



# **Annual Comprehensive Financial Report**

## **MARYLAND TEACHERS & STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS**

**401(k), 457(b), 403(b), 401(a) Plans, A Fiduciary Component Unit Trust Fund in the State of Maryland**

**For the calendar years ended December 31, 2022 and 2021**

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# Annual Comprehensive Financial Report

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

*A Fiduciary Component Unit Trust Fund in the State of Maryland*

For the Calendar Years Ended  
December 31, 2022 and 2021

401(k) Savings & Investment, 457(b) Deferred Compensation, 403(b) Tax Sheltered  
Annuity, and 401(a) Match Plans

**Prepared by:**

Maryland Teachers & State Employees Supplemental Retirement Plans  
William Donald Schaefer Tower  
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# **Introductory Section**

## **(Unaudited)**

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Annual Comprehensive Financial Report 2022



# MSRP

*Maryland*

*Teachers & State Employees  
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

**Board of Trustees**

Hon. T. Eloise Foster  
*Board Chair*

Thomas M. Brandt, Jr.  
Hon. Dereck E. Davis  
Lynne M. Durbin, Esq.  
Jaclyn Hartman  
Thomas P. Hickey  
John D. Lewis  
Johnathan R. West

**Staff**

Ronda Butler Bell, MPA  
*Executive Director  
& Board Secretary*

Debra L. Roberts, Ph.D., CPA  
*Deputy Executive Director &  
Chief Financial Officer*

Tonya M. Toler, CRC®, CPM  
*Director of Member Services*

• • •

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Or 1-800-735-2258*

*Fax: 410-659-0349*

*Visit the MSRP Board website at  
<http://MSRP.maryland.gov>*

*Call About the Plans  
or to enroll  
**1-800-545-4730**  
or enroll on-line at  
[www.MarylandDC.com](http://www.MarylandDC.com)*

## **A letter from Board Chair T. Eloise Foster**

On behalf of the Board of Trustees of the Maryland Supplemental Retirement Plans (MSRP), I am pleased to present our Annual Comprehensive Financial Report (ACFR) for the calendar year ended December 31, 2022. This is our twelfth 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 2022 calendar year with an estimated \$4.7 billion in assets, representing a 16.3% decrease from 2021. The decreases in Plan assets were attributable to the high inflationary environment and slowed economic growth. The final quarter of the calendar experienced higher returns and thus provided some relief to the Plans' assets, resulting in solid performance in domestic and international equities, which increased by 7.2% and 14% respectively thus offsetting some of the previous quarter negative returns.

During 2022, we continued our efforts to educate participants in many subject areas and as result, MSRP received participant communication awards from National Association of Government Defined Contribution Administrators (NAGDCA) and Pensions & Investments. Details of these awards are provided on page 8 of this report.

On April 24, 2023, Governor Moore signed legislation that reinstated the Match Program. Effective July 1, 2023, this program allows employees to receive a dollar-for-dollar match not to exceed \$600 during the fiscal year, subject to eligibility requirements. In addition, this legislation also includes provisions for reimbursement of student loan payments made by eligible employees to higher education institutions. Employees may receive the match for deferrals/contributions or higher education student loan payment reimbursement, but not for both, and they must elect to utilize the higher education student loan payment match provision each calendar year, beginning January 1, 2024.

MSRP received its tenth consecutive "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association for its ACFR for the calendar year ended December 31, 2021. Although the award will not be sought for the calendar year 2022 Certificate of Achievement, MSRP will continue its efforts to submit its ACFR for recognition for the calendar year 2023, as it signifies the sound administration of the Plans. We also believe that this 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, Chair



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

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

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2021

*Christopher P. Morrill*

Executive Director/CEO

## **Another Year of Award Winning Financial Education for Member Services!**

In 2022, the MSRP Member Services Education (MSE) Team offered new creative strategies to provide innovative solutions to continue to effectively educate employees.

### **NATIONAL PARTICIPANT COMMUNICATIONS AWARDS**



The MSE team's educational efforts were acknowledged with 2 national awards for participant communications: the NAGDCA Award and the Pension and Investments EDDY Award. The NAGDCA Award recognizes the brightest ideas and most innovative solutions across the public sector defined contribution industry. The Pension & Investments EDDY Award recognizes best practices in offering financial education and communication by defined contribution plans.

Our award submissions "[How Much? How Long? Increase Campaigns](#)" outlined our strategy to get relevant messaging to members during windows of opportunity throughout their careers. We emphasized how timing is a critical component of financial planning, and that knowing the "whens" and "how much" should be more specific than "whatever you can, all the time." Numerous tactics to target specific audiences at the right time: eligible employees, young savers, mid-career members, and late career members were incorporated into our educational efforts. We saw great success in total increases and enrollments as a result of this campaign.

### **MSRP MONTHLY EDUCATIONAL WEBINARS**

The MSE team continued to offer 15-20 monthly financial webinars focused on early, mid, and late career employees. In addition, the "Building Blocks" series (the Basics, Building Investment Knowledge, and Ready, Set, Retire!) was offered twice monthly to educate about building the foundation needed for financial success. Also, our lineup included State guest speakers who provided important information about the State Pension, Health Benefits, the State Payroll website, and additional topics relevant to State employees.



## MARYLAND STATE EMPLOYEES \$AVE WEEK

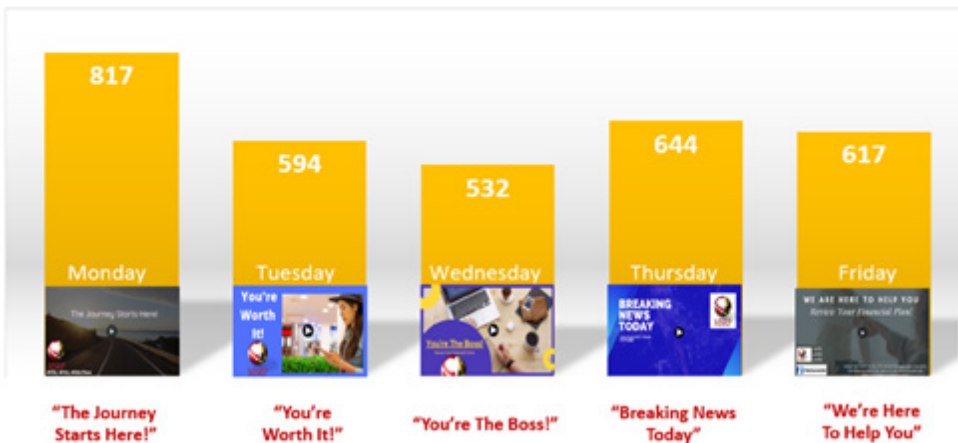


In recognition of Financial Literacy Month, a nationally recognized campaign to bring awareness for more financial education in schools and for adults, MSRP initiated “Maryland State Employees \$ave Week” which was held April 25th through April 29th. The event was launched as a part of MSRP’s ongoing enrollment campaign.

During the campaign, daily videos designed to be both educational and entertaining were sent to registrants. The videos were designed to inspire viewers to follow through with an immediate call to action to improve their financial outcomes. By making our messaging meaningful and appealing, we were able to reach our combined goals of providing important financial education to State employees and increasing Plan enrollment. Going forward, the plan is to make this campaign an annual event.

## Maryland State Employees \$ave Week 2022

Total Registrants: 1,139  
Total Views: 3,204



## THIRD ANNUAL VIRTUAL SAVING\$ SYMPOSIUM



MSRP hosted its third annual Virtual Saving\$ Symposium in October, 2022. The virtual format continues to allow us to capture a broader audience across the State than in-person expos held in prior years.

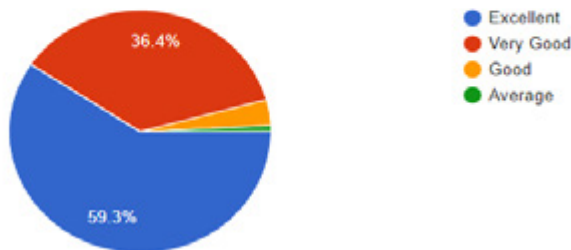
The theme for the 2022 Saving\$ Symposium was “A World of Financial Opportunities...Can Lead to A World of Possibilities.” The Symposium was scheduled to be held in conjunction with National Retirement Security Month. This designated month provides an opportunity for employees to reflect on their personal retirement goals and determine if they are on target to reach those goals.

The following institutions, companies, and agencies participated in the 2022 Saving\$ Symposium: William Blair, Janus Henderson Investors, State Street Global Advisors, Capital Group, T.Rowe Price, Delaware Funds by MacQuarie, Vanguard, Fidelity, TCW, Parnassus, Nationwide, Maryland Central Payroll, Maryland 529, Maryland Insurance Administration, Maryland Department of Budget and Management, Maryland Extension, Maryland State Retirement and Pension System, PK Law -Estate Planning Attorney, Maryland Center for Collegiate Financial Wellness, and the Social Security Administration.

The 2022 MSRP *Virtual* Saving\$ Symposium was a success with 1,980 individuals registered, a combined registration among all offered webinars of 11,792, and a total of 3,230 in attendance. There was a 9.5% increase in attendance at the 2022 *Virtual* Saving\$ Symposium over last year’s Symposium. The pie chart below was generated by Google Forms based on responses collected from the survey that was sent to registrants following the event.

How would you rate the overall content provided during the Saving\$ Symposium?

236 responses







**November 30, 2023**  
**Letter of Transmittal**

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

457 • 401(k) • 403(b) • Match

**Board of Trustees**

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• • •

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[www.MarylandDC.com](http://www.MarylandDC.com)

Honorable Chair and Members of the Board of Trustees:

It is our pleasure to present the 2022 Annual Comprehensive Financial Report (ACFR) of the Maryland Teachers and State Employees Supplemental Retirement Plans (the "Plans"). The Plans consist of four separate defined contribution plans: the 457 Deferred Compensation, 401(k) Savings & Investment, 403(b) Tax Sheltered Annuity and 401(a) Match Plans. Together, the Plans constitute fiduciary trust funds in the State of Maryland, administered by the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (the "Board").

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

RSM-US, LLP, a firm of licensed certified public accountants, has issued a clean opinion on the Plans' financial statements for the calendar year ended December 31, 2022. The independent public accountants' report is located at the front of the Financial Section of this ACFR.

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, narrative, overview, and analysis can be found in the Management's Discussion and Analysis in the Financial Section of the ACFR.

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 serve as a supplemental benefit that works in conjunction with the State pension benefit. MSRP provides retirement savings options to all eligible State of Maryland employees who have elected to participate. All work performed by MSRP staff is done in support of this objective.

At the end of 2022, the Plans' assets totaled \$4.7 billion, down from calendar 2021 year end of \$5.6 billion. The decrease was associated with market declines in equity and bonds during the year 2022 following record gains in 2021.

## Economic Outlook and Conditions

Following the 2022 give-back of some of 2021's gains, the securities market has stabilized in 2023. The failure of several medium-sized banks had minor market effects as federal regulators have ensured all depositors were protected. The Federal Reserve is carefully taking steps to reduce inflation.

A comparative analysis of rates of return of MSRP investments and their respective benchmarks is presented in the Investment Section of this ACFR, 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 participant fees which include a 0.0425% 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. Effective March 1, 2022, the Board approved a reduction of the asset fee to 0.0325%. The Plans implemented a 4th quarter 2022 fee holiday, reducing the reserve balance to 25% of the annual budget allowance. 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, 2022, was \$592,401.

