



MSRP

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

**Calendar Year
2005
Annual Report**

**Robert L. Ehrlich, Jr.
Governor**

**Michael S. Steele
Lt. Governor**

**Frederick W. Puddester
Chair, Board of Trustees**

**Michael T. Halpin, CRC, CRA
Secretary/Executive Director**



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The CY2005 Annual Report is brought to you by the Maryland Teachers and State Employees Supplemental Retirement Plans Board of Trustees.

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 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.

ABOUT THE MARYLAND SUPPLEMENTAL RETIREMENT PLANS

The Maryland Supplemental Retirement Plans consist of a 401(k) Plan, a 403(b) Plan and a 457 Plan. The Plans are governed by Title 35 of the State Personnel and Pensions Article of the Maryland Annotated Code. A Match of \$600 is provided to a 401(a) Plan for certain participants.

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 from the Plan participants.

BOARD OF TRUSTEES as of December 31, 2005

BOARD CHAIRPERSON

Mr. Frederick W. Puddester

Eligible-Participant Member

BOARD MEMBERS

Mr. Dennis J. Bell

Eligible Member

Mr. Stephen M. Cordi

Deputy Comptroller - Office of the Comptroller
State of Maryland Agency Representative

The Honorable Cecilia Januskiewicz

Secretary, Department of Budget and Management
State of Maryland Agency Representative

The Honorable Nancy K. Kopp

Treasurer - State of Maryland
State of Maryland Agency Representative

Mr. William W. Whitescarver

Public Member

Ms. Marcia Zercoe

Public Member

BOARD COMMITTEES

Investment Committee

William Whitescarver - *Chairperson*

Dennis Bell

Nancy Kopp

Marcia Zercoe

Audit Committee

Dennis Bell - *Chairperson*

Stephen Cordi

Cecilia Januskiewicz

Fred Puddester

BOARD 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 Financial Services

Third Party Administrator

Nationwide Retirement Solutions, Inc.

General Pension Consultant & Investment Advisor

The Segal Company/Segal Advisors, Inc.

BOARD STAFF

Michael T. Halpin, CRC, CRA
Executive Director

Roland L. Unger, CPA
Director of Finance

Bernice K. Weathers
Senior Accounting Specialist

Mirza C. Tumanon
Accounting Specialist

Lillie M. Jones
Accounting Assistant

Janet C. Wilt
Finance Secretary

Jennifer L. Kelley
Communications Specialist

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

Charles F. Meigs, Jr., CRC
Financial Field Representative

Valerie R. Schwaab, CRC
Financial Field Representative

Julia I. Graham, CRC
Financial Field Representative

Cheryl Wyndgarden
Financial Field Representative

Richard A. Arthur
Director of Technology

Anna Marie Smith
Executive Assistant

Dianne M. Raitzyk
Office Manager

Jacquetta L. Robinson
Receptionist

PROGRAM HIGHLIGHTS

- The number of participants in the 457(b), 403(b) and 401(k) plans combined increased by 4.6% in 2005. The total participants for all of the plans was 58,344.
- At year end, the net assets for all of the plans equaled \$2,138,252,358.
- The plans' mutual fund savings program returned \$2,501,405 to participants' accounts that were invested in the funds participating in the reimbursement program.
- Agency staff participated in 45 pre-retirement seminars and conducted 33 financial seminars, 105 informational booths, 38 orientation/overview seminars, 38 sessions of one-on-one meetings, 20 personal finance seminars, two termination seminars, three benefit fairs, one awards program and two benefit coordinator academies during the year. About 9,942 state employees attended these seminars and booths. Nationwide Retirement Solutions conducted 1,345 group meetings across the state with 16,248 employees attending.

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

INVESTED PLAN ASSETS

457(b) PLAN SUMMARY

	2005	2004
Participants	28,614	27,777
Total Net Assets	\$1,170,974,820	\$1,128,146,822
New Deferrals	\$57,805,559	\$55,252,547
Mutual Fund Savings	\$1,320,784	\$1,093,117
Net Investment Return*	\$59,094,157	\$86,020,363
Benefit Payments	(\$75,307,660)	(\$76,922,437)
Number of Loans / Loan Amount	969 / \$6,507,222	756 / \$5,135,942
Deferrals to Variable Options	65.8%	64.8%

403(b) PLAN SUMMARY

	2005	2004
Participants	982	1,023
Total Net Assets	\$69,336,969	\$67,323,565
New Deferrals	\$2,895,313	\$2,637,312
Mutual Fund Savings	\$147,405	\$122,028
Net Investment Return*	\$3,818,839	\$6,018,369
Benefit Payments	(\$4,848,153)	(\$4,416,482)
Number of Loans / Loan Amount	8 / \$153,475	9 / \$185,200
Deferrals to Variable Options	85.8%	87.2%

