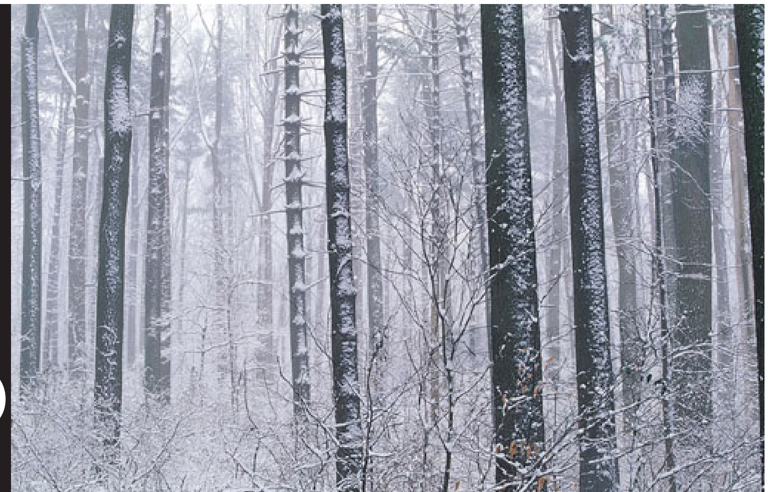

MSRP SEASONS

2003 Annual Report

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HISTORY OF PROGRAM

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. In 1975, enrollment began and a seven-member Board of Trustees administered the plan. Subsequently, the U.S. Congress established the 457 Deferred Compensation Plan for public employees as part of the Internal Revenue Code in 1978.

Chapter 741 of the Acts of 1985 brought the 457 Deferred Compensation Plan under the direction of a nine-member Board of Trustees. The acts also gave the board authority to administer a 403(b) Tax-Deferred Annuity Plan and a 401(k) Savings and Investment Plan. The Maryland 403(b) plan became operational in 1985, and the Maryland 401(k) plan began in 1990. These three plans came to be known as the Maryland Teachers and State Employees Supplemental Retirement Plans.

In May of 1998, the governor signed legislation (HB 987/Chapter 530 of the Acts of 1998) passed by the Maryland General Assembly that in part provides for, a match to the state's 457, 403(b) and 401(k) supplemental retirement plans. Effective July 1, 1999, a dollar for dollar match became operational at the statutory maximum of up to $600 each fiscal year. Three years later, the maximum match was reduced by budget bill language to $500 per participant for the 2003 fiscal year. According to the law, state employees who are members of the State Employees Contributory Pension System are eligible for the match. The state's contributions are immediately vested.

Title 35 of the State Personnel and Pensions Article authorizes the Board of Trustees to administer the Maryland plans and requires the board to pay all expenses from fees collected. A state general fund appropriation is not provided in this statute. This article also authorizes the governor to appoint board members and the board chairperson to staggered four-year terms.

The governor must select 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 must be eligible to participate in one or more of the plans, provided that at least one is eligible for the 403(b) plan. Three additional members must represent the general public and must not be eligible to participate in the plans. One of these members must have experience with deferred compensation and salary reduction plans.

In addition to implementing, maintaining and administering the plans, the board is responsible for submitting progress and status reports to participants; submitting an annual report to the governor and General Assembly; appointing employees; and hiring consultants, administrators and other professional assistance. Each board member serves on at least one committee. The committees include the Executive Committee, the Communications Committee, the Investment Committee, the Audit Committee and the Hardship Committee.

Sources:

1. Title 35 of the Personnel and Pensions Article
2. Chapter 741 of the Acts of 1985
3. Internal Revenue Service Private Letter Ruling
4. Presentation to the Joint Budget and Audit Committee by H. Louis Stettler, III, Ph.D., 1985.
5. Chapter 530 of the Acts of 1998
6. Chapter 439 of the Acts of 2002 (section 38 of the FY 2003 Budget Bill)

BOARD OF TRUSTEES

Period Ending December 31, 2003

BOARD CHAIRPERSON

Mr. Frederick W. Puddester Executive Director of Budget, Financial Planning and Analysis - Johns Hopkins University	Eligible-Participant Member

BOARD MEMBERS

Mr. Stephen M. Cordi Deputy Comptroller - Office of the Comptroller	State of Maryland Agency Representative
Ms. T. Eloise Foster Assistant Dean for Program Development & Business Affairs University of Maryland Baltimore, School of Business	State of Maryland Agency Representative
Ms. Sylvia Brown Olivetti, CRC, CRA Legal Secretary - Arent Fox Kintner Plotkin & Kahn	Public Member
Mr. Edwin Crawford Senior Vice President - Ferris, Baker, Watts & Company, Incorporated	Public Member
The Honorable Nancy K. Kopp Treasurer - State of Maryland	State of Maryland Agency Representative
Ms. Dianna Rosborough President – Rosborough Communications, Inc.	Public Member
Professor Vincent L. Marando Professor - Department of Government and Politics, University of Maryland	403(b) Eligible-Participant Member
Mr. Lawrence Mendez MD Department of Public Safety and Correctional Services	Eligible-Participant Member