## New Initiatives

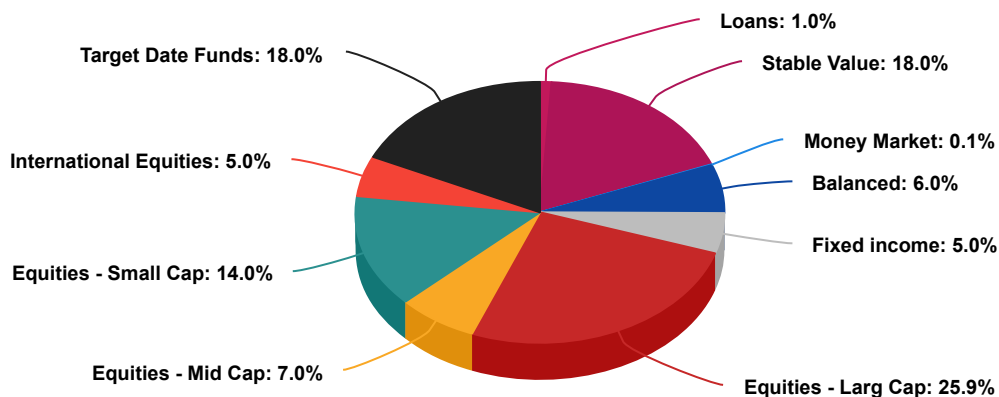
On April 24, 2023, Governor Wes Moore signed HB 0982 reinstating the Match Program, effective July 1, 2023. This program provides deferring/contributing participants and those paying higher education student loans a 100% vested \$600 dollar-for-dollar match each fiscal year beginning July 1, 2023. State employees will receive the match for either deferral/contributions or higher education student loan reimbursements, but not both. The higher education student loan payment match provision authorization date is January 1, 2024.

The Setting Every Community for Retirement Enhancement (SECURE) Act was effective in January of 2020. The SECURE Act 2.0 was effective in December of 2022. This updated legislation intended to build on the original law by adding automatic enrollment features for private retirement plans (government plans were not included), increasing the required minimum distribution age, flexible hardship withdrawal provisions, changes to IRA-based plans and contribution limits. The required provisions that impact the Plans were fully implemented during the year.

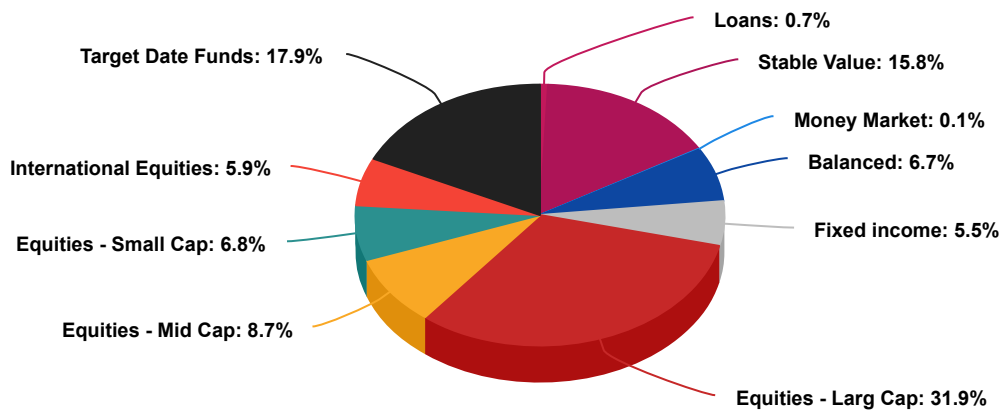
## Investments

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 ACFR. The following charts set forth the asset allocation for the Plans as of December 31, 2022, and 2021, respectively. See the Investment Section of the ACFR for a more detailed analysis and additional information.

Asset Allocation as of December 31, 2022



Asset Allocation as of December 31, 2021



## Professional Services

The Board contracts for the services of various independent plan administrative/recordkeeping, consulting, investment advisory, and financial professionals to assist in carrying out its responsibility to manage the Plans. Nationwide Retirement Solutions provides MSRP's plan administration and record-keeping services for the Plans. Additionally, through JP Morgan Chase, Nationwide provides custodial banking services for payroll deductions received in participant accounts and distributions made from their accounts for the 403(b) Plan. T. Rowe Price provides fund investment management services for the investment contract pool. NFP Retirement and Financial Resources Integrity Management (FIRM) co-partner as the investment advisor and general Plan consultant.

The independent public accountant's report on the MSRP basic financial statements is included in the Financial Section of this ACFR. The Investment Advisor's Report prepared by NFP Retirement is included in the Investment Section beginning on page 59.

## 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 Annual Comprehensive Financial Report (ACFR) for the calendar year ended December 31, 2021. This was the eleventh 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 annual comprehensive 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 2022 ACFR continues to meet the Certificate of Achievement Program's requirements, although the report will not be submitted for award consideration.

As a direct result of the outstanding leadership for innovative solutions in participant communications in 2022, MSRP received two awards from National Association for Government Defined Contribution Plans (NAGDCA) and Pensions & Investments (P&I).

## Acknowledgements

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

Very truly yours,



Ronda Butler Bell, MPA  
Executive Director  
Secretary to the Board of Trustees



Debra L. Roberts, Ph.D. CPA  
Deputy Director  
Chief Financial Officer

## ABOUT THE BOARD

The Maryland Teachers and State Employees 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. Of the nine members:

- Three members must be from any of the following units of State government:
  - the Department of Budget and Management;
  - the Maryland State Department of Education;
  - the Comptroller of the Treasury;
  - the Office of the State Treasurer;
  - the Maryland State Retirement Agency; or
  - the Maryland Higher Education Commission;
- Three members must be eligible to participate in one or more of the Plans, at least one of whom is eligible to participate in the 403(b) plan; and
- Three members from the public who are not eligible to participate in the Plans, at least one of whom has experience with defined contribution and salary reduction plans.



## *MSRP Board of Trustees*



**T. Eloise Foster, *Board Chair***  
Former Secretary, Department of  
Budget and Management  
Eligible Member



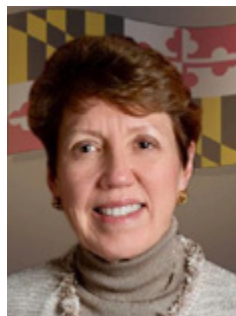
**Dereck E. Davis**  
Treasurer  
State Agency Member



**Johnathan R. West**  
Eligible Member  
Audit Committee



**Thomas M. Brandt, Jr.**  
Public Member  
*Audit Committee Chair*



**Lynne M. Durbin, Esq.**  
Public Member  
Investment Committee

Photo  
Not  
Available

**Jaclyn D. Hartman**  
Eligible Member



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



**John D. Lewis**  
Public Member  
*Investment Committee Chair*

**Vacant**  
Eligible Member

## **PROFESSIONAL SERVICE PROVIDERS**

### **Plan Administration**

Nationwide Retirement Solutions, a subsidiary of Nationwide Financial Services, Inc.

### **Independent Investment Advisors**

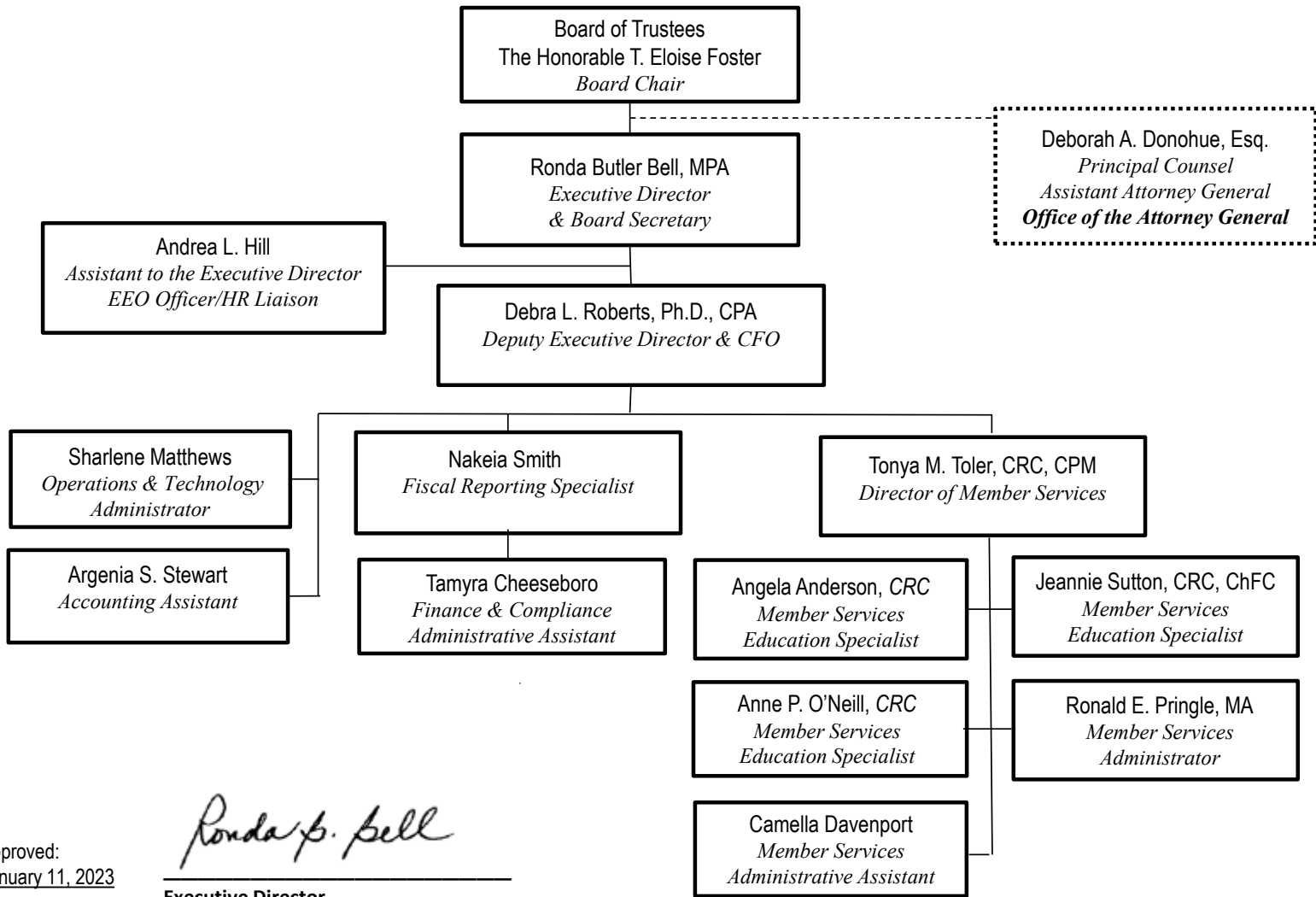
NFP Retirement, Inc (NFP)

T. Rowe Price & Associates, Inc.

### **Independent Public Accountants**

RSM US LLP

# Maryland Teachers & State Employees Supplemental Retirement Plans



Approved:  
January 11, 2023

*Ronda B. Bell*  
\_\_\_\_\_  
Executive Director





# Financial Section

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Annual Comprehensive Financial Report 2022

## Independent Auditor's Report

RSM US LLP

Board of Trustees  
Maryland Teachers & State Employees Supplemental Retirement Plans

### Opinions

We have audited the financial statements of the Maryland Teachers & State Employees Supplemental Retirement Plans (MSRP), a component unit of the State of Maryland, which comprise the statements of fiduciary net position as of December 31, 2022 and 2021, the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements. We also have audited the financial statements of each of the plans presented in the combining statements of fiduciary net position as of December 31, 2022 and 2021, the related combining statements of changes in fiduciary net position for the years then ended, and the related notes to the combining financial statements. These statements collectively comprise the MSRP's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the MSRP, as of December 31, 2022 and 2021, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of each plan of the MSRP, as of December 31, 2022 and 2021, and the respective changes in fiduciary net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MSRP, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the MSRP's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MSRP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the MSRP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 is the responsibility of management and, 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 GAAS, 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.

**Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the MSRP's basic financial statements. The schedules of administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audits 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 GAAS. In our opinion, the schedules of administrative expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section, investment section, and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*RSM US LLP*

Baltimore, Maryland  
November 30, 2023



## Management's Discussion and Analysis (Unaudited)

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans (MSRP) has prepared this narrative as an explanatory supplement to the audited financial statements of the Plans for calendar years ended December 31, 2022 and 2021. The financial statements appear on page 27 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 Statements of Net Position and Statements of Changes in Net Position Held in a Trust for Defined Contribution Benefits, together with related note disclosures (where necessary or appropriate), to explain a particular item or its context. Each Plan – the 457(b) Deferred Compensation, 401(k) Savings & Investment, 403(b) Tax Sheltered Annuity, and 401(a) Match Plan – has a separate, stand-alone financial statement. A combining statement of Net Position Held in Trust for Defined Contribution Benefits that consolidates the assets and transactions of all four Plans begins on page 33 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 and 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 decreased by \$893.3 million, or 16.0%, to \$4.68 billion at December 31, 2022, from \$5.58 billion at December 31, 2021. Net position available for Plan benefits increased by \$635.5 million, or 12.9%, to \$5.58 billion at December 31, 2021, from \$4.94 billion at December 31, 2020. Strong performance during the final quarter of 2022, attributable to equity investment reduced the overall decrease in net position at the end of the year. During 2021, robust performance during the final quarter led to a net increase in net assets from calendar year 2020. There was a small decrease in participant contributions, attributable to COVID-19 economic impact; when compared to the \$18M increase from 2020 to 2021.
- Employee deferrals/contributions into the Plans decreased by \$0.2 million, or 0.1%, to \$190 million for the year ended December 31, 2022, from \$190.2 million for the year ended December 31, 2021. Employee contributions into the Plans increased by \$10.3 million, or 6%, to \$190.2 million for the year ended December 31, 2021, from \$179.9 million for the year ended as of December 31, 2020.
- Due to the suspension of the funding for the State Match program in State Fiscal Year 2010, 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). The State Match program has been reinstated as of July 1, 2023. A State higher education student loan payment match for deferring/contributing participants will be authorized as of January 1, 2024. Please see the accompanying notes following the Basic Financial Statements.
- In calendar year 2022, participant distributions decreased by \$22.9 million to \$277.7 million, from \$300.6 million for the year ended December 31, 2021. At December 31, 2021, participant distributions increased by \$48.1 million to \$300.6 million from \$252.4 million at December 31, 2021. The notes to the financial statements can be found on page 37 of this report. Because of the pandemic, in 2020, participants eligible for retirement may have elected to defer retirement or reduce distributions resulting in an overall decrease in distributions during the year. Also, positive investment earnings may have contributed to a net reduction of distributions.

**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.

**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 ACFR.

The chart located on the following page illustrates a summary of the changes in the four Plans from calendar year 2021 to calendar year 2022, with the most recent year presented on the left.

The grouped bar for each year reflects a balance of assets that is increased that year by contributions from participant payroll deductions and transfers into 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 bar indicates the net 12-month investment gain or loss for all Plans as of the respective year end.

**Request for Information**

Board of Trustees are fiduciaries of the Maryland Teachers & State Employees Supplemental Retirement Plans and, as such, are charged with the responsibility of ensuring that the Plans' assets are used exclusively for the benefit of Plan participants and their beneficiaries. This ACFR is designed to provide an overview of the Plans' finances and to demonstrate accountability for the resources entrusted to the Plans for the benefit of all the Plans' stakeholders. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Maryland Teachers & State Employees Supplemental Retirement Plans

Attn: Andrea L. Hill

Public Information Act Representative

6 St Paul Street, Suite 200

Baltimore, Maryland 21202-1600

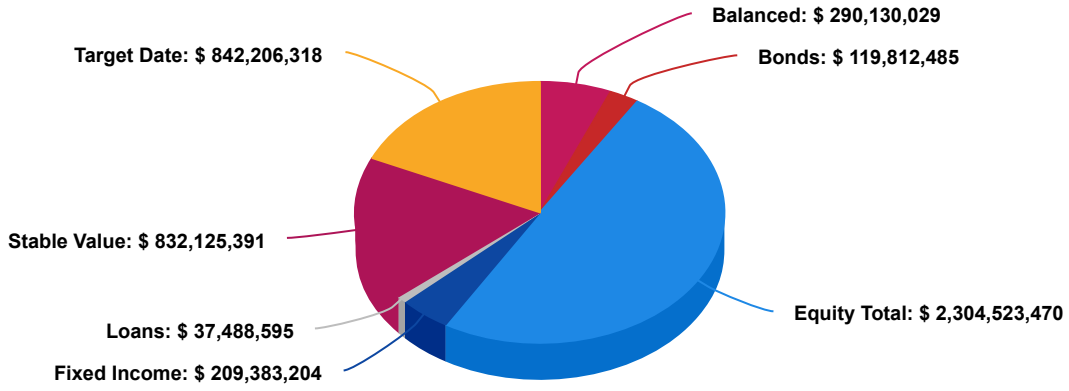
**Condensed Summary of Fiduciary Net Position**

	2022	2021	2020
<b>Assets</b>			
Investments	<b>\$ 4,635,669,492</b>	\$ 5,527,572,560	\$ 4,891,081,692
Total investments	<b>4,635,669,492</b>	5,527,572,560	4,891,081,692
Cash surrender value of life insurance contracts	<b>2,753,016</b>	2,775,032	2,928,485
Cash	<b>592,401</b>	1,255,359	1,443,070
Receivables:			
Loans receivable	<b>37,488,595</b>	38,494,449	39,645,289
Other receivable	<b>6,071,526</b>	5,767,735	5,256,224
<b>Fiduciary Net Position</b>	<b><u>\$ 4,682,575,030</u></b>	<u>\$ 5,575,865,135</u>	<u>\$ 4,940,354,760</u>

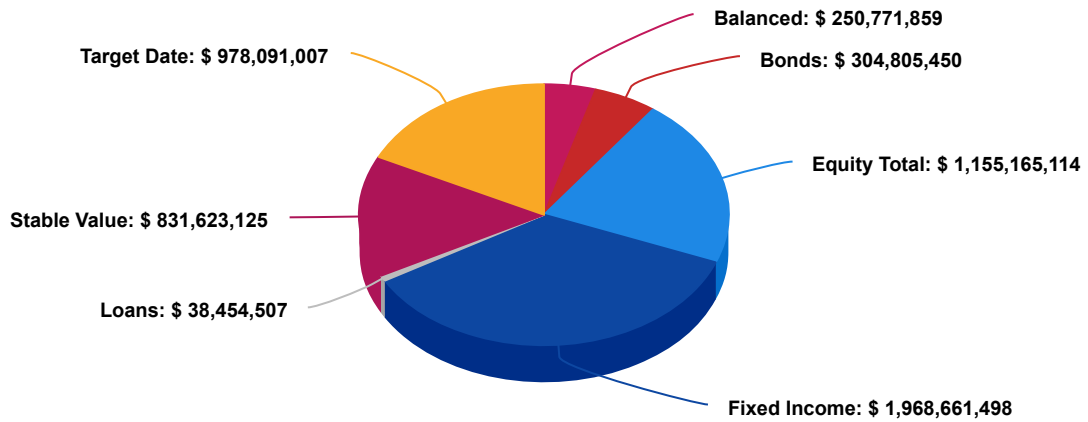
**Condensed Summary of Change in Fiduciary Net Position**

	2022	2021	2020
<b>Additions</b>			
Employee contributions	<b>\$ 189,971,046</b>	\$ 190,217,444	\$ 179,872,866
Participant Fees	<b>1,336,367</b>	1,766,789	2,035,000
Variable earnings reimbursements	<b>1,671,106</b>	1,786,049	1,990,832
Investment income:			
Variable earnings investment (loss)/Income	<b>(818,461,864)</b>	733,896,717	605,341,098
Other income	<b>19,851,311</b>	18,292,463	22,356,074
<b>Total Additions</b>	<b><u>(605,632,034)</u></b>	<u>945,959,462</u>	<u>811,595,870</u>
<b>Deductions</b>			
Distributions to participants	<b>277,699,840</b>	300,550,087	252,429,639
Fees taken from participants	<b>7,762,224</b>	7,964,928	7,242,787
Net administrative expenses - Board	<b>2,194,577</b>	1,932,632	1,509,989
Life insurance premiums	<b>1,430</b>	1,440	2,375
<b>Total Deductions</b>	<b><u>287,658,071</u></b>	<u>310,449,087</u>	<u>261,184,790</u>
Net Change	<b>(893,290,105)</b>	635,510,375	550,411,080
Fiduciary Net position			
Beginning of the year	<b><u>5,575,865,135</u></b>	<u>4,940,354,760</u>	<u>4,389,943,680</u>
<b>Fiduciary Net Position End of Year</b>	<b><u>\$ 4,682,575,030</u></b>	<u>\$ 5,575,865,135</u>	<u>\$ 4,940,354,760</u>

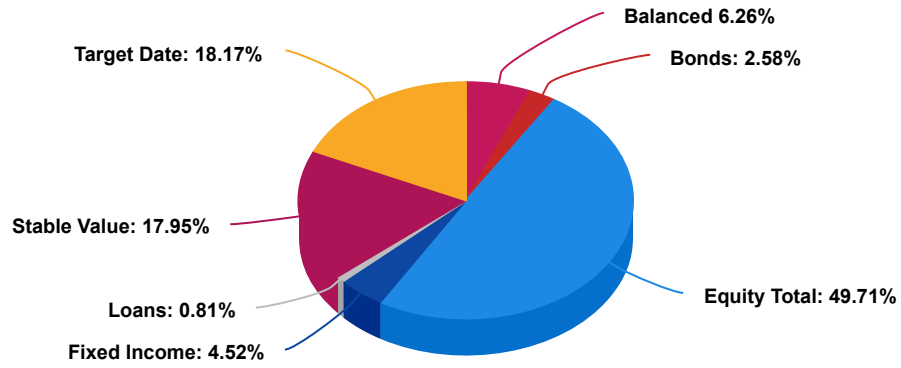
**Plans Investments by Category 2022**



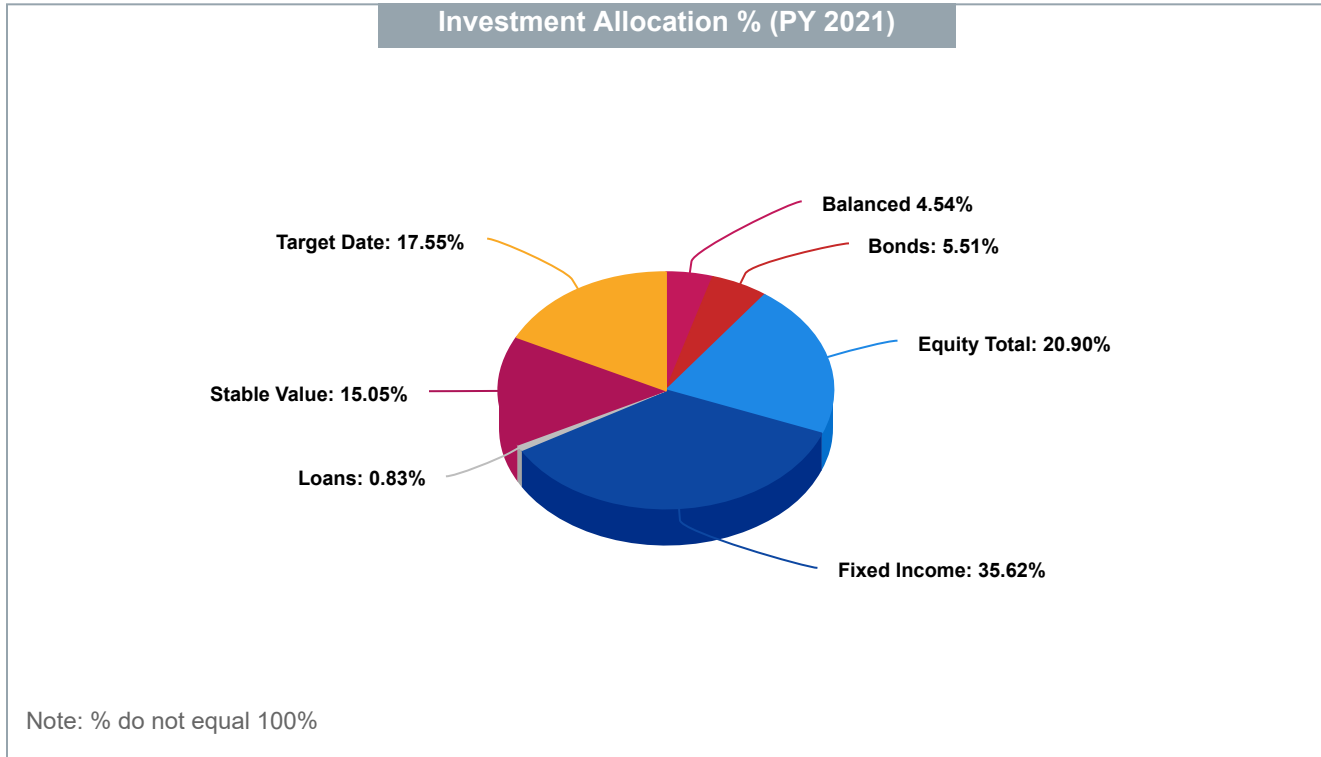
**Plans Investments by Category 2021**



Investment Allocation % (CY 2022)



