

ADDITIONAL INFORMATION

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

**Schedule of Administrative Expenses
For the Years Ended December 31, 2019 and 2018**

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|---------------------|---------------------|
| Plan Administrator | | |
| Third party administrator fees | \$ 4,827,908 | \$ 4,973,906 |
| Plan Sponsor* | | |
| Salaries, wages and fringe benefits | 1,466,342 | 1,239,426 |
| Technical and special fees | - | 6,813 |
| Communications | 28,999 | 18,874 |
| Travel | 22,558 | 25,102 |
| Contractual services | 231,874 | 197,903 |
| Supplies and materials | 16,237 | 18,075 |
| Equipment and furnishings | 11,808 | 1,339 |
| Fixed charges | 170,768 | 168,675 |
| Plan Sponsor Expenses | <u>1,948,586</u> | <u>1,676,207</u> |
| Reserve (Deduction) Addition | - | (385,748) |
| Plan Sponsor Total | <u>1,948,586</u> | <u>1,290,459</u> |
| | | |
| Total Administrative Expenses | <u>\$ 6,776,494</u> | <u>\$ 6,264,365</u> |

*See Note 4 for more information.



Maryland Supplemental Retirement Plans

Investment section

INVESTMENT ADVISORS' REPORT

For the year ended December 31, 2019

Prepared by Segal Marco Advisors

The report below discusses the overall performance of the Plans' investments for the year ended December 31, 2019, as well as the 2019 market environment.

| Asset Class | Indices | QTD | YTD | 1-Year | 3-Year | 5-Year | 10-Year |
|------------------------|--|-------|-------|--------|--------|--------|---------|
| World Equity | MSCI World ¹ | 8.56 | 27.67 | 27.67 | 12.57 | 8.74 | 9.47 |
| U.S. Equity | Russell 3000 | 9.10 | 31.02 | 31.02 | 14.57 | 11.24 | 13.42 |
| Non-U.S. Equity | MSCI EAFE ¹ | 8.17 | 22.01 | 22.01 | 9.56 | 5.67 | 5.50 |
| Emerging Market Equity | MSCI EM ¹ | 11.84 | 18.42 | 18.42 | 11.57 | 5.61 | 3.68 |
| U.S. Fixed Income | Bloomberg Barclays U.S. Aggregate | 0.18 | 8.72 | 8.72 | 4.03 | 3.05 | 3.75 |
| Non-U.S. Fixed Income | FTSE ² Non-U.S. WGBI (Unhedged) | -0.07 | 5.32 | 5.32 | 4.49 | 1.87 | 1.36 |
| Commodities | Bloomberg Commodity Index | 4.42 | 7.69 | 7.69 | -0.94 | -3.92 | -4.73 |
| Real Estate | NFI-ODCE ³ | 1.52 | 5.34 | 5.34 | 7.09 | 8.97 | 11.42 |
| Private Equity | Thomson Reuters US Private Equity ⁴ | 1.39 | 8.62 | 11.65 | 15.25 | 13.29 | 14.79 |
| Hedge Funds | HFRI Fund of Funds Composite | 3.04 | 8.34 | 8.34 | 3.87 | 2.36 | 2.83 |

¹ Net of Dividends

² Formerly Citigroup Non-U.S. WGBI. Citigroup's fixed income indices were purchased by London Stock Exchange Group (LSEG) and were all rebranded to FTSE by July 31, 2018. FTSE Russell is a unit of LSEG's Information Services Division and a wholly owned subsidiary of LSEG.

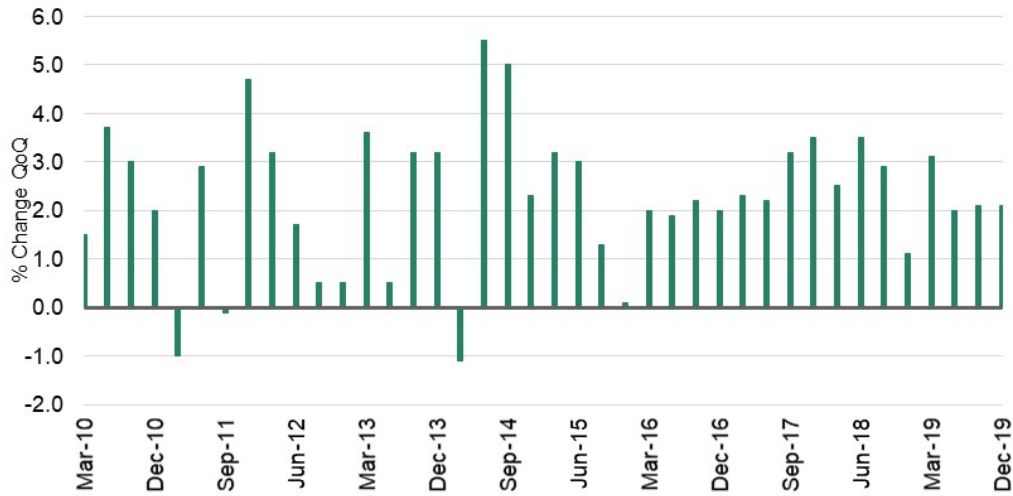
³ NCREIF Fund Index (NFI) – Open End Diversified Core Equity (ODCE)

⁴ Performance as of Q3 2019 because Q4 2019 performance data is not yet available.

Sources: Investment Metrics, Thomson One, FactSet

World equity markets rose in the fourth quarter of 2019. Global trade tensions seemed to moderate and the Federal Reserve cut rates early in the quarter. U.S. equity was strongly positive. A more optimistic trade outlook and stable economic data boosted stocks. International equities also gained. Stronger economic data from Germany helped, as did the brighter trade picture. Emerging market equity surged. A weaker U.S. Dollar and a Federal Reserve rate cut boosted emerging market stocks. U.S. fixed income inched higher. The Treasury yield curve steepened as investors took a more optimistic view of the economy. Non-U.S. fixed income fell slightly. European yields rose with increased political risk.

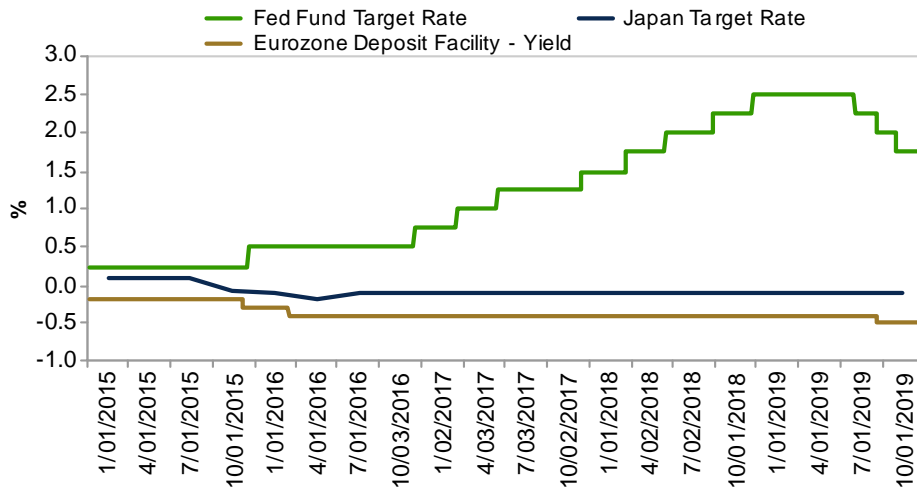
U.S. Real GDP Growth



Source: FactSet

U.S. GDP growth rose by 2.1% in the fourth quarter of 2019, matching Q3's growth rate. Growth in the fourth quarter resulted from trade, with exports increasing and imports falling. Consumer spending increased, but business investment fell for the third quarter in a row. Residential fixed investment grew 5.8% in the quarter, while government expenditures rose 2.7%. Overall in 2019, the U.S. economy grew 2.3%, the least since 2016.