401(k) PLAN SUMMARY

	2005	2004
Participants	36,147	35,400
Total Net Assets	\$802,055,762	\$709,710,027
New Deferrals	\$86,342,964	\$84,646,299
Mutual Fund Savings	\$915,010	\$665,007
Net Investment Return*	\$42,896,909	\$59,055,221
Benefit Payments	(\$37,809,148)	(\$29,311,067)
Number of Loans / Loan Amount	1,442 / \$7,139,280	1,140 / \$6,033,618
Deferrals to Variable Options	74.6%	74.7%

401(a) PLAN SUMMARY

	2005	2004
Participants	41,746	37,452
Total Net Assets	\$95,884,807	\$81,823,548
New Deferrals	\$11,891,617	\$19,092
Mutual Fund Savings	\$118,206	\$88,561
Net Investment Return*	\$4,861,058	\$7,141,303
Benefit Payments	(\$2,809,622)	(\$2,206,489)
Number of Loans / Loan Amount	N/A	N/A
Deferrals to Variable Options	N/A	N/A

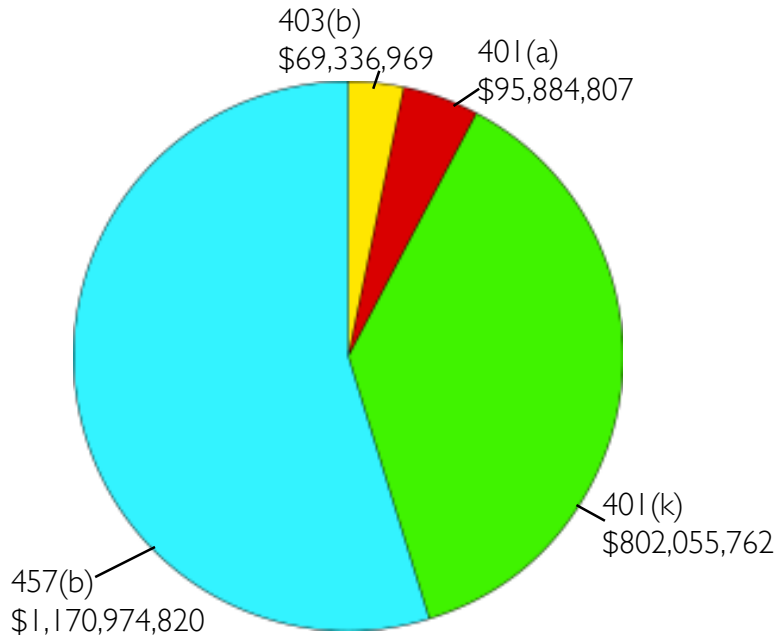
*Net investment return is gross investment return minus the 30 basis point (0.30%) asset fee.

Sources:

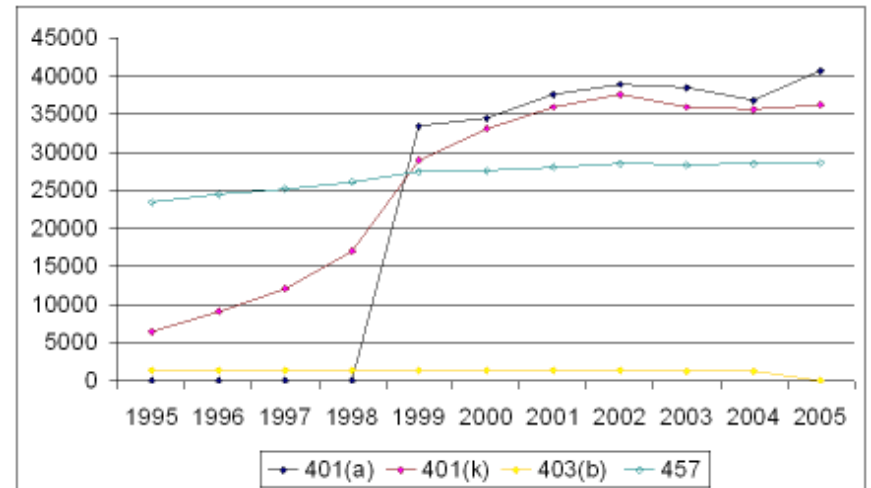
1. Clifton Gunderson LLP. Financial Statements.
2. Nationwide Retirement Solutions, Inc.
3. Maryland Teachers & State Employees Supplemental Retirement Plans.

SUMMARY OF PLAN ASSETS

At year-end, the net assets for all of the plans, including the 401(a) match plan, equaled \$2,138,252,358.