Note: % do not equal 100%





# Basic Financial Statements

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Annual Comprehensive Financial Report 2022

**Statement Of Fiduciary Net Position**  
**As of December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets and Net Position</b>		
Investments		
Investment contract pool	\$ 832,125,391	\$ 831,623,125
Mutual funds/Collective Investment Trusts:		
Equity funds	938,510,380	1,155,165,114
Target date funds	842,206,318	978,091,007
Fixed income funds	1,970,565,655	2,506,422,218
Annuities	52,261,748	56,271,096
<b>Total Investments</b>	<u>4,635,669,492</u>	<u>5,527,572,560</u>
Cash surrender value of life insurance contracts	2,753,016	2,775,032
Cash	592,401	1,255,359
Receivables:		
Employee contributions	6,071,526	5,572,480
Participant loans receivable	37,488,595	38,494,449
Other receivable	-	195,255
<b>Fiduciary Net Position</b>	<u>\$ 4,682,575,030</u>	<u>\$ 5,575,865,135</u>

The accompanying notes are an integral part of the financial statements



**Statement Of Fiduciary Net Position  
December 31, 2022**

	Deferred Compensation 457 Plan	Savings and Investment Plans 401(k)	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
<b>Investments</b>					
Investment contract pool	\$ 415,226,311	\$ 388,161,548	\$ 28,737,532	\$ -	\$ 832,125,391
Mutual funds/Collective Investment Trusts					
Equity funds	394,070,302	436,855,660	43,233,856	64,350,562	938,510,380
Target date funds	380,034,609	425,065,385	24,346,147	12,760,177	842,206,318
Fixed income funds	785,444,795	1,047,373,936	109,247,800	28,499,124	1,970,565,655
Annuities	52,261,748	-	-	-	52,261,748
<b>Total Investments</b>	<u>2,027,037,765</u>	<u>2,297,456,529</u>	<u>205,565,335</u>	<u>105,609,863</u>	<u>4,635,669,492</u>
Cash surrender value of life insurance contracts	2,753,016	-	-	-	2,753,016
Cash	592,401	-	-	-	592,401
Receivables:					
Employee contributions	3,171,947	2,813,287	25	86,267	6,071,526
Participant loans receivable	20,528,329	16,663,494	-	296,772	37,488,595
Other receivables	-	-	-	-	-
<b>Fiduciary Net Position</b>	<u>\$ 2,054,083,458</u>	<u>\$ 2,316,933,310</u>	<u>\$ 205,565,360</u>	<u>\$ 105,992,902</u>	<u>\$ 4,682,575,030</u>

**Statement of Fiduciary Net Position  
December 31, 2021**

	Deferred Compensation 457 Plan	Savings and Investment Plans 401(k)	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
<b>Investments</b>					
Investment contract pool	\$ 418,239,429	\$ 383,974,442	\$ 29,409,254	\$ -	\$ 831,623,125
Mutual funds/Collective Investment Trusts:					
Equity funds	479,262,322	539,884,023	54,310,709	81,708,060	1,155,165,114
Target date funds	437,631,140	496,551,701	30,263,404	13,644,762	978,091,007
Fixed income funds	989,063,614	1,338,054,641	143,792,462	35,511,501	2,506,422,218
Annuities	56,271,096	-	-	-	56,271,096
<b>Total Investments</b>	<u>2,380,467,601</u>	<u>2,758,464,807</u>	<u>257,775,829</u>	<u>130,864,323</u>	<u>5,527,572,560</u>
Cash surrender value of life insurance contracts	2,775,032	-	-	-	2,775,032
Cash	1,255,359	-	-	-	1,255,359
Receivables:					
Employee contributions	3,008,168	2,534,407	25	29,880	5,572,480
Participant loans receivable	20,261,700	17,815,922	-	416,827	38,494,449
Other receivables	195,255	-	-	-	195,255
<b>Fiduciary Net Position</b>	<u>\$ 2,407,963,115</u>	<u>\$ 2,778,815,136</u>	<u>\$ 257,775,854</u>	<u>\$ 131,311,030</u>	<u>\$ 5,575,865,135</u>

The accompanying notes are an integral part of the financial statements

**Statements Of Changes In Fiduciary Net Position  
As of December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Additions To Net Position Attributed To:</b>		
Employee contributions	\$ 189,971,046	\$ 190,217,444
Participant fees	1,336,367	1,766,789
Variable earnings reimbursements	1,671,106	1,786,049
Variable earnings investment (loss)/Income	(818,461,864)	733,896,717
Interest income	19,851,311	18,292,463
<b>Total Additions</b>	<u>(605,632,034)</u>	<u>945,959,462</u>
<b>Deductions From Net Position Attributed To:</b>		
Distributions to participants	277,699,840	300,550,087
Fees taken from participants	7,762,224	7,964,928
Net administrative expenses - Board	2,194,577	1,932,632
Life insurance premiums	1,430	1,440
<b>Total Deductions</b>	<u>287,658,071</u>	<u>310,449,087</u>
Net Change	(893,290,105)	635,510,375
Fiduciary Net position		
Beginning of the year	<u>5,575,865,135</u>	<u>4,940,354,760</u>
<b>Fiduciary Net Position End of Year</b>	<u>\$ 4,682,575,030</u>	<u>\$ 5,575,865,135</u>

The accompanying notes are an integral part of the financial statements

**Statements Of Combining Changes In Fiduciary Net Position  
For The Year Ended December 31, 2022**

	<b>Deferred Compensation 457 Plan</b>	<b>Savings and Investment Plan 401(k) Plan</b>	<b>Match Plan and Trust 401(a) Plan</b>	<b>Total Sheltered Annuity Plan 403(b) Plan</b>	<b>Total</b>
<b>Additions:</b>					
Employee contributions	\$ 95,978,567	\$ 91,420,225	\$ 31,568	\$ 2,540,686	\$ 189,971,046
Participant fees	1,336,367	-	-	-	1,336,367
Variable earnings reimbursements	738,627	792,053	81,018	59,408	1,671,106
<b>Investment income:</b>					
Variable earnings investment (Loss)	(334,761,225)	(421,846,057)	(40,722,177)	(21,132,405)	(818,461,864)
Interest income	11,128,553	8,045,552	542,846	134,360	19,851,311
<b>Total Additions</b>	<u>(225,579,111)</u>	<u>(321,588,227)</u>	<u>(40,066,745)</u>	<u>(18,397,951)</u>	<u>(605,632,034)</u>
<b>Deductions:</b>					
Distributions to participants	122,600,087	136,477,568	11,835,667	6,786,518	277,699,840
Fees taken from participants	3,504,449	3,816,032	308,081	133,662	7,762,224
Net administrative expenses - Board	2,194,577	-	-	-	2,194,577
Life insurance premiums	1,430	-	-	-	1,430
<b>Total Deductions</b>	<u>128,300,543</u>	<u>140,293,600</u>	<u>12,143,748</u>	<u>6,920,180</u>	<u>287,658,071</u>
<b>Net Change</b>	<u>(353,879,654)</u>	<u>(461,881,827)</u>	<u>(52,210,493)</u>	<u>(25,318,131)</u>	<u>(893,290,105)</u>
<b>Fiduciary Net position</b>					
Beginning of the year	<u>2,407,963,115</u>	<u>2,778,815,136</u>	<u>257,775,854</u>	<u>131,311,030</u>	<u>5,575,865,135</u>
<b>Fiduciary Net Position End of Year</b>	<u>\$2,054,083,461</u>	<u>\$2,316,933,309</u>	<u>\$ 205,565,361</u>	<u>\$ 105,992,899</u>	<u>\$4,682,575,030</u>

The accompanying notes are an integral part of the financial statements

**Statements Of Combining Changes In Fiduciary Net Position  
For The Year Ended December 31, 2021**

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Total Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Employee contributions	\$ 91,857,501	\$ 95,787,436	\$ 20,673	\$ 2,551,834	\$ 190,217,444
Participant fees	1,766,789	-	-	-	1,766,789
Variable earnings reimbursements	787,066	828,969	88,034	81,980	1,786,049
Investment income:					
Variable earnings investment income	297,977,331	374,514,942	40,801,059	20,603,385	733,896,717
Interest income	10,504,692	7,160,115	484,485	143,171	18,292,463
<b>Total Additions</b>	<u>402,893,379</u>	<u>478,291,462</u>	<u>41,394,251</u>	<u>23,380,370</u>	<u>945,959,462</u>
Deductions:					
Distributions to participants	129,270,116	150,175,044	11,820,193	9,284,734	300,550,087
Fees taken from participants	3,551,519	3,935,733	327,983	149,693	7,964,928
Net administrative expenses - Board	1,932,632	-	-	-	1,932,632
Life insurance premiums	1,440	-	-	-	1,440
<b>Total Deductions</b>	<u>134,755,707</u>	<u>154,110,777</u>	<u>12,148,176</u>	<u>9,434,427</u>	<u>310,449,087</u>
<b>Net Change</b>	<u>268,137,672</u>	<u>324,180,685</u>	<u>29,246,075</u>	<u>13,945,943</u>	<u>635,510,375</u>
Net position held in trust:					
Beginning of the year	<u>2,139,825,443</u>	<u>2,454,634,451</u>	<u>228,529,779</u>	<u>117,365,087</u>	<u>4,940,354,760</u>
<b>Fiduciary Net Position End of Year</b>	<u>\$ 2,407,963,115</u>	<u>\$ 2,778,815,136</u>	<u>\$ 257,775,854</u>	<u>\$ 131,311,030</u>	<u>\$ 5,575,865,135</u>

The accompanying notes are an integral part of the financial statements



# Notes to Financial Statements

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Annual Comprehensive Financial Report 2022

## 1. General Description of the Plans:

The Maryland supplemental retirement plans originated from three sources. In 1963, the Board of Trustees of the Teachers Retirement System established the Maryland Teachers' Tax Deferred Annuity Plan under section 403(b) of the Internal Revenue Code. In 1974, the Maryland Governor initiated the 457 Deferred Compensation Plan by executive order (01.01.1974.19), which was codified by the Maryland General Assembly in Chapter 433, Acts of 1974. In 1984, the Maryland General Assembly established the 401(k) Savings and Investment Plan in Chapter 746, Acts of 1984.

In 1985, the Maryland General Assembly created the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans to oversee and administer the three existing Plans in Chapter 741, Acts of 1985.

These defined contribution Plans are a component unit of the State and reported as a fiduciary trust fund in the State and reflect transactions and account balances, with those transactions being accounted for using the economic resources measurement focus. The Plans, which are reported as of and for the year ended December 31, accounts for participant earnings deferred/contributed in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts that are deferred/contributed are invested and are not subject to federal income taxes until paid to the participant upon termination or retirement from employment, death, or for an unforeseeable emergency. After-tax Roth accounts were authorized for participants in the 457 Deferred Compensation Plan and the 401(k) Savings and Investment Plan effective in January of 2011. Deferrals or contributions to these accounts have already been taxed, so are not taxed again upon distribution. The Fiduciary Trust Fund is administered by the Board of Trustees, who are appointed by the Governor, and each member serves a staggered 4-year term.

Effective July 1, 1999, the Maryland General Assembly authorized the Match program, which makes a dollar-for-dollar matching contribution for eligible State employees who voluntarily defer/contribute to one of the State-sponsored supplemental retirement plans. If funded in the State budget, State matching contributions are limited to \$600 per eligible employee, per year. The State matching contributions for MSRP participants are paid into a separate qualified plan, the 401(a) Match plan, which was established by the Maryland General Assembly in Chapter 530, Acts of 1998.