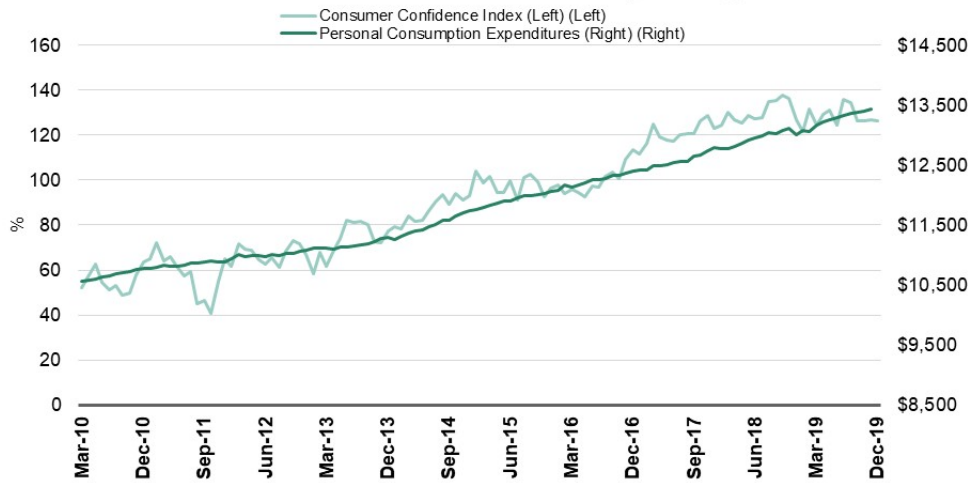
Central Bank Target Rates



Source: FactSet

Central bank deposit rates remained negative in Japan and Europe. Slow growth and worries surrounding global trade kept central banks on hold. The U.S. continues to be a global outlier with its policy rate at 1.75%. Policy rates in the Eurozone and Japan remain negative. The Fed cut rates again in the fourth quarter in an attempt to stimulate economic growth as uncertainty surrounding the effect of trade wars continue.

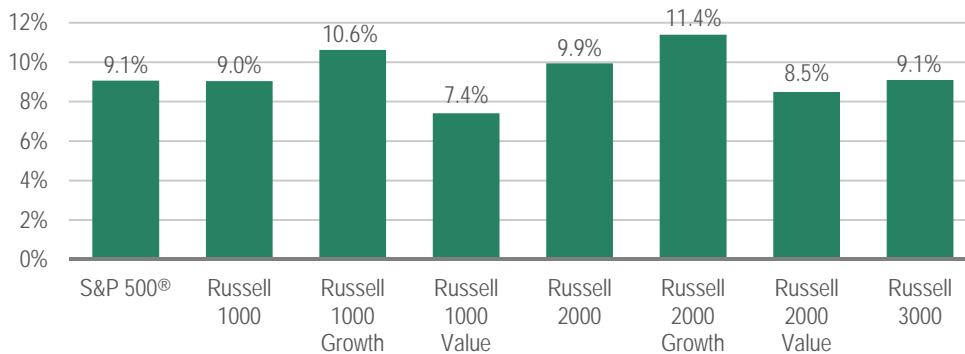
Consumer Confidence and Spending



Source: FactSet

Sentiment rose in the fourth quarter, as the Conference Board’s Consumer Confidence Index increased from 126 at the end of September to 128 at the end of December. Personal consumption expenditures rose in November (the most recent data available). Consumer confidence increased with unemployment still at record lows, rising wages, and the Federal Reserve on hold from raising interest rates in the near term.

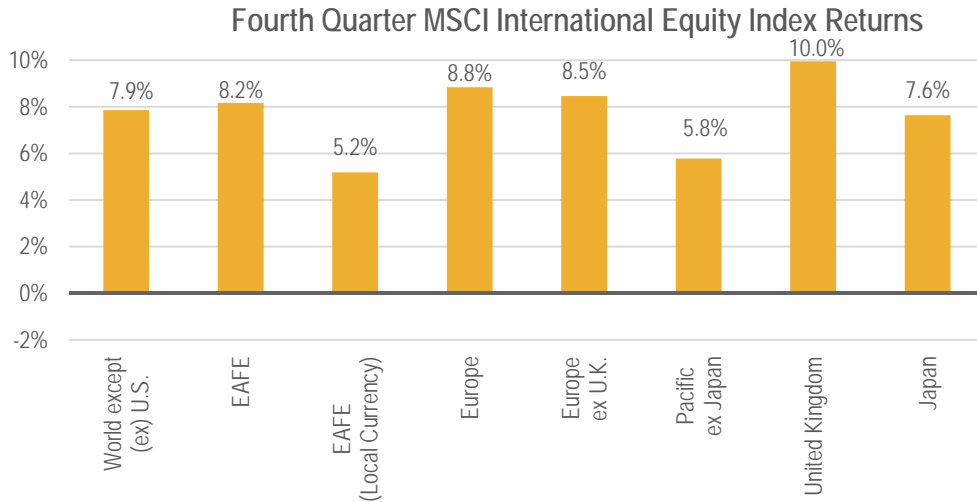
Fourth Quarter U.S. Equity Index Returns



Source: Investment Metrics, FactSet

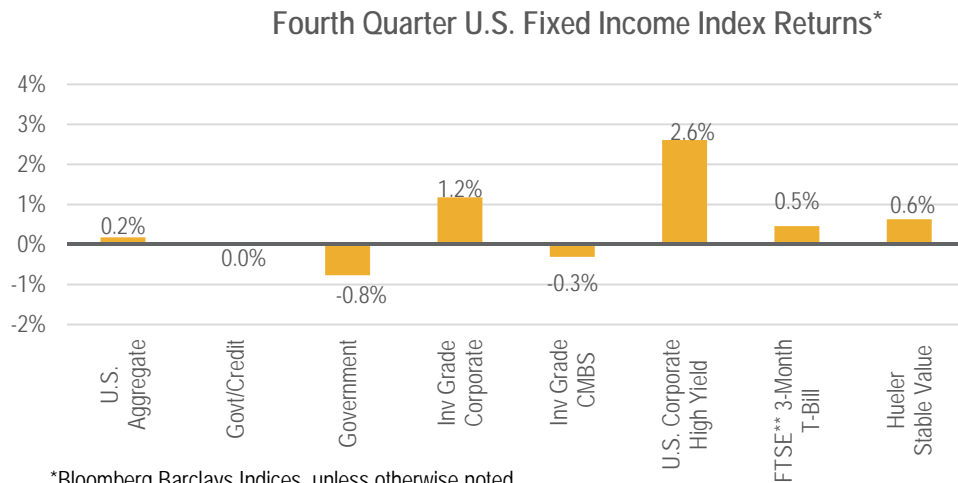
U.S. equities rose in the fourth quarter of 2019. Small caps outperformed large caps in the fourth quarter, a change from previous quarters. Despite the reversal, the Russell 1000 finished the year 5.9% higher than the Russell 2000. Growth outperformed value in the fourth quarter across the market cap spectrum, following a September in which value significantly outperformed growth in both large and small cap markets. The progression of Presidential impeachment proceedings provided no significant impact on equity markets, as the Russell 1000 rose 1.2% in the weeks following the House impeachment vote, and 2.9% for the month of December. Technology led the way in the fourth quarter, appreciating 14.3%. Real estate was the sole negative returning sector in the fourth quarter, at -

0.8%, in part due to rising long term yields. Technology was also the biggest gainer in 2019, up 50.3%, while energy, up 11.9%, lagged all the other sector returns for the year.



Source: Investment Metrics, FactSet

Following a lag in momentum-led stocks in the third quarter of 2019, international developed markets finished the year robustly. The MSCI EAFE and World ex US indices, proxies for international developed markets, each rose 8% for the quarter. Uncertainty around Brexit also diminished during the fourth quarter, as conservative party leader Boris Johnson’s reelection seemed to increase the likelihood of an exit from the EU. The UK rallied 10% and Germany was also up 10% due to improved economic data. International growth (8.4%) outpaced international value (7.8%) for the quarter. All MSCI EAFE sectors rose, though information technology (+12.62%) and health care (+12.44%) gained the most over the quarter. Those two sectors were also 2019’s biggest gainers.



*Bloomberg Barclays Indices, unless otherwise noted.