BOARD COMMITTEES

Executive Committee

Frederick W. Puddester - *Chairperson*
Nancy K. Kopp
Edwin Crawford
Dianna Rosborough

Communications Committee

Dianna Rosborough - *Chairperson*
Vincent L. Marando
Lawrence Mendez

Investment Committee

Edwin Crawford - *Chairperson*
Sylvia Brown Olivetti, CRC, CRA
Stephen M. Cordi
Nancy K. Kopp

Audit Committee

Sylvia Brown Olivetti, CRC, CRA - *Chairperson*
Stephen M. Cordi
T. Eloise Foster

Hardship Committee

Vincent L. Marando - *Chairperson*
T. Eloise Foster
Lawrence Mendez

BOARD STAFF

Arthur N. Caple, Jr., CRC, CRA
Executive Director

Michael T. Halpin, CRC, CRA
Deputy Executive Director

Roland L. Unger, CPA, CRC, CRA
Director of Finance

Bernice K. Weathers
Senior Accounting Specialist

Mirza Tumanon
Accounting Specialist

Lillian Jones
Accounting Assistant

Janet Wilt
Finance Secretary

Jody B. Rosen, APR
Director of Communications

Jennifer L. Kelley
Communications Specialist

Louis A. Holcomb, CRC
Director of Participant Services

Charles F. Meigs, CRC
Financial Field Representative

Joseph J. Bouffard
Financial Field Representative

Valerie Schwaab, CRC
Financial Field Representative

Julia Graham, CRC
Financial Field Representative

Richard Arthur
Director of Technology

Anna Marie Smith
Executive Assistant

Dianne M. Raitzyk
Office Manager

Jacquetta Robinson
Receptionist

ADVISORS

General Counsel
John K. Barry, Esquire
Assistant Attorney General, Office of the Comptroller

Independent Auditors
Clifton Gunderson, LLP
Certified Public Accountants & Consultants

Investment Contract Pool Manager
ING AETNA Financial Services

Third Party Administrator
Nationwide Retirement Solutions, Inc.

General Pension Consultant & Investment Advisor
The Segal Company/Segal Advisors, Inc.

PROGRAM HIGHLIGHTS

- The number of participant accounts in the 457, 403(b) and 401(k) plans combined declined by 1.9%, or 1,288 accounts in 2003. The total participant accounts for all of the plans was 65,403.

- At year end, the net assets for all of the plans equaled $1,797,198,350.

- The plans' mutual fund savings program returned $1,974,228 to participants' accounts that were invested in the funds participating in the rebate program.

- At year-end, the net assets for the 401(a) Match Plan, equaled $76,781,081, a net increase of 25.1%.

- Agency staff participated in 85 pre-retirement seminars and 47 life-planning seminars and conducted 21 financial seminars, 228 informational booths, 38 orientation/overview seminars, 40 sessions of one-on-one meetings, four financial workshops and three benefit coordinator academies during the year. About 19,926 state employees attended these seminars and booths. Nationwide Retirement Solutions conducted 1,583 group meetings across the state with 17,593 employees attending.

* *Participants are those who have account values, including those who are receiving systematic withdrawals.*

INVESTED PLAN ASSETS

457 PLAN SUMMARY

- Net assets in the 457 plan increased by 14.9% in 2003. This gain reflected the net of:
  - $53,138,993 gain from new deferrals;
  - $149,196,288 net investment gain *; and
  - ($65,777,380) in benefit payments.
- Participants contributed 17.2% more while other participants withdrew 24.8% less in 2003.
- Deferrals allocated to the variable funds as a percentage of total plan deferrals decreased to 61.3% in 2003, from 69.0% in 2002.
- 302 participants have loans, permitted in the 457 plan for the first time this year, that totaled $2,284,823.
- The number of participant accounts decreased by 0.4% or 123 accounts, for a total of 28,294 participant accounts in 2003.

403(b) PLAN SUMMARY

- Net assets in the 403(b) plan increased by 21.9% in 2003. This gain reflected the net of:
  - $2,661,956 gain from new deferrals;
  - $12,092,706 net investment gain*; and
  - ($3,513,266) in benefit payments.
- Participants deferred 14.7% more in 2003 while other participants took 17.1% less in payouts in 2003.
- There were eight outstanding loans, totaling $228,243 during the year.
- The number of participant accounts decreased by 58, or 4.5%, for a total of 1,242 participant accounts in 2003.