Under Plan provisions eligible employees of the State of Maryland may voluntarily elect to defer or contribute a portion of their compensation into a Plan through payroll deductions. Beginning January 1, 2002, upon enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), a participant's contribution to a Plan is limited to the lesser of 100% of taxable compensation, net of IRC Section 457 deferrals, or \$19,500. EGTRRA also provides certain catch-up contribution provisions for participants aged 50 or over, and for participants within three years of their Normal Retirement Age. Subsequent federal legislation and regulations, including the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act), and SECURE 2.0 (signed into law on December 29, 2022) have increased deferral/contribution and catch-up limits. Amounts contributed by employees are deferred for federal and State income tax purposes until benefits are paid to the employees, with the exception of Roth contributions. In January 2011, the Board approved an after-tax Roth contribution option for the 457 and 401(k) Plans. In October 2014, the Roth conversion feature became effective.

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for plan years beginning after December 31, 1996, assets of IRC section 457 plans must be held in a trust, custodial account, or annuity contract, for the exclusive benefit of employees and beneficiaries. On December 31, 2022 and 2021, the Plan met the requirements of the SBJPA.

- A.** Employees electing to defer/contribute to the 457 Deferred Compensation Plan have the option of investing their contributions in the following options:
- Fixed earnings investment consisting of investment contract pools underwritten by various insurance companies and other financial institutions.
  - Variable earnings investments consisting of various mutual funds.
  - Life insurance contracts underwritten by Unum Life (Unum Life) Insurance Company of America, formerly Commercial Life Insurance Company. As of June 1988, this option was no longer actively promoted for new enrollments in the 457 plan.

## **1. General Description of the Plans (continued):**

**B.** The fixed earnings investment underwritten by Nationwide Life Insurance Company (Nationwide) was previously available. A portion of the 457 Plan's investments is still held at this company, however, this investment option is not available for current enrollments or deferrals.

Employees may withdraw the current value of funds deferred/contributed to the Plan upon termination of employment with the State or due to financial hardship.

Employees who have deferred/contributed to the Plan receive benefits under the Plan at the time of their retirement or upon a determination of disability in accordance with the retirement laws of the State of Maryland.

Upon retirement or disability, employees may select various payout options including lump sum payments or payments over various periods. The employees may also elect to have the value of their account at retirement converted into fixed or variable life annuities or joint and survivor annuities.

## **2. Summary of Significant Accounting Policies:**

MSRP consists of the following four defined contribution plans that are generally available to all eligible employees and officials of the State of Maryland (the "State"): (1) the Deferred Compensation Plan under Internal Revenue Code (the Code or "IRC") Section 457(b); (2) the Savings and Investment Plan under IRC Section 401(k); (3) the Match Plan under IRC Section 401(a); and (4) the Tax Sheltered Annuity Plan under IRC Section 403(b) (each a Plan and collectively, the Plans). MSRP had 67,760 participants as of December 31, 2022. MSRP operates pursuant to the provisions of Titles 21, subtitle 2; 32; and 35 of the State Personnel and Pensions Article of the Annotated Code of Maryland and is governed by a nine-member 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, which was codified by the Maryland General Assembly in Chapter 433, Acts of 1974. The 457 Plan operates pursuant to the provisions of Title 35 of the State Personnel & Pensions Article of the Annotated Code of Maryland and a Plan document adopted by the Board.

The Savings and Investment Plan (the "401(k) Plan") was established by the State pursuant to statute effective on July 1, 1985 in Chapter 746, Acts of 1984, 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 July 1, 1999, by the State, pursuant to Chapter 530, Acts of 1998, and is designed to be a tax-qualified 401(a) defined contribution plan.

In 1963, the Board of Trustees of the Teachers Retirement System established the Maryland Teachers' Tax-Deferred Annuity Plan under section 403(b) of the Internal Revenue Code. In 1985, the Board was authorized to oversee and administer the 403(b) Tax Sheltered Annuity Plan (the "403(b) Plan"), which it operates pursuant to the provisions of Title 35 of the State Personnel & Pensions Article of the Maryland Code and a Plan document adopted by the Board.

### **A. Basis of Accounting**

The accompanying financial statements have been prepared using the economic resources measurement focus and are prepared using accrual method of accounting, in accordance with accounting principles generally accepted in the United States for governments as prescribed by Governmental Accounting Standards Board (GASB).

### **B. 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 as well as the 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.

### **C. 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, there is a reasonable expectation 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 defined contribution benefits.

## 2. Summary of Significant Accounting Policies (continued):

### D. Investments

**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 T. Rowe Price Associates under a management services contract with the Board. Interest rates are reset monthly.

As of October 1996, a master trust (the Master Trust) was established to hold all assets of the Plans under Board Trusteeship and administration, including the ICP. 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 Funds** – Mutual fund investments are presented at fair value based on net asset 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.

**Collective Investment Trust.** A Collective Investment Trust (CIT) is an investment vehicle like a US mutual fund that is available to qualified retirement plans. CITs are institutional products sold only to plan sponsors and/or plan fiduciaries. CITs consist of assets of retirement, pension, profit sharing, stock bonus or other tax-qualified retirement accounts and governmental plans that are exempt from federal income tax. CITs are excluded from the definition of a registered security and an investment company. CITs are a legal trust administered by a bank or trust company that combines assets for multiple investors who meet specific requirements set forth in the fund's declaration of trust. By definition, a collective trust pools assets from corporate and governmental profit sharing, pension and stock bonus plans, and charitable and other tax-exempt trusts. On November 25, 2019, the Board approved the transition from mostly passively managed mutual fund and target date vehicles to non-securities lending collective investment trust vehicles managed by State Street. Further transitions of passively managed mutual fund vehicles to CIT vehicles occurred in 2020 (managed by T. Rowe Price and William Blair).

**Annuities** Assets held for annuity payout reserves are valued at the actuarially determined present value of estimated future distributions.

### E. Participant Loans Receivable

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.

The Plans general loan provisions for the 457(b) Plan, 403(b) Plan and 401(k) Plan allow participants to borrow up to 50% of the Plan account, but not more than \$50,000. Principal and interest payments are credited to the participant's account. General repayment terms have a maximum repayment of five years, except for loans used to purchase a primary residence. These loans have an extended repayment period up to 15 years. The 401(a) Match Plan does not offer a loan provision.

On January 23, 2023, the Board approved administrative procedures on loans and offsetting events. The administrative procedure clarified language specific to defaulted loans, updated procedural changes in administration of such loans, and clarified the loan default process. The changes were implemented on July 1, 2023.

### F. Employee Contributions Receivable



## 2. Summary of Significant Accounting Policies (continued):

Employee contributions receivable represents amounts withheld from employees' pay but not remitted to the investment carriers as of December 31. Deferral/contributions are credited to the applicable investment option upon receipt from the State. Employee deferral/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 previously noted.

Employees electing to defer/contribute to the Plans 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 the following collection of book value investments: 1) a money market fund; 2) STIFs and 3) separate account synthetic guaranteed investment contracts written by insurance companies and other financial institutions. This option is not available in the 403(b) Plan.
- Mutual funds. A mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities.

### G. Employee Deferrals/Contributions

Eligible State employees may defer/contribute to the 457 Plan, 401(k) Plan, or the 403(b) Plan through payroll deductions. Employee deferrals/contributions are recognized as revenue in the period in which the deferral/contributions are withheld from the employees compensation. As required by the IRC, MSRP limits the amount of an individual's annual deferrals/contributions to an amount not to exceed the lesser of \$20,500 and \$19,500 for the years ended December 31, 2022 and 2021, 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 defer 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. The Plans also provide participants the ability to make Roth contributions. These contributions are post-tax and subject to provisions on tax-free distributions. Roth contributions do not reduce current taxable income and cannot be used for Supplemental Guaranteed Lifetime Income. Roth contributions are eligible for employer match. Contributions of \$5.2 million were made to the Roth accounts by approximately 8,873 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2022. Contributions of \$3.9 million were made to the Roth accounts by approximately 8,192 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2021.

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 deferrals/contributions to one of the Plans during the same plan year. The statutory maximum contribution is \$600 per participant for each State fiscal year. Deferrals/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, 2022, the State has suspended the match contribution.

### H. Investment Income (Loss)

Net appreciation or decrease in Plan net position is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year. Other investment income or loss is recognized when earned. Investment expenses consist of external expenses directly related to MSRP investment options.

### I. Variable Earnings Investment Income Reimbursements

Variable earnings investment income represents 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.

### J. Cash Surrender Value of Life Insurance Contracts

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.

## 2. Summary of Significant Accounting Policies (continued):

This option is no longer available to new participants, but participants with policies may continue to make contributions.

### K. Deduction and Expenses

Benefit payments, including refunds, and distributions of employee contributions, are recognized when due and payable in accordance with IRC requirements. Internal administrative expenses are recognized when due and payments.

### L. Distribution to Participants

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 reaching 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 State 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 the 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.

### M. Suspense

Employee deferral/contributions are recognized when such amounts are withheld from employees' pay. Deferrals/contributions are credited by the applicable investment carriers upon receipt of a valid trade order. Deferrals/contributions receivable represent amounts withheld but not remitted to the investment carriers at year-end. As such, some timing differences occur to specific accounts that are not yet recognized and are held in the suspense account. These immaterial balances are moved to participant accounts within a reasonable time frame.

### N. Investment Valuation

Other fixed earnings investments are valued at contract value, which represents deferrals/contributions received plus interest earned to date less applicable charges and amounts withdrawn.

Variable earnings investments are presented at fair values based on published quotations or net asset value as provided by the investment provider. Purchases and sales of variable earnings investments are recorded on a trade date basis.

The cash surrender value of life insurance contracts is valued as reported by the carrier.

### O. Cash

Cash represents amounts withheld from participants and remitted to the Board of Trustees for the Maryland Teachers & State Employees Supplemental Retirement Plans, reduced by amounts disbursed to vendors providing services to the Plans. These amounts are presented in the financial statements in accordance with the plan administration services contract discussed in note 6 and note 7. The cash and accounts payable balances and the administrative expense amount may change due to expenses incurred or paid by the Board when reported to Nationwide Retirement Solutions, the Administrator of the Plans ("NRS"), for inclusion in these financial statements. Cash is held on deposit in a State of Maryland Treasurer's Office bank account for the benefit of the Plans.

### P. Interest Income

Interest income from investments in fixed annuities underwritten by Nationwide is recorded as earned on an accrual basis. Beginning in 1982, Nationwide initiated a plan for paying different interest rates to specific pools of money based upon the date of the deferral/contributions. Interest income for funds in the Investment Contract Pool is determined based upon a blended interest rate of the guaranteed contract rates of all contracts.

## 2. Summary of Significant Accounting Policies (continued):

### Q. Mutual Fund Income

Mutual fund investment income consists of dividends earned and realized and unrealized gains and losses on the various mutual fund shares owned by the Maryland Teachers & State Employees Supplemental Retirement Plans.

### R. Variable Earnings/Reimbursement

Other income represents fees, net of provider reimbursement received from the mutual fund investment providers for the benefit of the participants.

### S. Subsequent Events

Effective July 1, 2023, the Maryland General Assembly enacted HB 982 reinstating the Match Plan for State employees. This law also allows eligible State employees to elect State match up to \$600 for student loan payments made to higher education institutions authorized as of January 1, 2024. Employees cannot receive both a student loan payment match and a deferral/contribution match funds in the same fiscal year. The bill was signed into law by Governor Moore on April 24, 2023. The State match will provide deferring/contributing participants a dollar-for-dollar match, up to a maximum of \$600 per fiscal year.

On January 1, 2023, MSRP awarded a 5-year investment advisory services contract to NFP Retirement to oversee and report quarterly investment activities for the Plans and to recommend changes and additions to the Board's Investment options for Plan participants.