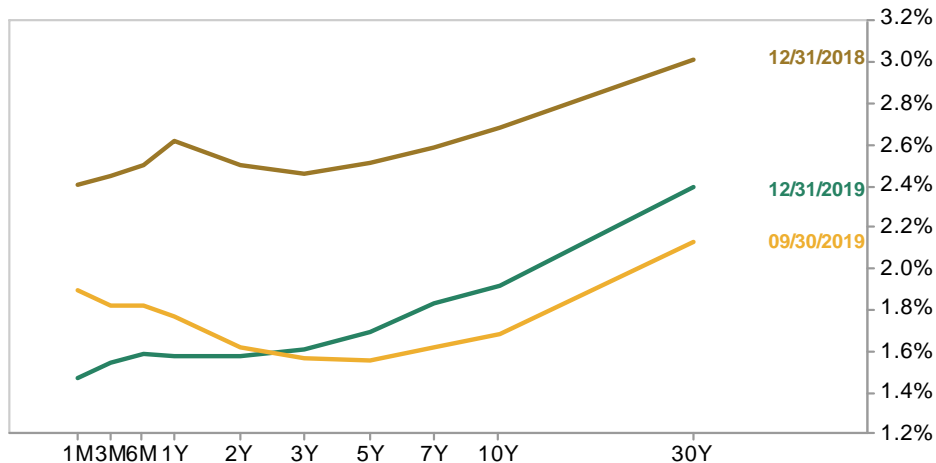
**Formerly Citigroup.

Source: Investment Metrics, Hueler Analytics

The U.S. Aggregate Index was positive in the fourth quarter. In absolute terms, the U.S. Corporate High Yield sector generated the strongest returns (+2.61%). Given the sizeable Treasury weight in the index, that sector’s negative performance was a detractor as well (-0.77%). After generating a 1.33% return in the third quarter of 2019,

high yield continued to rise in the fourth quarter, generating 2.61% for the quarter. Continued low defaults and a relatively positive economic backdrop boosted high yield and IG credit (+1.18%). With the exception of bank loans and asset backed securities (“ABS”), most domestic fixed income spreads were either tighter than or in line with end of the third quarter levels, but still wider than the levels seen at the end of the third quarter of 2018.

United States Treasury Yield Curve



After the Federal Reserve cut rates for the third time in 2019, shorter-maturity yields fell. Global demand for Treasuries contributed to higher yields at the long end of the Treasury yield curve. The 3-year Treasury ended the quarter yielding 1.62%, which was only six basis points higher than its yield at the end of the third quarter of 2019. Longer yields showed a bigger change, with the 30-year yield ending the quarter at 2.39%, a 31 basis point increase over the prior quarter.

Plan Summary Report

For period ended December 31, 2019

Prepared by Segal Marco Advisors

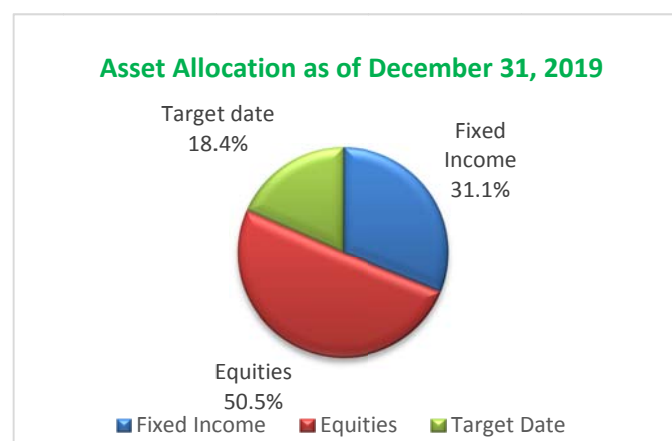
Assets of the Maryland Teachers and State Employees Supplemental Retirement Plans (the “Plans”) totaled \$4.390 billion as of December 31, 2019. This reflected an increase of approximately \$644 million from the prior calendar year-end. During 2019, the Plans received \$218.3 million in contributions from and paid \$306.7 million in distributions to participants, which accounted for an \$88.4 million decrease in Plan assets that was offset by investment earnings of \$735.1 million. In terms of the overall asset allocation, the assets were invested as follows: 50.5% in equities, 31.1% in fixed income, and 18.4% in target date. The largest investment option was the Investment Contract Pool, which comprised 17.8% of Plan assets. Investment results are based on a time-weighted rate of return on the market rate of return.

The 401(k) Plan comprised the largest portion of the Plans at 49.5%, with \$2.166 billion in assets as of December 31, 2019. As of year-end, participants’ assets were invested 52.6% in equities, 28.1% in fixed income, and 19.3% in target date. The largest investment option was to the Investment Contract Pool with 16.1% of participant assets.

The assets of the 457 Plan were valued at \$1.914 billion as of December 31, 2019, comprising 43.4% of the Plans. As of year-end, participants’ assets were invested 46.1% in equities, 35.5% in fixed income, and 18.4% in target date. The largest investment option was to the Investment Contract Pool with 21.1% of participant assets.

As of December 31, 2019, the 401(a) Plan was valued at \$207.5 million, which accounted for 4.7% of the Plans. Unlike the 457 and 401(k) Plans, the passively-managed, Fidelity 500 Index Fund exceeded the popularity of the Investment Contract Pool, with 23.9% of participant assets. As of year-end, participants’ assets were invested 62.4% in equities, 24.9% in fixed income, and 12.7% in target date.

The 403(b) Plan comprised the smallest portion of the overall Plans, with \$103.3 million in assets, which accounted for 2.4% of the Plans. As of year-end, participants’ assets were invested 64.3% in equities, 25.4% in fixed income, and 10.3% in target date. The largest investment option in the 403(b) Plan, was the Fidelity 500 Index Fund at 19.6% of



participant assets.

| Top 5 Holdings for the Combined Plans | % of Total |
|---------------------------------------|------------|
| Investment Contract Pool | 18% |
| Fidelity 500 Index | 15% |
| Fidelity Puritan | 7% |
| American Funds Growth Fund | 5% |
| Vanguard Mid Cap Index Institutional | 5% |
| Subtotal | 49% |

| Investment Categories | Market Value for the Combined Plans | % of Plan |
|-----------------------|-------------------------------------|-------------|
| Stable Value | \$ 839,930,148 | 19% |
| Active Core Options | \$ 1,622,124,734 | 37% |
| Passive Options | \$ 1,104,814,504 | 25% |
| Target Date Funds | \$ 761,292,925 | 17% |
| Loan | \$ 42,114,170 | 1% |
| Total Assets | \$ 4,370,276,481 | 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 selection criteria for the Plans' investment options;
- To define the procedures for investment fund evaluation and formal fund review; and
- To set guidelines and procedures for withdrawal of an investment option which, in the Board's opinion, does not, or will not, fulfill the Plans' objectives for which it was selected and replace the option with an appropriate substitute.

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

Investment Categories

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

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

- Non-U.S. Equity Funds
- Lifecycle Funds or Target Date 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, “fact sheet”, or investment guidelines; and
- 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 an investment option evaluation procedure outlined in the Investment Policy Statement. From time-to-time, investment options/categories may be added to the current core line-up.

Investment Option Analysis

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

Stable Value/ Money Market

Investment Contract Pool (ICP): As the largest option in the Plans, this stable value option was valued at \$776.5 million as of December 31, 2019. This investment option is not available on the 403(b) Plan. Galliard commenced managing the ICP on February 1, 2014. The fourth quarter of 2019 return was 0.59%, slightly below the Hueler return of 0.62%.

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, 2019, the value of the option was \$53.3 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, 2019, the largest fund by participant assets was the 84-month CD, which was valued at \$2.0 million. The 36-month CD, 60-month CD, and the Daily Interest Guarantee were valued at approximately \$0.24 million, \$0.37 million, and \$0.23 million, respectively.

Vanguard Federal Money Market: This option is only offered in the 403(b) Plan, and had approximately \$7.2 million in assets as of December 31, 2019. Over the 1-year period, the Fund earned 214 basis points, which was higher than the Lipper U.S. Government Money Market Index. During the last 5 years, the Fund earned 1.01% on an average, annual basis, which was better than its benchmark.

Passive Options

Vanguard Total Bond Market Fund: This passively-managed core bond fund underperformed its index for the quarter and for the 1-year period ended December 31, 2019 by 11 basis points and 14 basis points, respectively. The bond fund slightly underperformed its index for the 3-, 5-, and 10-years periods ended December 31, 2019. Participant investments in this fund were valued at \$87.2 million as of December 31, 2019.

Fidelity 500 Index: This passively-managed large cap blend fund replaced the Vanguard Institutional Index Fund. The fund's investment objective is to perform in line with the S&P 500 Index. Participant investments in this fund were valued at \$640.1 million as of December 31, 2019.

Vanguard Mid Cap Index Institutional Plus: This passively-managed mid cap blend equity fund performed in line with its custom policy index for the year ended December 31, 2019. Participant investments in this fund were valued at \$210.7 million for the year ended December 31, 2019.