401(k) PLAN SUMMARY**

- Net assets in the 401(k) payroll plan increased by 36.7% in 2003. This gain reflected the net of:
  - $85,530,045 gain from new deferrals;
  - $101,035,710 net investment gain*; and
  - ($27,629,302) in benefit payments.
- Participants deferred 8.1% more in 2003 while other participants withdrew 37.5% more in 2003.
- Deferrals into the variable funds as a percentage of total plan deferrals was 71.0% in 2003, a decrease from 83.0% in 2002.
- 1,093 401(k) plan participants had outstanding loans, totaling $4,950,601 during the year.
- The number of participant accounts decreased by 3.0%, or 1,107 accounts, for a total of 35,867 participants in 2003.

401(a) MATCH PLAN SUMMARY

Net assets in the 401(a) match plan increased by 25.0%, or $15,385,515 in 2003. This growth reflected the net of:

- $2,486,316 gain from new deferrals;
- $14,513,904 net investment gain*; and
- ($1,786,887) in benefit payments.

- Employer contributions decreased 86.5% in 2003, while participant withdrawals grew 70.5% in 2003.
- Deferrals into the variable funds as a percentage of total plan deferrals equaled 100.0% in 2003, an increase from 80.0% in 2002.
- The number of participants equaled 38,506 in 2003.

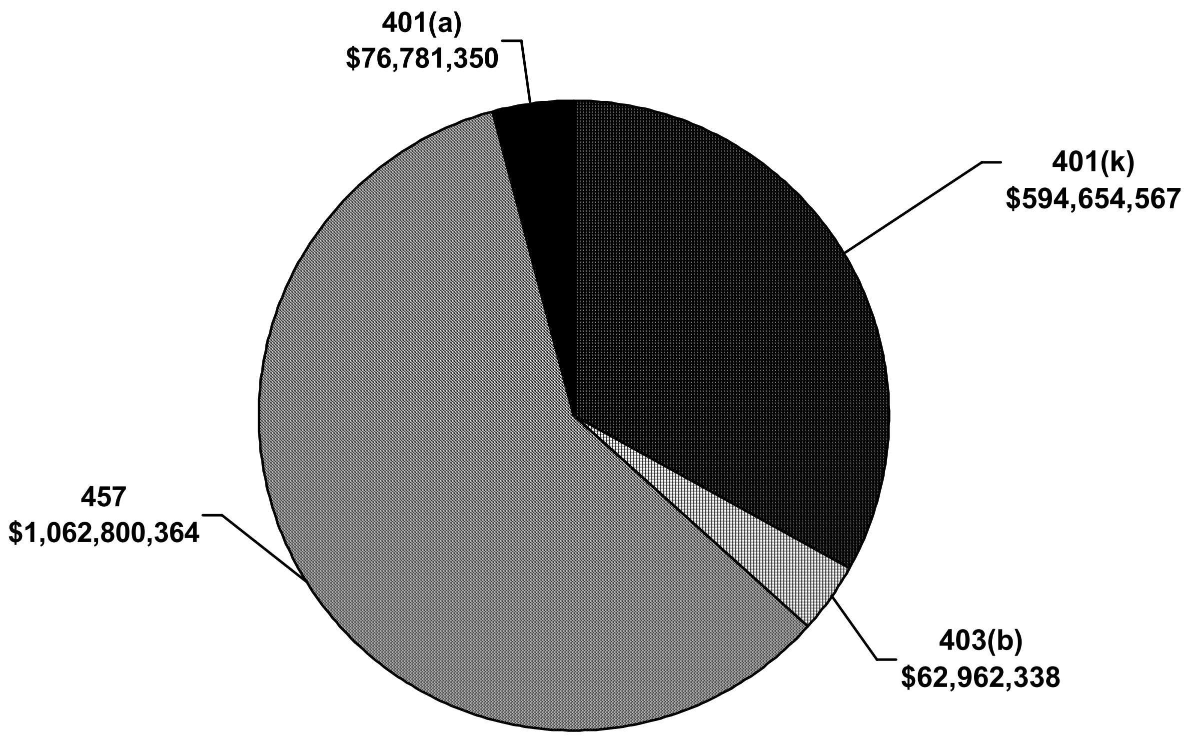
**Net investment return is gross investment return minus the 34 basis point (0.34%) asset fee.*
*** Includes the 401(k) Transfer Account, which was transferred to the 401(k) Payroll Savings Plan on December 17, 2002, as required by Chapter 439 of the Acts of 2002 (the FY 2003 Budget Bill).*

Sources:

1. Clifton Gunderson LLP. Financial Statements.
2. Nationwide Retirement Solutions, Inc.
3. Maryland Teachers & State Employees Supplemental Retirement Plans.

SUMMARY OF PLAN ASSETS

At year-end, the net assets for all of the plans, including the 401(k) transfer account and the 401(a) match plan, equaled $1,797,198,350.