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### 3. Investments

#### 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, 2022 and 2021, were as follows:

	2022	2021
Fixed Investments - Investment Contract Pool	\$ 415,226,311	\$ 418,239,429
Equity Funds:		
Fidelity® Puritan® Fund	128,232,630	164,099,880
Delaware Value Fund - Institutional Class	95,204,974	103,708,250
T Rowe Price Institutional Small Cap Stock Fund, Inc.	69,613,435	94,450,614
T Rowe Price Mid Cap Value Fund, Inc.- Retail Shrs	46,505,017	48,592,587
Janus Henderson Enterprise Fund-N Shrs	33,236,274	40,979,504
Parnassus Core Equity Fund-Inst Shrs	21,481,131	27,617,970
Suspense	(203,159)	(186,483)
Total Equity Funds	<u>394,070,302</u>	<u>479,262,322</u>
Target Date Funds:		
T Rowe Price Retirement 2030 Trust B	60,568,240	72,354,698
T Rowe Price Retirement 2035 Trust B	50,706,653	56,652,256
T Rowe Price Retirement 2040 Trust B	48,201,898	54,344,494
T Rowe Price Retirement 2025 Trust B	47,507,322	58,131,285
T Rowe Price Retirement 2020 Trust B	38,902,656	47,809,945
T Rowe Price Retirement 2045 Trust B	38,051,858	42,727,013
T Rowe Price Retirement 2050 Trust B	33,526,779	36,750,203
T Rowe Price Retirement 2055 Trust B	22,737,140	24,527,262
T Rowe Price Retirement 2015 Trust B	19,268,555	23,017,550
T Rowe Price Retirement 2010 Trust B	10,240,271	11,652,618
T Rowe Price Retirement 2060 Trust B	6,461,255	6,336,095
T Rowe Price Retirement 2005 Trust B	3,679,822	3,300,196
T Rowe Price Retirement 2065 Trust B	182,160	27,525
Total Target Date Funds	<u>380,034,609</u>	<u>437,631,140</u>
Fixed Income Funds:		
State Street S&P 500 Index Non-Lending Series Fund Class K	250,617,510	335,488,670
William Blair Large Cap Growth Collective Inv Fund-Class 5	100,322,838	147,377,120
State Street S&P MidCap Index Non-Lending Series Fund Class M	89,771,741	109,788,417
T Rowe Price Structured Research Common Trust Fund	78,042,998	73,988,877
American Funds-EuroPacific Growth Fund® -Class R6	62,574,639	80,365,892
TWC Core Fixed Income Fund - I Class	59,185,779	68,376,048
State Street International Index Non-Lending Series Fund Class M	55,930,701	60,539,414
State Street U.S. Bond Index Non-Lending Series Fund Class M	50,063,509	55,462,717
State Street Russell Small Cap Index Non-Lending Series Fund Class K	38,935,080	51,241,886
T Rowe Price Retirement Balanced Fund	-	6,434,573
Total Fixed Income Funds	<u>785,444,795</u>	<u>989,063,614</u>
Nationwide Fixed Annuities	44,918,857	48,064,968
Nationwide Life annuity payout reserves	4,779,312	5,485,405
Metropolitan Life annuity payout reserves	2,563,579	2,720,723
<b>Total Annuities</b>	<u><b>52,261,748</b></u>	<u><b>56,271,096</b></u>
<b>Total Investments</b>	<u><b>\$ 2,027,037,765</b></u>	<u><b>\$ 2,380,467,601</b></u>

### 3. Investments (continued)

#### Part 2: 401(k) Plan

Investments held as of December 31, 2022 and 2021, were as follows:

	<b>2022</b>	<b>2021</b>
Fixed Investments - Investment Contract Pool	\$ 388,161,548	\$ 383,974,442
Equity Funds:		
Fidelity @ Puritan@ Fund	136,217,573	174,620,431
T Rowe Price Institutional Small Cap Stock Fund, Inc.	94,152,447	130,805,186
Delaware Value Fund - Institutional Class	91,254,711	99,048,128
T Rowe Price Mid Cap Value Fund, Inc. - Retail Shrs	52,199,332	55,880,087
Janus Henderson Enterprise Fund-N Shrs	39,017,594	48,999,840
Parnassus Core Equity Fund-Inst Shrs	24,114,163	30,561,066
Suspense	(100,160)	(30,715)
Total Equity Funds	<u>436,855,660</u>	<u>539,884,023</u>
Target Date Funds:		
T Rowe Price Retirement 2025 Trust B	90,929,585	109,147,960
T Rowe Price Retirement 2030 Trust B	79,209,775	89,673,042
T Rowe Price Retirement 2020 Trust B	78,482,814	98,140,759
T Rowe Price Retirement 2035 Trust B	46,382,147	52,343,807
T Rowe Price Retirement 2015 Trust B	37,350,772	43,682,795
T Rowe Price Retirement 2040 Trust B	32,832,031	37,912,072
T Rowe Price Retirement 2045 Trust B	17,611,672	20,158,980
T Rowe Price Retirement 2050 Trust B	13,748,870	15,126,228
T Rowe Price Retirement 2010 Trust B	13,680,277	16,634,043
T Rowe Price Retirement 2055 Trust B	7,116,175	7,743,177
T Rowe Price Retirement 2005 Trust B	3,392,886	2,973,737
T Rowe Price Retirement 2060 Trust B	3,036,168	3,010,253
T Rowe Price Retirement 2065 Trust B	1,292,213	4,848
Total Target Date Funds	<u>425,065,385</u>	<u>496,551,701</u>
Fixed Income Funds:		
State Street S&P 500 Index Non-Lending Series Fund Class K	365,031,160	483,357,767
William Blair Large Cap Growth Collective Inv Fund-Class 5	136,025,951	207,943,224
State Street S&P MidCap Index Non-Lending Series Fund Class M	114,935,311	139,924,289
T Rowe Price Structured Research Common Trust Fund	94,623,856	95,745,735
TWC Core Fixed Income Fund - I Class	81,425,269	96,234,118
American Funds-EuroPacific Growth Fund@ -Class R6	81,087,430	105,372,442
State Street U.S. Bond Index Non-Lending Series Fund Class M	63,653,950	68,229,586
State Street International Index Non-Lending Series Fund Class M	56,811,252	62,095,479
State Street Russell Small Cap Index Non-Lending Series Fund Class K	53,779,757	70,575,856
T Rowe Price Retirement Balanced Fund	-	8,576,145
Total Fixed Income Funds	<u>1,047,373,936</u>	<u>1,338,054,641</u>
<b>Total Investments</b>	<b><u>\$ 2,297,456,529</u></b>	<b><u>\$ 2,758,464,807</u></b>

### 3. Investments (continued)

#### Part 3: 401(a) Plan

Investments held as of December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Fixed Investments - Investment Contract Pool	\$ 28,737,532	\$ 29,409,254
Equity Funds:		
Fidelity ® Puritan® Fund	15,282,744	19,743,304
Delaware Value Fund - Institutional Class	11,205,911	12,549,342
T Rowe Price Institutional Small Cap Stock Fund, Inc.	10,743,200	14,983,025
T Rowe Price Mid Cap Value Fund, Inc.- Retail Shrs	3,466,559	3,762,155
Janus Henderson Enterprise Fund-N Shrs	1,810,412	2,288,048
Parnassus Core Equity Fund-Inst Shrs	725,030	984,835
Total Equity Funds	<u>43,233,856</u>	<u>54,310,709</u>
Target Date Funds:		
T Rowe Price Retirement 2025 Trust B	4,762,261	5,954,663
T Rowe Price Retirement 2030 Trust B	4,712,330	5,764,072
T Rowe Price Retirement 2020 Trust B	4,380,464	5,617,955
T Rowe Price Retirement 2035 Trust B	3,324,748	4,071,781
T Rowe Price Retirement 2040 Trust B	2,575,199	3,195,254
T Rowe Price Retirement 2015 Trust B	1,985,466	2,472,990
T Rowe Price Retirement 2045 Trust B	1,160,508	1,449,974
T Rowe Price Retirement 2010 Trust B	668,693	802,435
T Rowe Price Retirement 2050 Trust B	525,015	647,360
T Rowe Price Retirement 2005 Trust B	99,846	121,476
T Rowe Price Retirement 2055 Trust B	82,852	103,403
T Rowe Price Retirement 2060 Trust B	53,494	62,041
T Rowe Price Retirement 2065 Trust B	15,271	-
Total Target Date Funds	<u>24,346,147</u>	<u>30,263,404</u>
Fixed Income Funds:		
State Street S&P 500 Index Non-Lending Series Fund Class K	50,083,531	67,246,685
State Street S&P MidCap Index Non-Lending Series Fund Class M	13,368,129	16,361,502
William Blair Large Cap Growth Collective Inv Fund-Class 5	13,149,979	20,240,210
T Rowe Price Structured Research Common Trust Fund	11,629,291	13,534,507
American Funds-EuroPacific Growth Fund® -Class R6	5,747,004	7,798,807
TWC Core Fixed Income Fund - I Class	5,136,248	6,128,734
State Street Russell Small Cap Index Non-Lending Series Fund Class K	3,935,906	5,313,241
State Street International Index Non-Lending Series Fund Class M	3,191,657	3,675,675
State Street U.S. Bond Index Non-Lending Series Fund Class M	3,006,055	3,151,444
T Rowe Price Retirement Balanced Fund	-	341,657
Total Fixed Income Funds	<u>109,247,800</u>	<u>143,792,462</u>
<b>Total Investments</b>	<b><u>\$ 205,565,335</u></b>	<b><u>\$ 257,775,829</u></b>

### 3. Investments (continued)

#### Part 4: 403(b) Plan

Investments held as of December 31, 2022 and 2021, were as follows:

	2022	2021
Equity Funds:		
Fidelity ® 500 Index Fund	\$ 21,427,460	\$ 26,578,847
Fidelity ® Puritan® Fund	10,397,082	13,637,719
Delaware Value Fund - Institutional Class	8,420,299	8,887,292
Vanguard ® Mid Cap Index Fund-Inst Plus Shrs	8,327,084	12,126,159
T Rowe Price Institutional Small Cap Stock Fund, Inc.	3,889,624	5,345,573
T Rowe Price Mid Cap Value Fund, Inc.- Retail Shrs	3,684,964	3,769,236
Vanguard ® Small Cap Index Fund-Inst Shrs	3,398,839	4,738,583
Janus Henderson Enterprise Fund-N Shrs	2,105,715	3,257,097
Vanguard ® Total International Stock Index Fund-Inst Shrs	1,998,681	2,325,213
Parnassus Core Equity Fund-Inst Shrs	700,814	1,042,341
Total Equity Funds	64,350,562	81,708,060
Target Date Funds:		
T Rowe Price Retirement I 2025 - I Class	2,732,556	2,588,845
T Rowe Price Retirement I 2020 - I Class	2,574,342	3,279,603
T Rowe Price Retirement I 2030 - I Class	2,259,468	1,393,312
T Rowe Price Retirement I 2015 - I Class	1,250,844	1,780,998
T Rowe Price Retirement I 2035 - I Class	810,793	979,646
T Rowe Price Retirement I 2010 - I Class	771,852	1,027,175
T Rowe Price Retirement I 2045 - I Class	724,046	816,058
T Rowe Price Retirement I 2040 - I Class	677,574	833,017
T Rowe Price Retirement I 2050 - I Class	601,891	720,968
T Rowe Price Retirement I 2005 - I Class	193,505	126,803
T Rowe Price Retirement I 2060 - I Class	98,423	70,904
T Rowe Price Retirement I 2055 - I Class	63,040	27,433
T Rowe Price Retirement I 2065 - I Class	1,843	-
Total Target Date Funds	12,760,177	13,644,762
Fixed Income Funds:		
William Blair Large Cap Growth Fund - Class R6	5,888,048	9,119,100
Vanguard ® Federal Money Market Fund-Investor Class	5,761,174	4,953,442
T Rowe Price U.S. Equity Research Fund - I Class	4,868,787	6,202,580
American Funds-EuroPacific Growth Fund® -Class R6	3,279,161	4,616,086
Vanguard ® Total Bond Market Index Fund-Inst Shrs	3,088,968	3,483,639
TWC Core Fixed Income Fund - I Class	2,815,993	3,739,163
Great West Life Assurance Company	2,796,993	3,017,899
T Rowe Price Retirement Balanced Fund - I Class	-	379,592
Total Fixed Income Funds	28,499,124	35,511,501
<b>Total Investments</b>	<b>\$ 105,609,863</b>	<b>\$ 130,864,323</b>