Vanguard Small Cap Index Institutional: This passively-managed small cap blend equity fund produced results generally consistent with its index for the year ended December 31, 2019. For the trailing 10-year period, it underperformed the index by 16 basis points. Participant investments in this fund were valued at \$102.7 million as of December 31, 2019.

Vanguard Total International Stock Institutional: This passively-managed international blend fund underperformed the quarter by 21 basis points. The fund underperformed its index for the trailing 1-year period, but slightly outperformed for the trailing 3- and 5-year periods. Participant investments in this fund totaled \$64.1 million as of December 31, 2019.

Active Options

TCW Core Fixed Income Fund: As of December 31, 2019, participant assets invested in this fund were valued at \$142.4 million. This total includes assets of participants from each of the four Plans. For the year, the fund slightly outperformed the Barclays Capital Aggregate Bond Index by three basis points and ranked just below the median in its peer group. Over the trailing 3- and 5-year periods, the fund underperformed the index and ranked slightly above the median in its peer group for the 3-year period, but below the median for the 5-year period.

Fidelity Puritan Fund: As of December 31, 2019, \$289.9 million of participant assets were invested in this fund, one of the Plans' balanced options. For the year, the Fidelity Puritan Fund underperformed its blended benchmark, but 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 Fund: The Delaware Value Fund underperformed the Russell 1000 Value Index for the quarter and for the 1-year period ended December 31, 2019; the fund ranked at the bottom of the large cap value mutual fund universe over the same time-periods. Over the 3- and 5-year periods, it outperformed its benchmark. As of December 31, 2019, participant assets invested in this fund were valued at \$179.4 million.

American Century Equity Growth: For the calendar year 2019, the actively-managed large cap blend fund underperformed the S&P 500 Index, and it ranked below the median in its peer group. The fund also underperformed its benchmark during the trailing 3- and 5-year periods and ranked below the median of its peer group. Participant assets invested in this fund were valued at \$165.5 million as of December 31, 2019.

Parnassus Equity Income: The large cap blend equity, socially responsible option, underperformed the S&P 500 Index during 2019, but it ranked above the median in its peer group. The fund underperformed the market index during the trailing 3- and 5-year periods, but outperformed the median of its peer group for the same time periods. As of December 31, 2019, participants' assets invested in this fund were valued at \$39.9 million.

American Funds Growth Fund of America: The Plans' actively-managed large cap growth option outperformed the Russell 10000 Growth Index and ranked above the median of the large cap growth equity mutual fund universe for the quarter. For the trailing 1-, 3- and 5-year periods, the fund underperformed the index

and ranked below the median in its peer group. There were \$238.9 million in participant assets invested in this fund as of December 31, 2019.

T. Rowe Price Mid Cap Value: The Plans' actively-managed mid cap value equity fund outperformed the Russell Mid Cap Value Index and ranked above the median of the mid cap value equity mutual fund universe for the quarter. For the trailing 1-, 3-, and 5-year periods, the fund underperformed the Index. The fund ranked below the median in its peer group for the 1- and 3-year periods, but above the median for the 5-year period. As of December 31, 2019, participant assets invested in this fund were valued at \$89.5 million.

Janus Enterprise N: For the quarter and for the trailing 1-year period ended December 31, 2019, the fund underperformed the Russell Mid Cap Growth Index. The fund ranked below the median of the mid cap growth mutual fund universe for the quarter, but above the median for the 1-year period. The fund outperformed the Index for the trailing 3- and 5-year periods and ranked in the top quartile of its peer group. Participant assets invested in this fund were valued at \$86.2 million as of December 31, 2019.

T Rowe Price Small Cap Stock: The Plans' actively-managed small cap blend equity fund outperformed the Russell 2000 Index and ranked in the top quartile of its peer group during the trailing 1-year period ended December 31, 2019. The fund also exceeded both comparative measures during the trailing 3-, 5- and 10- year periods. As of December 31, 2019, participant assets invested in this fund were valued at \$198.8 million.

American Funds EuroPacific Growth Fund: During the trailing 1-year period ended December 31, 2019, 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 outperformed the index for the trailing 3- and 5-year periods. For both the trailing 3- and 5-year periods, the fund also ranked in the top quartile of its peer group. As of December 31, 2019, participant assets invested in the fund were valued at \$191.7 million.

T. Rowe Price Balanced: As of December 31, 2019, \$14.1 million of participant assets were invested in this fund, one of the Plans' balanced options. For the year, the T. Rowe Price Balanced Fund outperformed its blended benchmark, and ranked in the top quartile of its peer group. The fund ranked among the top quartile of the balanced mutual fund universe during the 3-, 5-, and 10-year periods.

T Rowe Price Retirement Funds: The T. Rowe Price Retirement Funds are the Plans' target date options. Participants assets invested in these 12 target date funds were valued at \$761.3 million as of December 31, 2019. These funds have varied asset allocations, based upon the projected retirement date of a participant, with more conservative allocations as the "targeted" retirement date approaches. For 2019, the most conservative fund (T. Rowe Price Retirement 2005) gained 15.08%, while the most aggressive fund (T. Rowe Price Retirement 2060), designed for participants approximately 40+ years from retirement, gained 25.37%. On an annualized 5-year basis, the funds designed for participants that are in or close to retirement (T. Rowe Price Retirement 2005 to 2010) produced returns ranging from approximately +5.47% to approximately +5.85%, whereas, the fund designed for those younger employees (T. Rowe Price Retirement 2055) earned approximately +8.86%. The following table illustrates the broad asset allocation of each of the specific lifecycle funds for the period ended December 31, 2019.

T. Rowe Price Retirement Funds
As of December 31, 2019

| | <u>Domestic Fixed</u> | <u>Domestic Equity</u> | <u>Int'l Equity</u> | <u>Int'l Fixed</u> | <u>Other</u> |
|-------------------------------------|---------------------------|----------------------------|---------------------|--------------------|--------------|
| T Rowe Price Retirement 2005 | 41.3% | 24.9% | 11.5% | 19.7% | 2.6% |
| T Rowe Price Retirement 2010 | 37.6% | 28.7% | 13.2% | 18.0% | 2.5% |
| T Rowe Price Retirement 2015 | 33.5% | 31.9% | 15.7% | 16.4% | 2.5% |
| T Rowe Price Retirement 2020 | 26.8% | 37.7% | 19.2% | 14.2% | 2.2% |
| T Rowe Price Retirement 2025 | 20.7% | 42.8% | 22.5% | 11.7% | 2.3% |
| T Rowe Price Retirement 2030 | 15.5% | 47.4% | 25.5% | 9.2% | 2.5% |
| T Rowe Price Retirement 2035 | 11.4% | 51.0% | 27.9% | 7.2% | 2.6% |
| T Rowe Price Retirement 2040 | 8.5% | 54.0% | 29.9% | 5.0% | 2.6% |
| T Rowe Price Retirement 2045 | 5.9% | 56.6% | 31.6% | 3.3% | 2.7% |
| T Rowe Price Retirement 2050 | 5.9% | 56.7% | 31.5% | 3.3% | 2.6% |
| T Rowe Price Retirement 2055 | 5.9% | 56.7% | 31.4% | 3.3% | 2.8% |
| T Rowe Price Retirement 2060 | 6.0% | 56.6% | 31.3% | 3.3% | 2.9% |