PARTICIPANT ACCOUNTS PER PLAN PLAN COMPARISON



PARTICIPANT ACTIVITY

2005 TOTALS FOR ALL PLANS

Participants in Multiple Plans	7,399
TOTAL Participants	58,344
Participants with Multiplan Deferrals	2,911
TOTAL Deferring Participants	40,170
Participants with Multiplan Payouts	273
TOTAL Participants with Systematic Payouts	3,158

457(b) DEFERRED COMPENSATION PLAN

	2005	2004
Participants	28,614	27,777
Net New Enrollments	837	-517
Deferring Participants	16,701	16,314
Average Deferral	\$3,461	\$3,387
Annuitants	701	745
Systematic Payouts	2,628	2,648

401(k) SAVINGS & INVESTMENT PLAN

	2005	2004
Participants	36,147	35,400
Net New Enrollments	747	-467
Deferring Participants	26,006	25,680
Average Deferral	\$3,320	\$3,296
Annuitants	2	2
Systematic Payouts	565	506

403(b) TAX DEFERRED ANNUITY PLAN

	2005	2004
Participants	982	1,023
Net New Enrollments	0	0
Deferring Participants	374	379
Average Deferral	\$7,741	\$6,959
Annuitants	3	4
Systematic Payouts	66	68

401(a) MATCH PLAN

	2005	2004
Participants	41,746	37,452
Net New Enrollments	4,294	(no match)
Deferring Participants		
Average Deferral		
Annuitants	0	0
Systematic Payouts	172	237

PARTICIPANT ACCOUNTS PER PLAN

NOTE: IMPROVED DATA REPORTING HAS RESULTED IN CORRECTED INFORMATION FOR THE CURRENT AND PRIOR YEAR STATISTICS OF PARTICIPANT ACTIVITIES. AUDITED FINANCIAL INFORMATION IS UNCHANGED.

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).

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

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.

BOARD INCOME & EXPENDITURES*

	2005	2004
Total Revenues	\$1,394,092	\$1,957,150
Expenditures		
Salaries, Wages and Fringe Benefits	\$914,122	\$1,026,554
Technical and Special Fees	\$8,616	\$12,386
Communications	\$29,931	\$10,131
Travel (In-State and Out-of-State)	\$11,822	\$24,229
Contractual Services	\$248,172	\$229,405
Supplies and Materials	\$14,545	\$13,878
Fixed Charges	\$105,497	\$101,016
Equipment and Furnishings	\$14,393	\$2,962
Total Expenditures	\$1,347,098	\$1,420,561
Revenues Less Expenditures	\$46,994	\$536,589
Reserve Balance	\$887,982	\$887,759

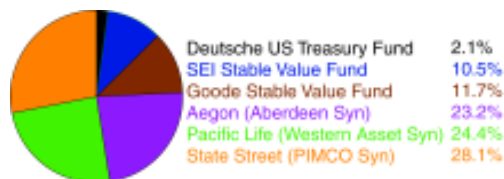
INVESTMENT CONTRACT POOL

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

Effective Periods

1st Quarter, 2005	4.0%
2nd Quarter, 2005	4.4%
3rd Quarter, 2005	4.4%
4th Quarter, 2005	4.6%

Participant Blended Rate



2005 Matured Contracts

None

NOTES:

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

Source: Maryland Teachers & State Employees Supplemental Retirement Plans.

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, 2005, the annual asset fee is 30 basis points (0.30%) for plan administration.

Sources:

ING Financial Services
 Maryland Teachers & State Employees Supplemental Retirement Plans.
 Nationwide Retirement Solutions, Inc.