PARTICIPANT ACTIVITY by PLAN

457 DEFERRED COMPENSATION PLAN

	2003	2002	2001	2000	1999	1998
Participants [1]	28,297	28,417	28,080	27,587	27,456	26,088
Deferring Participants [1]	16,461	15,647	14,505	13,417	14,901	14,778
New Enrollments[1]		2,025	1,172	815	1,971	1,416
Annuitants[2]	2,607	2,929	6,174	3,740	3,626	2,407
Total Deferrals [3]	$53,138,993	$45,324,247	$33,658,564	$33,867,423	$33,950,589	$35,478,369
Participants' Average Deferral[4]	$3,228	$2,897	$2,320	$2,524	$2,278	$2,401

403(b) TAX DEFERRED ANNUITY PLAN

	2003	2002	2001	2000	1999	1998
Participants[1]	1,242	1,300	1,350	1,360	1,377	1,285
Deferring Participants [1]	446	476	525	518	592	503
New Enrollments[1]		30	28	34	128	26
Annuitants[2]	60	51	57	60	51	39
Total Deferrals [3]	$2,661,956	$3,120,051	$2,859,098	$2,887,189	$2,821,354	$2,766,201
Participants' Average Deferral[4]	$5,969	$6,555	$5,446	$5,554	$4,766	$5,499

401(k) SAVINGS & INVESTMENT PLAN

	2003	2002	2001	2000	1999	1998
Participants[1]	35,867	36,974	35,909	33,096	28,911	16,970
Deferring Participants [1]	28,422	29,507	29,504	26,336	24,934	13,814
New Enrollments[1]		2,155	3,607	4,831	12,369	5,287
Annuitants[2]	168**	111	63	49	35	64
Total Deferrals[3]	$85,530,045	$79,159,908	$74,233,545	$67,440,557	$54,121,348	$37,163,542
Participants' Average Deferral[4]	$3,009	$2,683	$2,516	$2,561	$2,171	$2,723

401(a) MATCH PLAN

	2003	2002	2001	2000	7/1/99 – 12/31/99
Participants[4]	38,506	38,818	37,514	34,423	33,308
New Enrollments[4]		1,304	3,091	1,115	33,308
Annuitants[4]	0	0	0	0	0
Total Employer Matching Contributions[3]	$2,486,316	$18,384,375	$20,570,151	$19,916,744	$14,546,456
Employer's Average Match Contribution[4]	$65	$474	$548	$578	$437

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.

New Enrollments. State employees who opened up a new account.

Annuitants. Participants who are receiving systematic withdrawals or have purchased annuity contracts.

Participants' Average Deferral. Calculated by dividing the dollar value of "Total Deferrals" by the number of "Deferring Participants" at year-end.

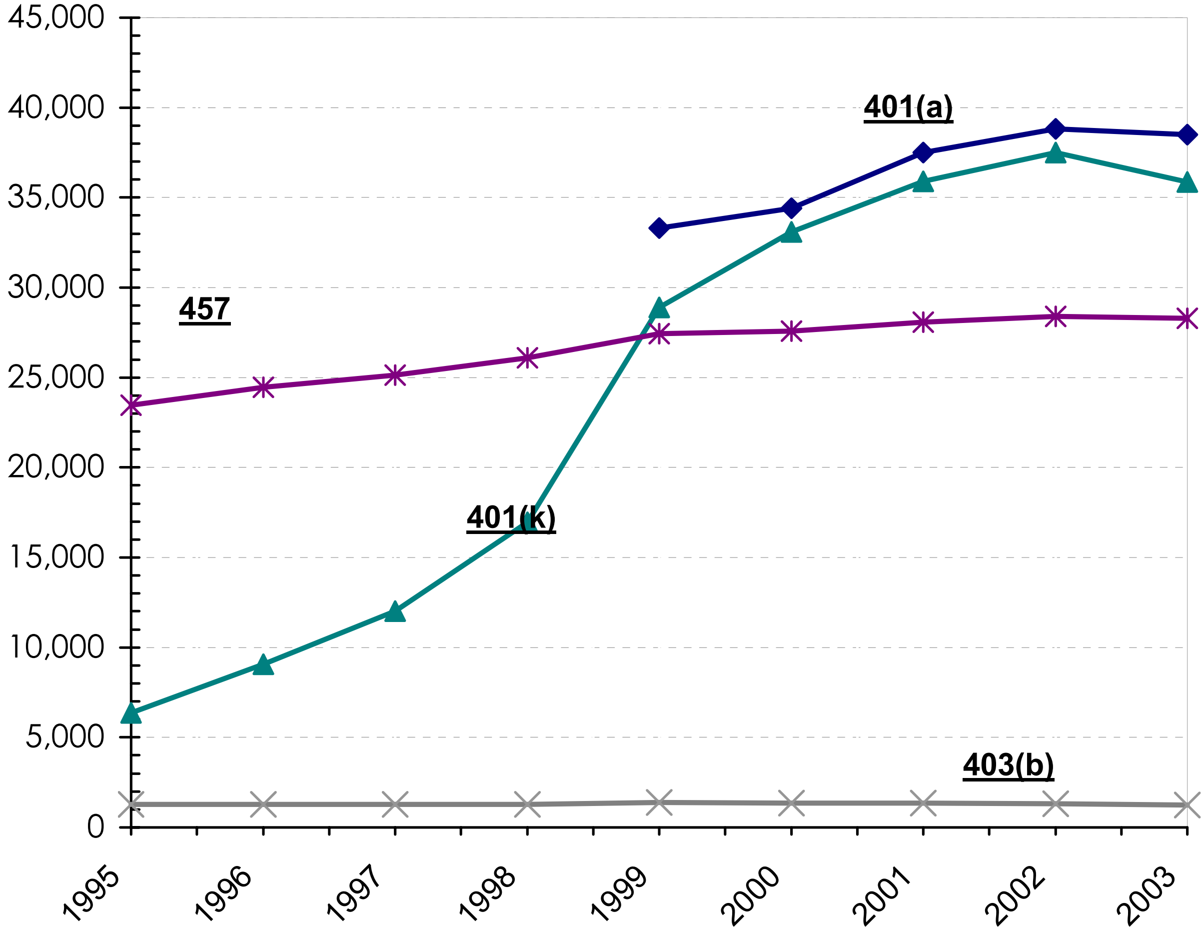
Employer's Average Match Contribution. Calculated by dividing the dollar value of "Total Employer Matching Contributions" by the number of contributing "Match Plan Participants".