Source: T. Rowe Price

Investment Performance Report

October 1, 2019 to December 31, 2019


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 0.12% 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 | TRRFX | 15.08% | 7.20% | 5.47% | 6.57% | 5.85% | 02/27/04 | 0.53% |
| | | Combined Index Portfolio 2005 | | 14.94% | 7.23% | 5.45% | 6.45% | | | |
| 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 | 16.16% | 7.73% | 5.85% | 7.12% | 7.50% | 09/30/02 | 0.53% |
| | | Combined Index Portfolio 2010 | | 16.06% | 7.77% | 5.84% | 7.03% | | | |
| 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 | 17.40% | 8.44% | 6.35% | 7.86% | 6.60% | 02/27/04 | 0.56% |
| | | Combined Index Portfolio 2015 | | 17.45% | 8.53% | 6.38% | 7.81% | | | |
| 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 | 19.37% | 9.51% | 7.06% | 8.62% | 8.58% | 09/30/02 | 0.59% |
| | | Combined Index Portfolio 2020 | | 19.52% | 9.55% | 7.10% | 8.58% | | | |
| 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 | 20.95% | 10.34% | 7.60% | 9.23% | 7.36% | 02/27/04 | 0.63% |
| | | Combined Index Portfolio 2025 | | 21.38% | 10.39% | 7.68% | 9.22% | | | |
| 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 | 22.48% | 11.09% | 8.10% | 9.77% | 9.37% | 09/30/02 | 0.66% |
| | | Combined Index Portfolio 2030 | | 23.08% | 11.15% | 8.20% | 9.77% | | | |
| 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 | 23.70% | 11.67% | 8.46% | 10.13% | 7.83% | 02/27/04 | 0.68% |
| | | Combined Index Portfolio 2035 | | 24.46% | 11.76% | 8.61% | 10.17% | | | |
| 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 | TRRDY | 24.68% | 12.14% | 8.74% | 10.39% | 9.68% | 09/30/02 | 0.70% |
| | | Combined Index Portfolio 2040 | | 25.55% | 12.24% | 8.94% | 10.44% | | | |
| 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 | 25.39% | 12.37% | 8.88% | 10.46% | 8.14% | 05/31/05 | 0.71% |
| | | Combined Index Portfolio 2045 | | 26.34% | 12.47% | 9.10% | 10.52% | | | |
| 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 | 25.32% | 12.33% | 8.87% | 10.46% | 7.15% | 12/29/06 | 0.71% |
| | | Combined Index Portfolio 2050 | | 26.34% | 12.47% | 9.10% | 10.52% | | | |
| 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 | TRRNX | 25.38% | 12.32% | 8.86% | 10.46% | 7.14% | 12/29/06 | 0.72% |
| | | Combined Index Portfolio 2055 | | 26.34% | 12.47% | 9.10% | 10.52% | | | |
| 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 | 25.37% | 12.32% | 8.86% | N/A | 8.05% | 06/23/14 | 0.72% |
| | | Combined Index Portfolio 2060 | | 26.34% | 12.47% | 9.10% | 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 '20 | Dec '19 | Nov '19 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | | 2.33% | 2.35% | 2.36% | | | | | | | |
| 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: 1.56% | Money Market | VMRXX | 2.14% | 1.58% | 1.01% | 0.51% | 4.13% | 7/13/81 | 0.11% | |
| | | INDEX Citigroup 3-month T-bill | | 2.25% | 1.65% | 1.05% | 0.56% | | | | |
| Bonds | | | | | | | | | | | |
| 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 | 8.75% | 3.96% | 2.84% | 4.22% | 5.41% | 02/26/93 | 0.51% | |
| | | INTERMEDIATE TERM BOND INDEX Barclays Capital US Aggregate Bond | | 8.72% | 4.03% | 3.05% | 3.75% | | | | |
| 786 |  Vanguard Total Bond Market Index Inst Seeks to track the performance of a broad, market-weighted bond index. The fund employs a passive management, or indexing investment, approach designed to track the performance of the Barclays Capital U.S. Aggregate Float Adjusted Index. It invests by sampling the index and investing at least 80% of assets in bonds held in the index. The fund maintains a dollar-weighted average maturity consistent with that of the index, ranging between 5 and 10 years. | Intermediate-Term Bond | VBTIX | 8.73% | 4.03% | 3.01% | 3.70% | 5.13% | 09/18/95 | 0.04% | |
| | | INTERMEDIATE TERM BOND INDEX Barclays Capital Intermediate Government Bond | | 5.20% | 2.57% | 1.99% | 2.38% | | | | |
| Balanced | | | | | | | | | | | |
| 724 |  T. Rowe Price Retirement Balanced Fund ^(a) Invests in a diversified portfolio of other T. Rowe Price stock and bond funds that represent various asset classes and sectors. The fund's "neutral allocations," which are what T. Rowe Price considers broadly appropriate for investors seeking a static asset allocation during their retirement years, are 40% stock funds and 60% bond funds. | Allocation - 30% - 50% Equity | TRRIX | 15.30% | 7.16% | 5.39% | 6.13% | 6.35% | 09/30/02 | 0.51% | |
| | | COMBINED INDEX Portfolio Income | | 15.27% | 7.25% | 5.48% | 6.02% | | | | |
| 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 | 21.25% | 11.33% | 8.08% | 9.89% | 10.89% | 04/16/47 | 0.53% | |
| | | BALANCED INDEX 60% S&P 500/40% Barclays Capital Aggregate Bond | | 22.18% | 10.87% | 8.37% | 9.77% | | | | |
| Large-Cap Stocks | | | | | | | | | | | |
| 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 | 30.96% | 15.24% | 11.03% | 12.97% | 10.96% | 04/28/06 | 0.63% | |
| | | LARGE CAP BLEND INDEX Standard & Poor's 500 Index | | 31.49% | 15.27% | 11.70% | 13.56% | | | | |
| 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 | 28.58% | 13.81% | 9.30% | 12.68% | 7.26% | 01/02/98 | 0.46% | |
| | | LARGE CAP BLEND INDEX Standard & Poor's 500 Index | | 31.49% | 15.27% | 11.70% | 13.56% | | | | |
| 2078 |  Fidelity 500 Index ^(a) Seeks to provide investment results that correspond to the total return (i.e., the combination of capital changes and income) performance of common stocks publicly traded in the United States. Normally investing at least 80% of assets in common stocks included in the S&P 500 Index. | Large Blend | FXAIX | 31.47% | 15.25% | 11.69% | 13.54% | 10.51% | 02/17/88 | 0.02% | |
| | | LARGE CAP BLEND INDEX Standard & Poor's 500 Index | | 31.49% | 15.27% | 11.70% | 13.56% | | | | |
| 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 | 28.54% | 16.57% | 12.75% | 13.31% | 13.94% | 11/30/73 | 0.33% | |
| | | LARGE CAP GROWTH INDEX Russell 1000 Growth | | 36.39% | 20.49% | 14.63% | 15.22% | | | | |

| VRU | Investment Option | Morningstar Category | Ticker | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception | Inception Date | Gross Expense Ratio |
|-----------------------------|---|---|--------|--------|--------|--------|---------|-----------------|----------------|---------------------|
| 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 | 20.24% | 9.88% | 8.70% | 12.81% | 8.09% | 09/15/98 | 0.68% |
| | | LARGE CAP VALUE INDEX CRSP US Large Value | | 25.85% | 11.73% | 10.09% | 12.87% | | | |
| 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 | 31.06% | 12.38% | 9.28% | N/A | 12.00% | 12/15/10 | 0.03% |
| | | MID CAP BLEND INDEX S&P 400 Midcap Index | | 26.20% | 9.26% | 9.03% | 12.72% | | | |
| 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 | 35.41% | 19.37% | 14.60% | 15.55% | 11.56% | 09/01/92 | 0.66% |
| | | MID CAP GROWTH INDEX Russell Midcap Growth | | 35.47% | 17.36% | 11.60% | 14.24% | | | |
| 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 | 19.61% | 6.08% | 7.47% | 10.71% | 11.03% | 06/28/96 | 0.78% |
| | | MID CAP VALUE INDEX Russell Midcap Value | | 27.06% | 8.10% | 7.62% | 12.41% | | | |
| 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 | 33.96% | 14.45% | 11.58% | 15.15% | 10.58% | 03/31/00 | 0.66% |
| | | SMALL CAP GROWTH INDEX CRSP US Small Cap Growth | | 32.75% | 15.13% | 10.46% | 13.11% | | | |
| 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 | 27.40% | 10.33% | 8.90% | 12.83% | 9.02% | 07/07/97 | 0.04% |
| | | SMALL CAP BLEND INDEX Russell 2000 Blend | | 25.52% | 8.59% | 8.23% | 11.83% | | | |
| 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 | 27.40% | 12.45% | 7.41% | 6.73% | 10.93% | 04/16/84 | 0.49% |
| | | FOREIGN LARGE GROWTH FTSE Developed ex North America | | 21.48% | 9.57% | 5.84% | 5.57% | | | |
| 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 | 21.56% | 9.90% | 5.88% | N/A | 5.24% | 11/29/10 | 0.08% |
| | | INTERNATIONAL INDEX FTSE Global All Cap ex US | | 22.19% | 10.16% | 6.15% | 5.68% | | | |

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

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

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

Nationwide Fixed Account [457(b) plan only] Average Quarterly Annualized Crediting

This option is closed to deferrals and transfers from other investment options.

| 1st Qtr 20 | 4th Qtr 19 | 3rd Qtr 19 | 2nd Qtr 19 |
|------------|------------|------------|------------|
| 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 0.12%. No account will be charged more than \$2,000 in 2020. 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 2020 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 20 | 4th Qtr 19 | 3rd Qtr 19 |
|--------------------|------------|------------|------------|
| 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 0.12%. No account will be charged more than \$2,000 for the year.