### 3. Investments (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, 2022 and 2021, were as follows:

	2022	2021
Fixed Investments - Investment Contract Pool	\$ 832,125,391	\$ 831,623,125
Equity Funds:		
Fidelity ® Puritan® Fund	\$ 290,130,029	\$ 372,101,334
Delaware Value Fund - Institutional Class	206,085,896	224,193,012
T Rowe Price Institutional Small Cap Stock Fund, Inc.	178,398,705	245,584,398
T Rowe Price Mid Cap Value Fund, Inc.- Retail Shrs	105,855,871	112,004,065
Janus Henderson Enterprise Fund-N Shrs	76,169,995	95,524,489
Parnassus Core Equity Fund-Inst Shrs	47,021,138	60,206,212
Fidelity ® 500 Index Fund	21,427,461	26,578,847
Vanguard ® Mid Cap Index Fund-Inst Plus Shrs	8,327,084	12,126,159
Vanguard ® Small Cap Index Fund-Inst Shrs	3,398,839	4,738,583
Vanguard ® Total International Stock Index Fund-Inst Shrs	1,998,681	2,325,213
Suspense	(303,319)	(217,198)
Total Equity Funds	938,510,380	1,155,165,114
Target Date Funds:		
T Rowe Price Retirement 2030 Trust B	144,490,345	167,791,812
T Rowe Price Retirement 2025 Trust B	143,199,167	173,233,908
T Rowe Price Retirement 2020 Trust B	121,765,935	151,568,659
T Rowe Price Retirement 2035 Trust B	100,413,548	113,067,844
T Rowe Price Retirement 2040 Trust B	83,609,128	95,451,820
T Rowe Price Retirement 2015 Trust B	58,604,794	69,173,335
T Rowe Price Retirement 2045 Trust B	56,824,038	64,335,967
T Rowe Price Retirement 2050 Trust B	47,800,664	52,523,791
T Rowe Price Retirement 2055 Trust B	29,936,168	32,373,842
T Rowe Price Retirement 2010 Trust B	24,589,242	29,089,096
T Rowe Price Retirement 2060 Trust B	9,550,918	9,408,389
T Rowe Price Retirement 2005 Trust B	7,172,556	6,395,409
T Rowe Price Retirement I 2025 - I Class	2,732,555	2,588,845
T Rowe Price Retirement I 2020 - I Class	2,574,342	3,279,603
T Rowe Price Retirement I 2030 - I Class	2,259,468	1,393,312
T Rowe Price Retirement 2065 Trust B	1,489,644	32,373
T Rowe Price Retirement I 2015 - I Class	1,250,843	1,780,998
T Rowe Price Retirement I 2035 - I Class	810,792	979,646
T Rowe Price Retirement I 2010 - I Class	771,851	1,027,175
T Rowe Price Retirement I 2045 - I Class	724,045	816,058



### 3. Investments (continued)

#### Part 5: MSRP – All Plans Summary (Continued)

	<u>2022</u>	<u>2021</u>
T Rowe Price Retirement I 2040 - I Class	677,573	833,017
T Rowe Price Retirement I 2050 - I Class	601,891	720,968
T Rowe Price Retirement I 2005 - I Class	193,505	126,803
T Rowe Price Retirement I 2060 - I Class	98,423	70,904
T Rowe Price Retirement I 2055 - I Class	63,040	27,433
T Rowe Price Retirement I 2065 - I Class	1,843	-
Total Target Date Funds	<u>842,206,318</u>	<u>978,091,007</u>
 Fixed Income Funds:		
State Street S&P 500 Index Non-Lending Series Fund Class K	665,732,201	886,093,122
William Blair Large Cap Growth Collective Inv Fund-Class 5	249,498,769	375,560,554
State Street S&P MidCap Index Non-Lending Series Fund Class M	218,075,181	266,074,208
T Rowe Price Structured Research Common Trust Fund	184,296,145	183,269,119
American Funds-EuroPacific Growth Fund® -Class R6	152,688,234	198,153,227
TWC Core Fixed Income Fund - I Class	148,563,289	174,478,063
State Street U.S. Bond Index Non-Lending Series Fund Class M	116,723,514	126,843,747
State Street International Index Non-Lending Series Fund Class M	115,933,611	126,310,568
State Street Russell Small Cap Index Non-Lending Series Fund Class K	96,650,743	127,130,983
William Blair Large Cap Growth Fund - Class R6	5,888,048	9,119,100
Vanguard ® Federal Money Market Fund-Investor Class	5,761,174	4,953,442
T Rowe Price U.S. Equity Research Fund - I Class	4,868,787	6,202,580
Vanguard ® Total Bond Market Index Fund-Inst Shrs	3,088,966	3,483,639
Great West Life Assurance Company	2,796,993	3,017,899
T Rowe Price Retirement Balanced Fund	-	15,352,375
T Rowe Price Retirement Balanced Fund - I Class	-	379,592
Total Fixed Income Funds	<u>1,970,565,655</u>	<u>2,506,422,218</u>
 Nationwide Fixed Annuities		
Nationwide Fixed Annuities	44,918,857	48,064,968
Nationwide Life annuity payout reserves	4,779,312	5,485,405
Metropolitan Life annuity payout reserves	2,563,579	2,720,723
<b>Total Annuities</b>	<u><b>52,261,748</b></u>	<u><b>56,271,096</b></u>
 <b>Total Investments</b>		
	<u><b>\$ 4,635,669,492</b></u>	<u><b>\$ 5,527,572,560</b></u>

### 3. Investments (continued)

#### Investment Contract Pool (ICP)

The purpose and objective of the ICP is to provide participants in the Plans with an investment vehicle that:

- emphasizes safety through preservation of principal and accrued income;
- provides benefit responsiveness for qualifying participant withdrawals at book value;
- credits a rate of interest that exhibits low volatility and tracks the general direction of interest rates;
- delivers as high a return as possible subject to these constraints;
- exceeds the returns on money market investments by 100 - 200 basis points per year over a full market cycle: and diversifies portfolio holdings by product, security, and issuer;

ICP interest income in the 457, 401(k) and 401(a) Match 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 NRS and the Board. The blended gross interest rate was 2.23% as of December 31, 2022, and ranged from 1.56% to 2.23% during the year ended December 31, 2022. The blended gross interest rate was 2.30% as of December 31, 2021, and ranged from 2.30% to 2.36% during the year ended December 31, 2021. The contract value as of December 31, 2022 and 2021, was \$831,623,391 and \$831,623,125, respectively. The fair market value as of December 31, 2022 and 2021, was \$832,125,391 and \$831,623,125 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, 2022 and 2021.

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 2022 and 2021. 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, *Deposit and Investment Risk Disclosures*, which defines these risks as follows:

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates adversely affect the fair value of the investments.

**Average Maturities.** The investments and weighted average maturities as of December 31, 2022 and 2021, were as follows:

### 3. Investments (continued)

	December 31, 2022	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 832,125,391	3.01 years
TCW Core Fixed Income Fund - I Class	\$ 148,563,289	6.15 years
Vanguard Federal Money Market Fund - Investor Class	\$ 5,761,174	0.18 years
Great-West Fixed Investment Fund	\$ 2,796,993	6.21 years
	December 31, 2021	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 831,623,125	2.94 years
TCW Core Fixed Income Fund - I Class	\$ 174,478,063	6.28 years
Vanguard Federal Money Market Fund - Investor Class	\$ 4,953,442	0.1 years
Great-West Fixed Investment Fund	\$ 3,017,899	6.27 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.

**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 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. Consistent with the Plans investment Policy, all funds are measured using US dollars and the Plans do not have any foreign currency risks associated with any investments within the total portfolio.

**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. Therefore, funds made available to participants are subject to the limitations contained within the MSRP Investment Policy Statement.

The ICP had a reported credit rating of AA for the years ended December 31, 2022 and 2021. Mutual Funds are not rated.

**Custodial credit risk for 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.

#### 4. Investment Fair Value Measurements

Government Accounting Standards Board Statement No. 72 ("GASB 72"), *Fair Value Measurement 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 (e.g., 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 have the following recurring fair value measurements as of December 31, 2022 and 2021:

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

The table below summarizes MSRP bond and equity securities measured at fair value as of December 31, 2022 and 2021, presented in the fair value hierarchy. Also shown are investments measured at the net asset value (NAV).

Investments valued at NAV consist of investments which provide safety, similar to mutual funds, with a lower cost to participants.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>As of December 31, 2022</b>				
<b>Investments by fair value level</b>				
<b>Bond and Equity Securities</b>				
Balanced	\$ 474,426,175	\$ 474,426,175	\$ -	\$ -
Large-Cap Stocks	285,291,327	285,291,327	-	-
Mid-Cap Stocks	190,352,951	190,352,951	-	-
Small-Cap Stocks	181,797,544	181,797,544	-	-
International Stocks	154,686,915	154,686,915	-	-
Bonds	151,652,256	151,652,256	-	-
Target Date Retirement Funds	12,760,177	12,760,177	-	-
<b>Total Investments by fair value level</b>	<b>\$ 1,450,967,345</b>	<b>\$ 1,450,967,345</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Investments measured at the net asset value (NAV)</b>				
Equities	\$ 1,345,890,505			
Investment Contract Pool (ICP)*	832,125,392			
Collective Investment Trusts	829,446,141			
Bonds	116,723,514			
Annuities	52,261,747			
Money Markets	5,761,174			
Contracts (Certificate investments)	2,796,993			
Suspense	(303,319)			
<b>Total Investments measured at the net asset value</b>	<b>\$ 3,184,702,147</b>			

\*Contract Value for the ICP is consistent with Footnote 2D

#### 4. Investment Fair Value Measurements (continued)

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>As of December 31, 2021</b>				
<b>Investments by fair value level</b>				
<b>Bond and Equity Securities</b>				
Balanced	\$ 571,102,422	\$ 571,102,422	\$ -	\$ -
Large-Cap Stocks	326,299,750	326,299,750	-	-
Small-Cap Stocks	250,322,982	250,322,982	-	-
Mid-Cap Stocks	219,654,712	219,654,712	-	-
International Stocks	200,478,441	200,478,441	-	-
Bonds	177,961,702	177,961,702	-	-
Target Date Retirement Funds	13,644,762	13,644,762	-	-
<b>Total Investments by fair value level</b>	<b>\$ 1,759,464,771</b>	<b>\$ 1,759,464,771</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Investments measured at the net asset value (NAV)</b>				
Equities	\$ 1,781,169,434			
Collective Investment Trusts	964,446,245			
Investment Contract Pool (ICP)*	831,623,125			
Bonds	126,843,746			
Annuities	56,271,096			
Money Markets	4,953,442			
Contracts (Certificate investments)	3,017,899			
Suspense	(217,198)			
<b>Total Investments measured at the net asset value</b>	<b>\$ 3,768,107,791</b>			

\*Contract Value for the ICP is consistent with Footnote 2D

#### Fair Value Determination

1. Commingled Investment Trusts – Eighteen funds comprise the investments within this category. These funds are combined and managed in partnership with other trusts and retirement plans that provide fee cost savings. This category aims to facilitate a lower-cost option for participants with measurable tracking to oversee performance. The value of the fund is determined using the NAV per share.
2. Bonds – The category invests primarily in fixed-income obligations of the U. S. Government, corporate securities, mortgages, and asset-backed securities. The objective is to limit exposure to high-yielding non-US securities.
3. Equities – Investments in this category include large, medium, and small capitalized US organizations with above-average growth potential. The funds within this category track their applicable index, and value is determined using the NAV per share of the investment.
4. Target Date Funds – These funds aim to balance fixed income and equities using suitable glide path methodologies. The fund is measured using the appropriate index for tracking performance within its peer group. The value of this fund is determined using the NAV per share of each investment.

## 5. Roth:

### Maryland Teachers and State Employees Supplemental Retirement Plans

Year ended December 31, 2022 Roth disclosures, by plan type

The 457(b) Deferred Compensation and 401(k) Savings & Investment Plans offer participants the opportunity to make post-tax contributions. Unlike traditional Pre-Tax IRA's, Roth IRA's do not provide pre-tax benefits to employees. During 2022 and 2021, Roth IRA contributions decreased by \$2.4 million or 20% and the number of participants increased by 1,001 or a 12%. Roth assets are included within the equity and fixed income securities reported within the financial statements shown on page 28 and 29.