Sources:

1. Nationwide Retirement Solutions, Inc. Administrator's Report.
2. Nationwide Retirement Solutions, Inc.
3. Clifton Gunderson LLP. Financial Statements.
4. Maryland Teachers and State Employees Supplemental Retirement Plans.

PARTICIPANT ACCOUNTS PER PLAN

PLAN COMPARISON



BOARD INCOME & EXPENDITURES

	2003	2002	2001
Total Revenues*	$2,081,848**	$1,432,306	$1,140,436
Expenditures			
Salaries, Wages and Fringe Benefits	$1,079,734	$1,106,109	$1,025,819
Technical and Special Fees	$7,945	$12,079	$13,553
Communications	$18,698	$12,759	$40,029
Travel (In-State and Out-of-State)	$25,737	$26,884	$41,543
Contractual Services	$221,068	$240,977	$216,680
Supplies and Materials	$14,594	$27,646	$11,531
Fixed Charges	$103,327	$97,192	$91,761
Equipment and Furnishings	$3,794	$200	$768
Total Expenditures	$1,474,897	$1,523,846	$1,441,684
Revenues Less Expenditures	$606,951	($91,540)	($301,248)
Reserve	$282,566	($23,399)	($88,614)

The Board of Trustees reduced fees to deliberately spend down reserve funds to an appropriate level.

Source: Maryland Teachers & State Employees Supplemental Retirement Plans.

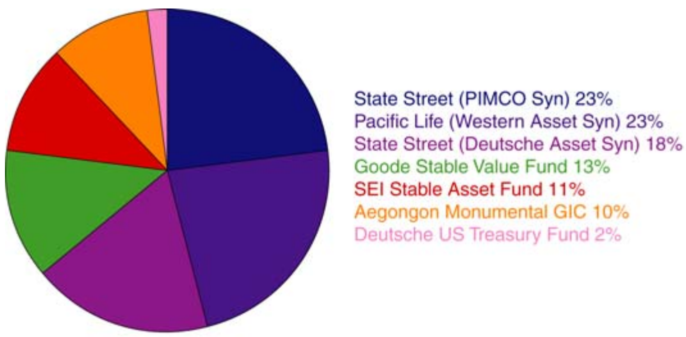
* *The Maryland Teachers & State Employees Supplemental Retirement Agency administers the Maryland plans with special funds only. The agency collects these funds as participants fees. It does not use state general fund appropriations. The agency holds revenues in a board reserve account for unanticipated necessary expenses.*

** *Board revenues in 2003 were the result of an annualized asset fee of 0.11% plus a special fee of $6 per plan account collected in March 2003.*

INVESTMENT CONTRACT POOL

[Available in the 457 plan, the 401(k) plan, and the 401(a) match plan]

Effective Periods	Participant Blended Rate
1st Quarter, 2003	5.3%
2nd Quarter, 2003	5.1%
3rd Quarter, 2003	4.9%
4th Quarter, 2003	4.6%



2003 Matured Contracts

State Street (Deutsche Syn) 3/03
Canada Life 9/03
New York Life 12/03
John Hancock 12/03
Principal Life 12/03

DEFINITIONS

Participant Blended. These are the rates credited to participants' accounts before the deduction of asset fees. They are the blended rates of all contracts in effect during the quarter. As of January 1, 2000, the annual asset fee is 34 basis points (0.34%)

Sources:

ING Aetna Financial Services
Maryland Teachers & State Employees Supplemental Retirement Plans.
The Segal Company, Inc.