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



**Enroll online
MarylandDC.com**

Retirement Specialists are Registered Representatives of Nationwide Investment Services Corporation, member FINRA. Nationwide is the administrator for MSRP. Nationwide Investment Services Corporation (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 FSC Securities Corporation (FSC), member FINRA, SIPC. FSC and Financial & Realty Services, LLC are not affiliated with MSRP, Nationwide or NISC.

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.

Fund category and expense ratio data provided by Morningstar®. ©2011 Morningstar, Inc. All Rights Reserved. The Morningstar information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Although data is gathered from reliable sources, data accuracy and completeness cannot be guaranteed.



Investment Contract Pool

Separate Account Report as of December 31, 2019

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 | \$776,472,936 |
| Average Duration | 2.88 years |
| Previous monthly crediting rate (annualized) | 2.35% |
| Inception Date | 1987 |
| Manager ¹ | Galliard Capital Management, Inc. |

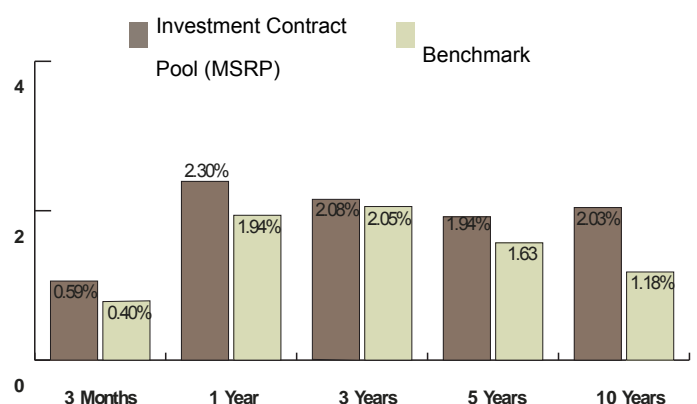
Sector Allocation of the Underlying Fixed Income Portfolios²

| | |
|--|-------|
| U.S. Treasury/Agency | 23.9% |
| Other U.S. Government | 11.8% |
| Corporate/Taxable Muni/ Not for Profit | 33.2% |
| Mortgage Backed Securities (MBS) | 20.2% |
| Asset Backed Securities (ABS) | 8.3% |
| Guaranteed Investment Contracts (GICs) | 0.0% |
| International Gov’t/ Agency Securities | 0.0% |
| Cash/Equivalents | 2.5% |

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

| | |
|-------|-------|
| AAA | 67.4% |
| AA | 4.0% |
| A | 11.6% |
| BBB | 17.0% |
| <BBB | 0.0% |
| NR/NA | 0.0% |

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.

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, 2019

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 0.34% (\$3.41 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.

⁴ Ratings are Standard and Poor's Rating Service and Moody's Investor Services, respectively.

⁵ Allocations shown are not necessarily indicative of future allocations. Figures may not sum to 100% due to rounding. Fixed income portfolios managed by these advisors are associated with Separate Account GICs and Wrapper contracts issued to the ICP.

ICP Investments ^{5,6}

| <i>Short Term Investment Funds (STIF)</i> | <i>S&P</i> | <i>Moody's</i> | <i>% of Portfolio</i> |
|---|----------------|----------------|-----------------------|
| STIF | AAA | Aaa | 1.9% |
| <i>General Account GIC</i> | <i>S&P</i> | <i>Moody's</i> | <i>% of Portfolio</i> |
| - | - | - | - |
| <i>Synthetic GICs / Wrappers and Separate Account Issuers</i> | <i>S&P</i> | <i>Moody's</i> | <i>% of Portfolio</i> |
| American General Life Ins. Co. | A+ | A2 | 20.4% |
| Massachusetts Mutual Life Ins. Co. | AA+ | Aa3 | 19.8% |
| Metropolitan Life Insurance Co. | AA- | Aa3 | 19.0% |
| Prudential Insurance Co. of America | AA- | Aa3 | 19.7% |
| Transamerica Premier Life Ins. Co. | AA- | A1 | 19.2% |

Fixed Income Portfolios ^{6,7}

| | |
|-----------------------------------|-------|
| Dodge & Cox | 19.5% |
| Earnest Partners | 18.8% |
| IR+M | 19.0% |
| Galliard Capital Management, Inc. | 20.2% |
| TCW | 20.6% |

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.

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



Maryland Supplemental Retirement Plans

Statistical section

2019 PLAN STATISTICS

2019 TOTALS FOR ALL PLANS

| | |
|---|----------|
| Participants in Multiple Plans | 7,230 |
| TOTAL Participants | 62,385 |
| Average Combined Plan Assets by Participant | \$63,317 |
| Total Roth Accounts | 6,537 |
| Average Roth Assets by Participant | \$6,215 |
| TOTAL Deferring Participants | 39,449 |
| Participants with Multiplan Deferrals | 5,275 |
| Average Annual Deferrals per Participant | \$2,087 |
| TOTAL Participants with Systematic Payouts | 6,542 |

457(b) DEFERRED COMPENSATION PLAN

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|------------------------|-------------|-------------|-------------|
| Participants | 35,557 | 34,857 | 33,577 |
| Net New Enrollments | 712 | 712 | 1019 |
| Deferring Participants | 20,907 | 21,271 | 19,315 |
| Annuitants | 1 | 1 | 1 |
| Systematic Payouts | 3,269 | 3,342 | 3,030 |
| Loans | 2,257 | 2,610 | 2,610 |

401(k) SAVINGS & INVESTMENT PLAN

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|------------------------|-------------|-------------|-------------|
| Participants | 32,548 | 32,611 | 32,019 |
| Net New Enrollments | -64 | -64 | -64 |
| Deferring Participants | 17230 | 17832 | 17659 |
| Annuitants | 0 | 3 | 3 |
| Systematic Payouts | 3,132 | 3,461 | 2,638 |
| Number of Loans | 2,117 | 2,632 | 2,632 |

403(b) TAX DEFERRED ANNUITY PLAN

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|------------------------|-------------|-------------|-------------|
| Participants | 784 | 782 | 826 |
| Net New Enrollments | 4 | 4 | 4 |
| Deferring Participants | 339 | 346 | 318 |
| Annuitants | 0 | 0 | 0 |
| Systematic Payouts | 141 | 155 | 131 |
| Number of Loans | 29 | 32 | 32 |

401(a) MATCH PLAN

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--------------|-------------|-------------|-------------|
| Participants | 28,755 | 29,397 | 31,435 |

TEN YEAR HISTORY OF BOARD INCOME AND EXPENSES

| | 2019 | 2018 | 2017 | 2016** | 2015** | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Revenues | \$ 2,518,517 | \$ 1,290,459 | \$ 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 |
| Expenditures | | | | | | | | | | | |
| Salaries, Wages and Fringe Benefits | 1,466,342 | 1,239,426 | 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 |
| Technical & Special fees | - | 6,813 | - | - | 2,427 | 5,945 | 889 | 25 | 943 | 4,401 | 2,740 |
| Communications | 28,999 | 18,874 | 39,751 | 19,279 | 16,823 | 26,243 | 9,433 | 25,549 | 18,797 | 22,451 | 23,482 |
| Travel | 22,558 | 25,102 | 22,483 | 20,659 | 19,823 | 20,513 | 16,257 | 18,966 | 15,523 | 12,243 | 13,372 |
| Contractual Services** | 231,874 | 197,903 | 373,298 | 279,367 | 298,242 | 241,535 | 285,473 | 214,478 | 235,772 | 233,543 | 232,603 |
| Supplies and Materials | 16,237 | 18,075 | 6,249 | 10,404 | 8,794 | 12,142 | 4,500 | 4,769 | 3,830 | 4,935 | 13,451 |
| Equipment/Furnishings | 11,808 | 1,339 | 15,545 | 10,986 | 78 | 354 | 15,883 | 22,442 | 45,205 | 5,183 | 7,099 |
| Fixed Charges** | 170,768 | 168,675 | 152,415 | 248,648 | 298,486 | 138,699 | 134,222 | 129,760 | 127,935 | 124,314 | 121,180 |
| Total Expenditures | 1,948,586 | 1,676,207 | 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 |
| Revenue Less Expenditures | 569,931 | (385,748) | 238,573 | (261,076) | (130,709) | 351,275 | (244,530) | 197,868 | 121,104 | (82,277) | (166,537) |
| Beginning Reserve | | | | | | - | | | | 17,036 | 87,052 |
| Calculated Reserve Balance | \$ 418,608 | \$ 418,608 | \$ 448,833 | \$ 210,260 | \$ 471,336 | \$ 602,045 | \$ 250,770 | \$ 495,300 | \$ 297,432 | \$ 176,328 | \$ 241,569 |