MUTUAL FUNDS

Percentage Rates of Return for Period Ending December 31, 2005

		1 YEAR	5 YEARS	10 YEARS	5-YEAR BETA
Money Market Fund	Vanguard Prime Money Market Fund				
	[403(b) plan only] INDEX: Citigroup 3-month Treasury Bill	3.00% 3.00%	2.16% 2.21%	3.71% 3.72%	N/A N/A
Bond Fund	Federated U.S. Government Securities Fund: 2-5 Years	0.87%	4.52%	4.97%	1.05%
	INDEX: Lehman Bros. Interm. Govt. Bond	1.68%	4.82%	5.50%	N/A
Conservative: Balanced Funds	PIMCO Total Return Fund Institutional Shares	2.88%	6.62%	6.91%	1.00%
	INDEX: Lehman Bros. Aggregate Bond	2.43%	5.87%	6.16%	N/A
	Fidelity Puritan Fund	4.67%	4.95%	8.71%	1.06%
	INDEX: 60% S&P/40%	4.01%	2.99%	8.25%	N/A
	Scudder Flag Investors Value Builder Fund – Institutional Shares	0.92%	3.92%	9.62%	1.39%
	INDEX: 70% S&P/30%	4.24%	2.42%	8.50%	N/A
Moderate: Growth & Income Funds	Fidelity Growth & Income Portfolio	2.71%	-0.06%	7.96%	0.76%
	Legg Mason Value Trust Navigator Class	6.36%	5.53%	16.34%	1.12%
	Vanguard Institutional Index Fund	4.90%	0.54%	9.06%	1.00%
	INDEX: Standard & Poors 500	4.91%	0.54%	9.07%	1.00%
	Growth Fund of America Class A Shares	14.23%	3.06%	13.33%	0.95%
	INDEX: Russell 1000 Growth	5.26%	-3.58%	6.73%	N/A
	Washington Mutual Investors	3.55%	4.36%	10.01%	0.85%
INDEX: Russell 1000 Value	7.05%	5.28%	10.94%	N/A	
Aggressive: Growth Funds	Dreyfus Mid Cap Index Fund	12.05%	8.08%	13.74%	1.00%
	INDEX: Russell Mid Cap Blend	12.65%	8.45%	12.49%	N/A
	Delaware Trend Fund – Institutional Class	5.37%	1.63%	10.11%	0.96%
	INDEX: Russell Mid Cap Growth	12.10%	1.38%	9.27%	N/A
Lord Abbett Mid Cap Value Fund		8.16%	10.33%	15.28%	0.88%
	INDEX: Russell Mid Cap Value	12.65%	12.21%	13.65%	N/A
More Aggressive: Small-Cap Funds	T. Rowe Price Small-Cap Stock Fund	8.44%	9.33%	12.07%	0.82%
	INDEX: Russell 2000	4.55%	8.22%	9.26%	N/A
International Funds	EuroPacific Growth Fund	21.12%	7.79%	10.60%	0.92%
	INDEX: MSCI EAFE	13.54%	4.55%	5.84%	N/A

DEFINITIONS

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 asset fees.

Betas

Five-Year Beta. The beta coefficient is a statistical measure of a stock's relative volatility (or risk). For comparative purposes, the Fund's beta are measured relative to the S&P 500 Index, a measure of broad market activity. The Standard & Poors 500 Index (S&P 500) has a beta coefficient of 1.00. A stock with a higher beta is more volatile than the S&P 500. A stock with a lower beta is less volatile than the S&P 500. The five-year beta is representative of statistical data from January 1, 2000 through December 31, 2005.

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.

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. This index takes 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 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.

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.

Sources:

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

PLAN COMPARISON CHART 2005

Questions	457(b) Deferred Compensation Plan	401(k) Savings & Investment Plan	403(b) Annuity Plan
Who is eligible to participate?	All state employees		State educational institution employees.
Who is eligible for the state match?	All state employees in the State Employees Modified Pension System.		
Are payroll deductions pre-tax?	Yes (but not for FICA)		
What is the minimum I may contribute?	\$5 per biweekly pay		
What is the maximum contribution?	\$14,000 (may be adjusted in future years for inflation)		
May I "catch-up" in a later year?*	Age 50 or older \$4,000 bonus deferral or special 457 Catch-up	Age 50 or older bonus \$4,000 deferral	
How often may I change my contribution amount?	Unlimited		
What are the costs to participate?***	0.30% of your account value, no more than \$1,800 for CY 2005		
What are the current investment options?	Fixed - Investment Contract Pool Variable Mutual Funds	Variable Mutual Funds	
May I roll over money from other retirement accounts into my Maryland Supplemental Retirement account?	Yes - from a 457(b), 401(k), 403(b) / thrift savings plan or traditional IRA into your supplemental retirement account		
May I roll over my supplemental retirement accounts to another type of retirement account, like an IRA?	Yes - to a 457(b), 403(b), 401(k) or traditional IRA, upon leaving state service		
May I withdraw money from my account while employed?	Yes, but only if you are 70 1/2 or older, or qualify for an unforeseen emergency withdrawal.	Yes, but only if you are 59 1/2 or older, or qualify for a hardship withdrawal	
When may I begin withdrawals from my account without penalty?***	When you leave state employment, regardless of age.	If you leave state employment at age 55 or older, or at age 59 1/2	
May I change my withdraw options once I start my payout?	Yes		
Is there a loan provision and a hardship/emergency provision?	Yes/Yes		

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

* See "At A Glance" Booklet

** In addition, each of the mutual funds offered by the plan has fund expenses that 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.

*** Withdrawals are taxed as ordinary income. The IRS early withdrawal penalty is 10%.



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Supplemental Retirement Plans
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