MUTUAL FUNDS

Percentage Rates of Return for Period Ending December 31, 2003

	1 Year	3 Years	5 Years	10 Years	5-Year Beta
Money Market Fund					
Vanguard Prime Money Market Fund					
[403(b) plan only]	0.9%	2.2%	3.6%	4.4%	N/A
INDEX: 91-Day Treasury Bill	1.1%	2.1%	3.5%	4.4%	N/A
Bond Fund					
Federated U.S. Government Securities					
Fund: 2-5 Years	2.2%	6.8%	5.9%	6.0%	N/A
INDEX: Lehman Bros. Interm. Govt. Bond	2.3%	6.7%	6.2%	6.3%	N/A
PIMCO Total Return Fund Institutional Shares	5.6%	8.4%	7.3%	7.6%	N/A
INDEX: Lehman Bros. Aggregate Bond	4.1%	7.6%	6.6%	7.0%	N/A
Conservative: Balanced Funds					
Fidelity Puritan Fund	22.2%	3.7%	4.3%	9.6%	0.5%
INDEX: 60% S&P/40%	18.9%	0.6%	2.3%	9.4%	N/A
Scudder Flag Investors					
Value Builder Fund – Institutional Shares	31.1%	3.3%	4.7%	11.2% [1]	0.9%
INDEX: 70% S&P/30%	21.3%	-0.6%	1.6%	9.8%	N/A
Moderate: Growth & Income Funds					
Fidelity Growth & Income Portfolio	19.0%	-4.0%	-0.9%	10.3%	0.7%
Legg Mason Value Trust Navigator Class	45.0%	2.9%	5.5%	20.5% [2]	1.1%
Vanguard Institutional Index Fund	28.7%	-4.1%	-0.5%	11.1%	1.0%
INDEX: Standard & Poors 500	28.7%	-4.1%	-0.6%	11.1%	1.0%
Growth Fund of America Class A Shares	32.9%	-3.1%	7.3%	13.5%	1.2%
INDEX: Russell 1000 Growth	29.8%	-9.4%	-5.1%	9.2%	N/A
Washington Mutual Investors	25.8%	2.8%	3.7%	12.5%	0.7%
INDEX: Russell 1000 Value	30.0%	1.2%	3.6%	11.9%	N/A
Aggressive: Growth Funds					
AIM Constellation Fund	29.3%	-9.4%	-0.8%		1.4%
INVESCO Dynamics Fund	38.3%	-14.7%	-0.3%	7.5%	1.8%
INDEX: Russell Mid Cap Growth	42.7%	-6.1%	2.0%	8.9%	N/A
Lord Abbett Mid Cap Value Fund	24.9%	6.8%	14.2%	9.4%	0.6%
INDEX: Russell Mid Cap Value	38.1%	8.5%	8.7%	14.2%	N/A
				13.0%	
More Aggressive: Small-Cap Funds					
Delaware Trend Fund – Institutional Class	33.8%	-3.0%	8.0%	11.1%	1.6%
T. Rowe Price Small-Cap Stock Fund	32.4%	6.6%	10.1%	12.6%	0.9%
INDEX: Russell 2000	47.3%	6.3%	7.1%	9.5%	N/A

International Funds					
EuroPacific Growth Fund	32.9%	0.3%	5.4%	8.3%	N/A
T. Rowe Price International Stock Fund	31.3%	-5.7%	-1.3%	3.6%	N/A
INDEX: MSCI EAFE	38.6%	-2.9%	-0.1%	4.5%	N/A

(1) This is the rate of return since the Scudder Flag Investor Builders Fund's inception date of November 2,1995.
(2) This is the rate of return since the Legg Mason Value Trust Fund's inception date of December 1, 1994.

DEFINITIONS

Rates of Returns

Rates of Returns. The rates of returns are net of the funds annual operating expenses. They are before the deduction of 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. The five-year beta is representative of statistical data from January 1, 1999 through December 31, 2003.

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 (90 days). 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.

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. Its basis is the average common stock performance of 374 industrial company stocks, 11 transportation stocks, 74
financial company stocks, and 41 utility stocks.

S&P BARRA Growth Index. This index taking the stocks in the S&P 500 and then separates them into equal halves based on their price-to-book ratios.

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

Medians

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

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

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

Managed Balanced Median. This universe includes funds defined by Morningstar as Domestic, 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.

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 greater than $2 billion are considered small-cap funds.

Sources:

1. Maryland Teachers and State Employees Supplemental Retirement Plans
2. The returns for the mutual funds were provided by The Segal Company, Inc.
3. The 5-Year Betas and definitions were provided by The Segal Company, Inc.