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

457(b) PLAN SUMMARY

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Participant Accounts | 35,557 | 37,857 | 33,577 | 32,558 | 31,694 | 30,409 | 29,520 | 29,425 | 29,512 | 29,803 | 30,274 |
| Deferring Participants | 20,907 | 21,271 | 19,315 | 18,690 | 18,171 | 17,266 | 16,498 | 16,510 | 16,501 | 16,900 | 17,541 |
| Total Net Position | \$ 1,913,580,213 | \$ 1,649,714,509 | \$ 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 |
| Additions: Contributions | \$ 83,003,502 | \$ 74,578,951 | \$ 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 |
| Additions: Investment Return | \$ 301,123,594 | \$ (56,222,070) | \$ 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 |
| Withdrawals | \$ (121,416,714) | \$ (108,390,085) | \$ (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) |
| Mutual Fund | \$ 1,158,842 | \$ 1,338,076 | \$ 887,655 | \$ 893,437 | \$ 937,423 | | | | | | |
| Reimbursements | | | | | | \$ 877,045 | \$ 770,557 | \$ 639,560 | \$ 609,104 | \$ 585,014 | \$ 727,509 |
| Plan Administration Fees* | \$ (2,730,893) | \$ (3,048,419) | \$ (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) |
| Number of Loans | 2,257 | 2,610 | 2,257 | 2,498 | 2,464 | 2,343 | 2,176 | 2,076 | 2,076 | 720 | 1,306 |
| Loan Amount | \$ 21,730,622 | \$ 20,921,752 | \$ 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 |

401(k) PLAN SUMMARY

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|
| Participant Accounts | 32,548 | 32,611 | 32,019 | 33,139 | 33,506 | 33,813 | 33,974 | 34,524 | 35,100 | 35,829 | 36,703 |
| Deferring Participants | 17,230 | 17,832 | 17,659 | 18,170 | 18,838 | 19,600 | 20,100 | 20,898 | 21,639 | 22,826 | 24,255 |
| Total Net Position | \$ 2,165,531,134 | \$ 1,827,030,033 | \$ 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 |
| Contributions | \$ 96,378,764 | \$ 87,096,485 | \$ 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 |
| Investment Return | \$ 373,789,448 | \$ (76,379,488) | \$ 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 |
| Withdrawals | \$ (129,392,771) | \$ (113,827,709) | \$ (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) |
| Mutual Fund | | | | | | | | | | | |
| Reimbursements | \$ 1,308,936 | \$ 1,468,987 | \$ 1,054,026 | \$ 1,029,642 | \$ 1,061,915 | \$ 972,448 | \$ 829,575 | \$ 680,729 | \$ 617,656 | \$ 584,667 | \$ 725,795 |
| Plan Administration Fees* | \$ (3,583,276) | \$ (2,842,050) | \$ (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) |
| Number of Loans | 2,117 | 2,632 | 2,117 | 2,646 | 2,760 | 2,638 | 2,575 | 2,596 | 2,596 | 916 | 1,770 |
| Loan Amount | \$19,959,610 | \$19,528,307 | \$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 |

403(b) PLAN SUMMARY

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---------------------------|-----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Participant Accounts | 784 | 782 | 826 | 822 | 834 | 855 | 879 | 908 | 930 | 959 | 988 |
| Deferring Participants | 339 | 346 | 318 | 320 | 329 | 346 | 368 | 393 | 397 | 415 | 439 |
| Total Net Position | \$ 103,324,720 | \$ 91,038,453 | \$ 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 |
| Contributions | \$ 3,023,733 | \$ 2,363,000 | \$ 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 |
| Investment Return | \$ 20,198,421 | \$ (4,283,674) | \$ 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 |
| Withdrawals | \$ (10,855,654) | \$ (6,333,955) | \$ 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) |
| Mutual Fund | | | | | | | | | | | |
| Reimbursements | \$ 71,735 | \$ 91,005 | \$ 53,523 | \$ 56,238 | \$ 79,372 | \$ 60,830 | \$ 52,550 | \$ 43,542 | \$ 43,404 | \$ 45,169 | \$ 75,786 |
| Plan Administration Fees* | \$ (151,968) | \$ (128,222) | \$ (142,573) | \$ (116,142) | \$ (117,798) | \$ (131,290) | \$ (96,524) | \$ (140,571) | \$ (138,429) | \$ (128,769) | \$ (106,903) |
| Number of Loans | 29 | 32 | 29 | 29 | 31 | 29 | 31 | 25 | 25 | 14 | 12 |
| Loan Amount | \$463,880 | \$412,970 | \$368,725 | \$362,992 | \$344,010 | \$365,015 | \$413,951 | \$338,100 | \$370,236 | \$286,301 | \$176,447 |

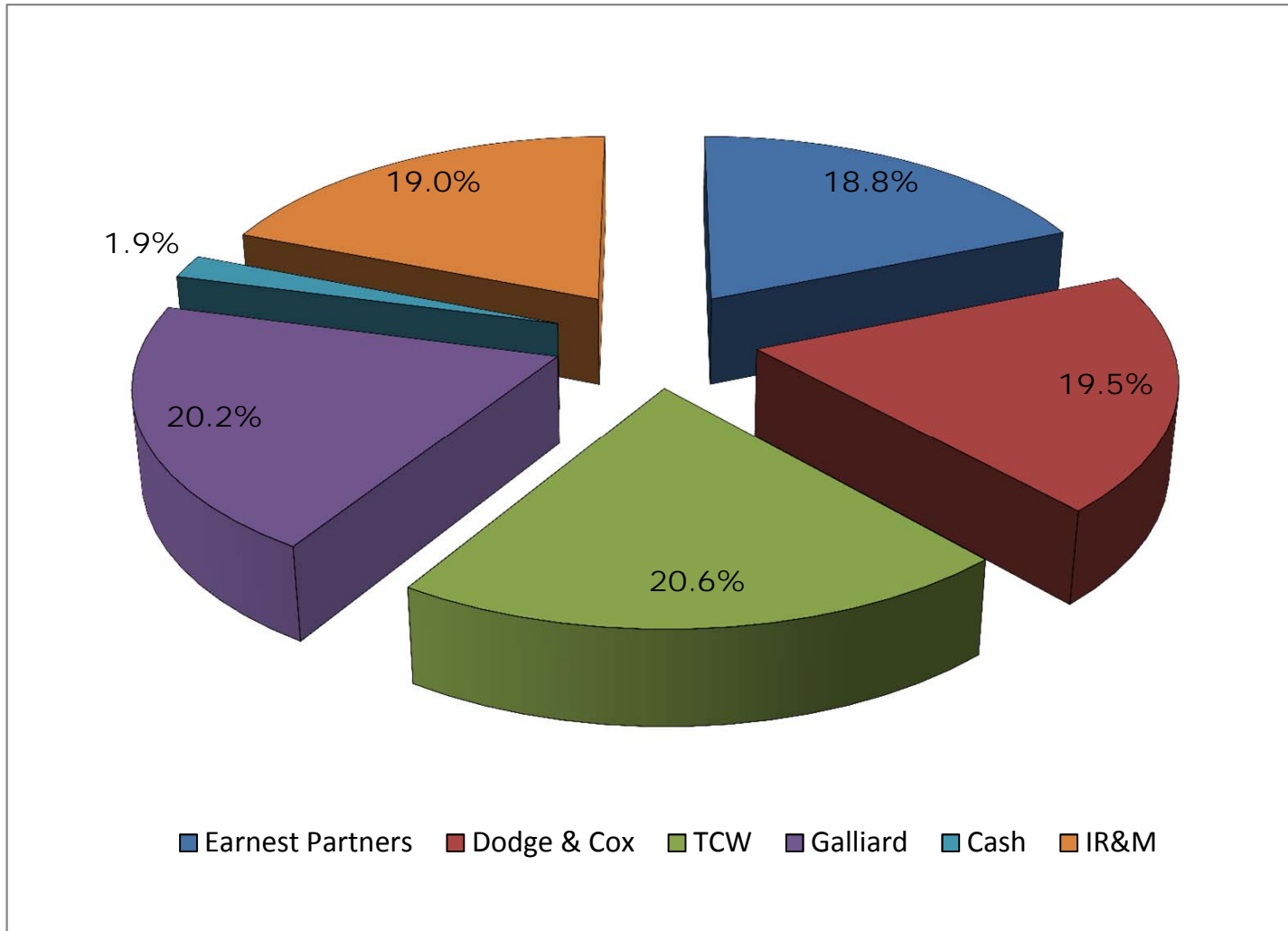
401(a) PLAN SUMMARY

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Participant Accounts | 28,755 | 29,397 | 31,435 | 32,175 | 33,681 | 35,322 | 36,776 | 38,424 | 40,085 | 41,965 | 44,705 |
| Deferring Participants | — | — | — | — | — | — | — | — | — | — | — |
| Total Net Position | \$ 207,507,613 | \$ 178,288,687 | \$ 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 |
| Contributions | \$ 16,554 | \$ 35,822 | \$ 70 | \$ 16,363 | \$ 9,750 | \$ 28,418 | \$ 39,564 | \$ 495,460 | \$ 400,092 | \$ 408,268 | \$ 3,493,268 |
| Investment Return | \$ 39,321,429 | \$ (7,568,214) | \$ 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 |
| Withdrawals | \$ (9,935,402) | \$ (9,940,434) | \$ (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) |
| Mutual Fund | | | | | | | | | | | |
| Reimbursements | \$ 126,702 | \$ 159,419 | \$ 106,878 | \$ 117,105 | \$ 127,730 | \$ 116,072 | \$ 103,938 | \$ 88,495 | \$ 85,866 | \$ 85,338 | \$ 122,620 |

| | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------|----|-----------|----|-----------|----|-----------|----|-------------|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|
| Plan Administration Fees* | \$ | (310,357) | \$ | (245,674) | \$ | (264,863) | \$ | (8,279,501) | \$ | (218,807) | \$ | (247,229) | \$ | (172,242) | \$ | (279,225) | \$ | (276,385) | \$ | (261,262) | \$ | (240,875) |
|---------------------------|----|-----------|----|-----------|----|-----------|----|-------------|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|

* Includes any additional special fee

STABLE VALUE MANAGER DIVERSIFICATION





Maryland Supplemental Retirement Plans

Other Statistical section

IRS Contribution Limits

Understanding IRS contribution limits is important, especially when your goal is to help participants contribute the maximum to their account.

2020 Deferral Limits¹

| | |
|-------------------------|----------------|
| Standard Deferral | \$19,500 |
| Age 50+ Catch-up | \$6,500 |
| Special 457(b) Catch-up | up to \$39,000 |

2019 Deferral Limits¹

| | |
|-------------------------|----------------|
| Standard Deferral | \$19,000 |
| Age 50+ Catch-up | \$6,000 |
| Special 457(b) Catch-up | up to \$38,000 |

The Age 50+ Catch-up provision allows people over age 50 to contribute more to their deferred comp account.

The Special 457(b) Catch-up Provision is part of the Section 457(b) of the Internal Revenue Code, and was amended by the Pension Protection Act of 2006. Participants who have not contributed the maximum limit under IRS law in previous years may contribute an amount less than or equal to the maximum limit (essentially, up to double the maximum) in the three years prior to the individual's normal retirement age.

How much can be contributed?

| Pre-tax amounts rounded down to the nearest dollar. | Pre-tax annual amount | Pre-tax per-pay (26 pays) |
|---|-----------------------|---------------------------|
| Standard Deferral | \$19,500 | \$750 |
| Age 50+ Catch-up | \$26,000 | \$1,000 |
| Special 457(b) Catch-up | up to \$39,000 | up to \$1,500 |

IRA

2019 and 2020 IRA Traditional/Roth Contribution Limits²

| | |
|-------------------|---------|
| Standard Deferral | \$6,000 |
| Age 50+ Catch-up | \$7,000 |

How much could be contributed?

| Frequency | Contribution | Contribution (50+) |
|--|--------------|--------------------|
| Weekly (52 contributions) | \$115 | \$135 |
| Bi-weekly (26 contributions) | \$231 | \$269 |
| Semi-monthly (24 contributions) | \$250 | \$292 |
| Monthly (12 contributions) | \$500 | \$583 |
| Maximum deferral contribution examples | | |

To stay up-to-date on any changes to the IRS deferral limits, visit the [Retirement Plans Community](#) on the IRS website.



Pre-tax Plans comparison chart

| | Traditional 457(b) Deferred Compensation Plan | Traditional 401(k) Savings & Investment Plan | 403(b) Tax Deferred Annuity Plan |
|---|---|--|---|
| Who's eligible to participate? | All regular and contractual State employees | | State educational institution employees |
| Who's eligible for the State match? | All State employees in the State Employees' Alternate Contributory Pension 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

| | 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.

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.

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.



Roth 457(b) and Roth 401(k) highlights

If you are or become a participant in the MSRP 457(b) and/or 401(k) Plan and you are actively employed by the state of Maryland, you may choose to make designated Roth 457(b) and/or 401(k) contributions.

- You may make Roth 457(b) and/or 401(k) contributions regardless of your income.
- Contributions are made through payroll deductions just like your other MSRP account(s), except your Roth contributions are deducted “after-tax”.
- You may divide your 457(b) and/or 401(k) Plan contributions between Traditional and Roth accounts.
- You may select different investment allocations for pre-tax and Roth balances in your plan.
- Whether you make pre-tax or Roth contributions, the total amount you may contribute to either the 457(b) or 401(k) plan is \$17,500 in 2014 (\$23,000 if you are at least age 50).
- You cannot recharacterize Roth contributions after the contribution is made. Designating a contribution to the 457(b) or 401(k) plan as a Roth contribution is irrevocable.
- Because your Roth 457(b) and/or 401(k) contribution is taxed differently, your Roth 457(b) and/or 401(k) contributions and any earnings are accounted for separately.
- Any matching employer contributions are always made on a pre-tax basis, regardless of whether you are contributing on a pre-tax or after-tax basis.
- Similar to traditional pre-tax 401(k) plan accounts, payout from a Roth 401(k) account may begin at 59½ or after retirement, whichever comes first. The difference is that no federal or Maryland income taxes are due on the earnings if 1) the Roth account was established more than five years ago (five-year period begins Jan. 1 of the year you first make a Roth 401(k) contribution into the plan) and 2) you are age 59½, or become disabled, or die.
- Similar to traditional pre-tax 457(b) plan accounts, payout from a Roth 457(b) account may begin after separation from State service, regardless of age. The difference is that no federal or Maryland income taxes are due on the earnings if 1) the Roth account was established more than five years ago (five-year period begins Jan. 1 of the year you first make a Roth contribution into the plan) and 2) you are age 59½ and have separated from service, or become disabled, or die.
- Required minimum distributions (RMD) begin at age 70½.

Note: Roth conversions

A Roth conversion feature will be added in the future so that any eligible distribution from the tax-deferred portion of the 401(k) plan may be converted to the Roth 401(k) at the participant’s direction. Likewise, any eligible distribution from the tax-deferred portion of the 457(b) plan may be converted to the Roth 457(b). As with a distribution to the participant, the conversion amounts become taxable in the year converted.

Tax-deferred eligible distributions

A payout from a 457(b) plan is an eligible distribution after the participant separates from State service, becomes disabled, or dies.

A payout from a 401(k) plan is an eligible distribution after the participant attains age 59½, or separates from service at age 55 or more, or becomes disabled, or dies.

Roth qualified distributions

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

Should you elect to establish a designated Roth account, the account will not be subject to federal or Maryland income taxes.

Other qualified retirement plans can differ, including fees and when you can access funds. Assets rolled over from another qualified plan may be subject to both surrender charges from the original plan and a 10% penalty tax if withdrawn before age 59½.

Investing involves market risk including possible loss of principal.

Call to get started today

11350 McCormick Road
Executive Plaza 1, Suite 400
Hunt Valley, MD 21031

1-800-545-4730
MarylandDC.com

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

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GLOSSARY

Rates of Returns

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

Betas

Five-Year Beta. The beta coefficient is a statistical measure of a stocks 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 weighed 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