THE 457 DEFERRED COMPENSATION PLAN

ELIGIBILITY AND DEFERRAL REQUIREMENTS

All state of Maryland employees are eligible to participate in this plan. State employees include: regular, contractual, full-time and part-time employees; members of the General Assembly; judges of the various courts; clerks and employees of all county and Baltimore city courts; registrars and employees in the Office of the Register of Wills; faculty, associate staff and classified employees at the Maryland universities and colleges; and independent contractors of the Maryland Vending Program for the Blind.

Participants make contributions to the plan by payroll deductions before federal and state income taxes, but after the Federal Insurance Contributions Act (FICA) tax is assessed. For 2003, participants may contribute 100% of compensation up to $12,000 per year. However, an employee may participate in more than one plan, allowing a maximum combined contribution up to $24,000 per year. The 457 plan provides a regular catch-up provision in the three years before the year of retirement. A participant may contribute up to $24,000 per year under this provision. Employees 50 and over can make catch-up provisions over and above the 457 limit – the maximum amount of these contributions is $2,000.

INVESTMENT OPTIONS

Investment choices include both fixed and variable options. The fixed investment option offers a fixed rate of return for a stated period. It is a pool of investment contracts selected from a pre-qualified list of insurance companies and fixed-income managers/underwriters. Page 15 gives performance information on the pool.

The board places collected funds into a new contract that is effective for a set period. The contract usually has a fixed rate of interest for the length of the contract. Some contracts, however, reset the rate of interest on a regular basis throughout the life of the contract's underlying investments at that time.

Participants' accounts are credited with a quarterly average yield that is a blend of all contracts in the pool.

The pool concept provides investment diversification. When investments are diversified, or spread among several carriers, default risk is lowered. Each carrier must meet standards established by the plans Board of Trustees. Before starting the Investment Contract Pool, the Board of Trustees established criteria to assure diversity and limit risk. All companies and/or fixed income managers/underwriters competing for investment contracts must meet these requirements.

The variable options in this plan include an assortment of mutual funds. Pages 16 to 18 list the 2003 fund options for all plans with their historical performances and risk factors (beta).

DISTRIBUTION REQUIREMENTS

Participants can begin distributions when they separate or retire from state service (regardless of age) or at 701/2 if they are employed by the state. The participant's beneficiary becomes eligible to receive a distribution upon the participant's death. A single distribution also may be made for an unforeseeable and unbudgetable emergency causing financial hardship. Participants must begin distributions at 701/2 unless they are still working for the state (and have not yet retired). All distributions are subject to federal, state and local income tax.

LOAN PROGRAM

Loans are available to participants. The minimum loan amount is $2,500. The maximum loan amount is 50% of a participants account balance, but never more than $50,000. The rate of interest charged on the loan is the prime interest rate plus 1%. Participants pay a fixed interest rate during the life of the loan. The outstanding loan balance is considered a plan asset. A loan application fee may apply.

THE 403(B) TAX DEFERRED ANNUITY PLAN

ELIGIBILITY AND DEFERRAL REQUIREMENTS

Employees of the state of Maryland or any governmental entity in the state whose work assignments are within state educational institutions are eligible to participate in this plan. Educational institutions include state colleges and universities, the Maryland Higher Education Commission, the Maryland Department of Education, Maryland Public Television and the Maryland Schools for the Deaf. Participants make specified contributions under this plan by payroll deduction during the regular pay period before federal and state income taxes, but after the FICA tax is assessed.

For 2003, participants may contribute 100% of compensation up to $12,000 per year. However, an employee may participate in more than one plan, allowing a maximum combined contribution up to $24,000 per year. Employees 50 and over can make catch-up provisions over and above this limit – the maximum amount of these contributions is $2,000.

INVESTMENT OPTIONS

The investments in this plan are mutual funds. Pages 16 to 18 list the options for all plans with their historical performances and risk factors (beta).

DISTRIBUTION REQUIREMENTS

Participants may begin distributions without a 10% Internal Revenue Service (IRS) withdrawal penalty when they meet one of the following criteria: Age 59 1/2; Separation from Maryland state service at 55 or older; Total disability; Selection of an annuity contract.

The participant's beneficiary becomes eligible to receive a distribution without a 10% IRS withdrawal penalty upon the participant's death. A single distribution also may be made without a 10% IRS withdrawal penalty for a deductible medical hardship. A single distribution may be made for an unbudgetable emergency causing financial hardship. The 10% IRS withdrawal penalty will apply for most financial hardship distributions. Participants must begin distributions at 70 1/2 unless they are still working for the state (and have not yet retired). All distributions are subject to federal, state and local income tax.

LOAN PROGRAM

Loans are available to participants. The minimum loan amount is $2,500, initially. The maximum loan amount is 50% of a participants account balance, but never more than $50,000. The rate of interest charged on the loan is the prime interest rate plus 1%. Participants pay a fixed interest rate during the life of the loan. Participants return principal and interest payments to their accounts. The outstanding loan balance is considered a plan asset. A loan application fee may apply.

With only one exception, the maximum repayment period is five years. When the loan is for the purchase of a primary residence, the maximum repayment period is ten years. Participants may have two loans outstanding at a time as long as the loan amounts combined don't exceed the lesser of 50% of their accounts or $50,000. The 10% IRS withdrawal penalty doesn't apply to loans.

THE 401(k) SAVINGS & INVESTMENT PLAN

ELIGIBILITY AND DEFERRAL REQUIREMENTS

All Maryland state employees are eligible to participate in the 401(k) Savings & Investment Plan. For 2003, participants may contribute 100% of compensation up to $12,000 per year. However, an employee may participate in more than one plan, allowing a maximum combined contribution up to $24,000 per year. Employees 50 and over can make catch-up provisions over and above this limit – the maximum amount of these contributions is $2,000.

INVESTMENT OPTIONS

The investment options include an assortment of mutual funds and a fixed option. Pages 16 to 18 list by group the 2003 fund options for all plans with their historical performances and risk factors (betas).

The fixed option offers a fixed rate of return for a stated period. It is a pool of investment contracts selected from a pre-qualified list of insurance companies and fixed-income managers/underwriters. Page 15 gives performance information on the pool.

The board places collected funds into a new contract that is effective for a set period. The contract usually has a fixed rate of interest for the length of the contract. Some contracts, however, reset the rate of interest on a regular basis throughout the life of the contract=s underlying investments at that time. Participants accounts are credited with a quarterly average yield that is a blend of all contracts in the pool.

The pool concept provides investment diversification. When investments are diversified, or spread among several carriers, default risk is lowered. Each carrier must meet standards established by the plans Board of Trustees. Before starting the Investment Contract Pool, the Board of Trustees established criteria to assure diversity and limit risk. All companies and/or fixed income managers/underwriters competing for investment contracts must meet these requirements.

DISTRIBUTION REQUIREMENTS

Participants may begin distributions without a 10% IRS withdrawal penalty when they meet one of the following criteria: Age 59 1/2; Separation from Maryland state service at 55 or older; Total disability; Selection of an annuity contract. The participant's beneficiary becomes eligible to receive a distribution without a 10% IRS withdrawal penalty upon the participant's death. A single distribution also may be made without a 10% IRS withdrawal penalty for a deductible medical hardship. A single distribution may be made for an unbudgetable emergency causing financial hardship. The 10% IRS withdrawal penalty will apply for most financial hardship distributions. Participants must begin distributions by 70 1/2 unless they are still working for the state (and have not yet retired). All distributions are subject to federal, state and local income tax.

LOAN PROGRAM

Loans are available to participants. The minimum loan amount is $2,500. The maximum loan amount is 50% of a participants account balance, but never more than $50,000. The rate of interest charged on the loan is the prime interest rate plus 1%. Participants pay a fixed interest rate during the life of the loan. The outstanding loan balance is considered a plan asset. A loan application fee may apply.

THE 401(A) MATCH PLAN

ELIGIBILITY

Maryland state employees who are members of the State Employees Modified Pension System are eligible for a match to their 457, 403(b),and 401(k) payroll plans. The match is a dollar-for-dollar match up to $600 each fiscal year. The state's match is deposited into a 401(a) account set up for each participant.

INVESTMENT OPTIONS

The investment options include an assortment of mutual funds and a fixed option. Pages 16 to 18 list by group the 2003 fund options for all plans with their historical performances and risk factors (betas).

The fixed option offers a fixed rate of return for a stated period. It is a pool of investment contracts selected from a pre-qualified list of insurance companies and fixed-income managers/underwriters. Page 15 gives performance information on the pool.

The board places collected funds into a new contract that is effective for a set period. The contract usually has a fixed rate of interest for the length of the contract. Some contracts, however, reset the rate of interest on a regular basis throughout the life of the contracts underlying investments at that time. Participants accounts are credited with a quarterly average yield that is a blend of all contracts in the pool.

The pool concept provides investment diversification. When investments are diversified, or spread among several carriers, default risk is lowered. Each carrier must meet standards established by the plans Board of Trustees. Before starting the Investment Contract Pool, the Board of Trustees established criteria to assure diversity and limit risk. All companies and/or fixed income managers/underwriters competing for investment contracts must meet these requirements.

DISTRIBUTION REQUIREMENTS

Participants may begin distributions at termination from state employment or at retirement. The account is also payable upon total disability or death. There may be an IRS penalty for withdrawals before a certain age.

Participants must begin distributions by 70 1/2 unless they are still working for the state (and have not yet retired). All distributions are subject to federal, state and local income tax.

Maryland Teachers & State Employees
Supplemental Retirement Plans
William Donald Schaefer Twr.
6 St. Paul Street - Suite 200
Baltimore, MD 21202-1608
1-800-543-5605
www.msrp.state.md.us