	457	401k	Total
Assets	\$ 57,643,627	\$ 57,063,320	\$ 114,706,947
Contributions	2,730,121	2,550,600	5,280,721
Distributions	482,033	1,258,925	1,740,958
# Participants	4,555	4,318	8,873

### Maryland Teachers and State Employees Supplemental Retirement Plans

Year ended December 31 2021, Roth disclosures, by plan type

	457	401k	Total
Assets	\$ 58,167,682	\$ 58,958,728	\$ 117,126,410
Contributions	1,745,035	1,658,926	3,403,961
Distributions	333,950	727,408	1,061,358
# Participants	4,182	4,010	8,192

## 6. Life Insurance:

Participants in the 457 Deferred Compensation Plan contributed \$1,430 and \$1,440 towards premiums for life insurance contracts offered by UNUM Life during the years ended December 31, 2022 and 2021. The amount of life insurance in force under these contracts was \$5,318,866 and \$5,366,624 at December 31, 2022 and 2021.

Unum Life paid \$57,704 and \$39,580 in claims during the years ended December 31, 2022 and 2021 for death benefits from life insurance contracts in force. The payment of death benefits is not included in these financial statements.

At the time of retirement or termination of employment from the State, employees have the option of continuing to make the life insurance premium payments or to receive the cash surrender value of the policy.

## 7. Contract with Plan Administrator and Related Party Relationship:

The Board has entered into a contract with Nationwide Retirement Solutions, Inc. (NRS) for plan administration and recordkeeping services. NRS is a subsidiary Nationwide Financial Services, Inc., which also owns Nationwide, the provider of certain fixed annuities to the Plan.

## 8. Participant Fees - MSRP/NRS

NRS also provides certain 457 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 plan administration and recordkeeping services to MSRP, became effective October 1, 2020. Under the contract, NRS provides plan administration and recordkeeping 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, 2020 until September 30, 2020, the date on which the prior contract between the Board and NRS terminated and the current contract became effective. Under the current contract, NRS charges an annual rate of 0.0775%. This is the rate that was effective from October 1, 2020 through December 31, 2020. The fee is charged against the mutual fund, collective investment trust, ICP, and fixed annuity assets.

From January 1, 2020 until September 30, 2020, and during 2019, an additional charge of 0.05% was imposed by MSRP for its expenses (i.e. staff, auditors, consultants, and other administrative expenses). The Board reduced this fee to 0.0425% effective October 1, 2020, to coincide with the effective date of the new administrative services agreement with NRS and reduced fee thereunder as described above. This was the rate that was in effect from October 1, 2020 through December 31, 2020. The Board fee is collected directly from participants' accounts monthly.

During 2022 and 2021, 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 was used to stabilize the revenue for Board operations. The annual cap on participant charges remained at a maximum of \$2,000 for 2022 and 2021.

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

## 9. Tax Status:

The United States Treasury Department advised on January 17, 1975, that the 457 Deferred Compensation Plan conforms with provisions of Section 457 of the Internal Revenue Code and, therefore, the amounts of compensation deferred by employees participating in the Plan 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, his beneficiary, or his estate. The Treasury Department similarly advised on August 18, 1978 that the 403(b) Tax Sheltered Annuity Plan conforms with the provisions of Section 403(b) and reaffirmed this on August 23, 1982. The Treasury Department additionally similarly advised on December 19, 1988 that the 401(k) Savings and Investment Plan conforms with the provisions of Section 401(k).

The Department of Health, Education and Welfare advised on September 26, 1974, that amounts deferred/contributed under the Plans represent remuneration for employment, therefore, constitute wages under Section 209 of the Social Security Act. Consequently, the amounts deferred are subject to social security taxes in the year deferred/contributed. The Department of Health, Education and Welfare further advised that under Section 203(b) of the Social Security Act, benefit payments under the Plan do not constitute earnings and thus are not subject to social security taxes in the year received.

## 10. Related Parties:

Because of the Maryland statutory requirements, certain members of the Board are participants in one or more Plans in MSRP.







# Supplemental Information

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Annual Comprehensive Financial Report 2022

**Schedule of Administrative Expenses (Unaudited)  
For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Plan Administrator		
Third party administrator fees	\$ 7,762,224	\$ 7,964,928
MSRP - Plan Sponsor State Personnel, etc.		
Salaries, wages and fringe benefits	1,335,270	1,221,029
Contractual services	461,097	308,157
Rent, Insurance, and other	320,491	173,289
Supplies and materials	40,506	31,044
Travel	7,438	-
Equipment and furnishings	16,176	199,113
Technical and special fees	2,500	-
Communications	11,099	-
<b>MSRP Plan Sponsor Expenses</b>	<b><u>2,194,577</u></b>	<b><u>1,932,632</u></b>
<b>Total Administrative Expenses (Fees and Plan Administrator)</b>	<b><u>\$ 9,956,801</u></b>	<b><u>\$ 9,897,560</u></b>

\*See Note 8 for more information.



# **Investment Section**

## **(Unaudited)**

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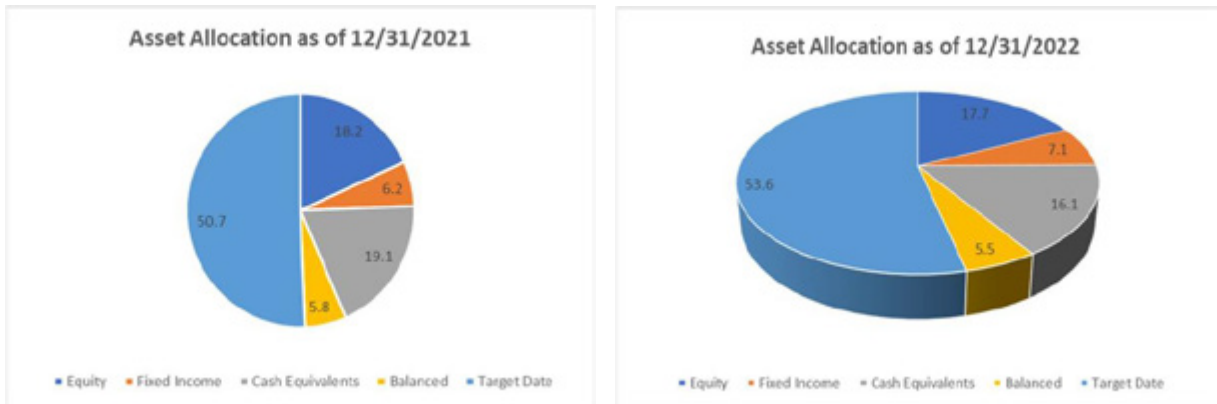
Annual Comprehensive Financial Report 2022

**PLAN SUMMARY REPORT**  
 For period ended December 31, 2022  
 Prepared by NFP and FIRM

The Maryland Teachers and State Employees Supplemental Retirement Plans (the “Plans”) are long-term retirement savings vehicles and are intended as sources of retirement income for eligible participants. The Plans vehicles are available for voluntary participation for those eligible participants who wish to bridge the gap between the State Pension and Retirement Plan, Social Security and their own retirement needs. The investment options available from the Plans cover a broad range of investment risk and rewards appropriate for this kind of retirement savings program. Participants bear the risk and reap the rewards of investment returns that result from the investment options they select.

Assets of the Plans totaled \$4.68 billion as of December 31, 2022. This reflected a decrease of approximately \$893 million from the prior calendar year-end. During 2022, the Plans received \$189.9 million in total contributions including deferrals and transfer-ins and paid \$277.7 million in distributions including transfer-outs to participants, which accounted for a \$87.8 million decrease in Plans assets.

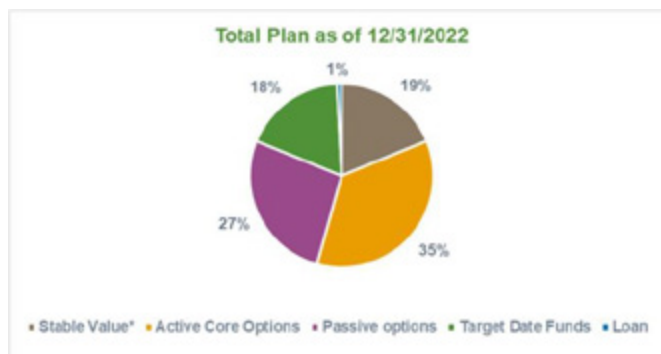
In terms of the overall asset allocation, the assets were invested as follows: 53.6% in equities, 7.0% in balanced, 16.1% in cash equivalents\*, 5.5% in fixed income, and 17.1% in target date. The graph below shows the asset allocation for the year end 2022 and 2021.



\*Cash equivalents represent the Investment Contract Pool (ICP), GW Daily Interest Guarantee, GW 36 Month CD, GW 60 Month CD, and GW 84 Month CD.

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The plan consisted of 35% in active core options and 27% in passive options, along with 18% in target dates, 19% in stable value, and 1% in loans.

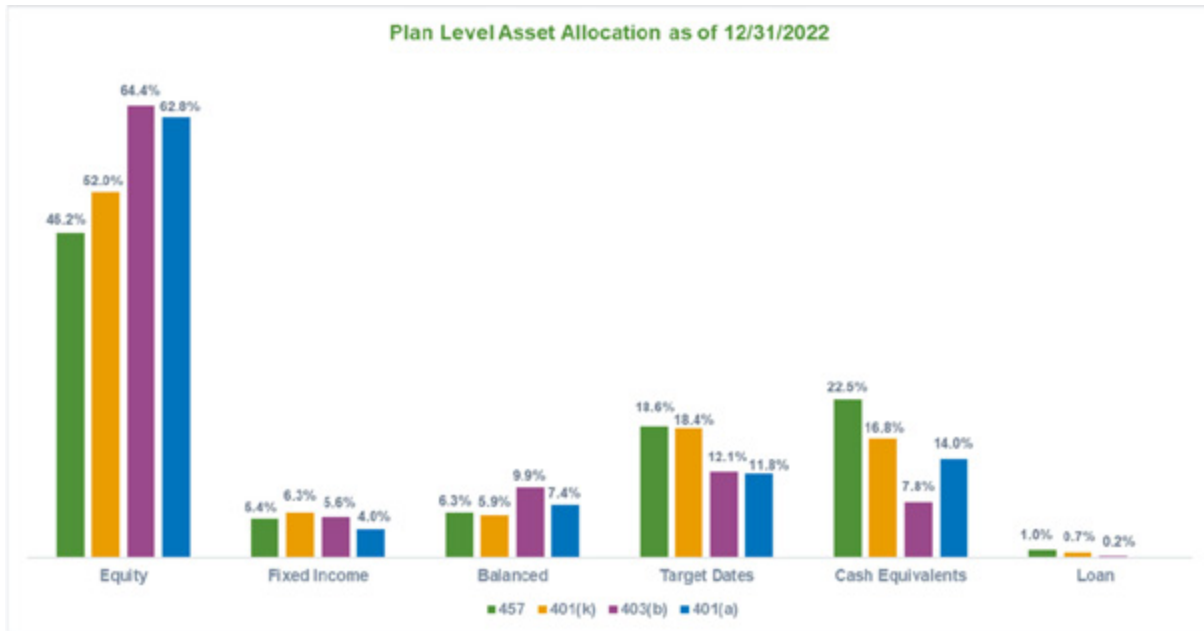


\*Stable Value represents Investment Contract Pool (ICP), GW Daily Interest Guarantee, GW 36 Month CD, GW 60 Month CD, and GW 84 Month CD, Nationwide Fixed Acct.

The largest investment option was the Investment Contract Pool, which comprised 19% of Plans' assets.

Top 5 Holdings	% of Total
Investment Contract Pool	19%
State Street S&P 500 Index Non-Lending K	14%
Fidelity Puritan	6%
William Blair Large Cap Growth CIF 5	5%
State Street S&P Mid Cap Index Non-Lending M	5%
Subtotal	49%

### Plan Specific Asset Information



- The 401(k) Savings and Investment Plan comprised the largest portion of the Plans at 49.6%, with \$2.31 billion in assets as of December 31, 2022. The largest investment option was the Investment Contract Pool (ICP) with 16.9% of participant assets. The second largest investment option is State Street S&P 500 Index Non-Lending Series with 15.8% of participant assets.
- The assets of the 457 Deferred Compensation Plan were valued at \$2.05 billion as of December 31, 2022, comprising 43.7% of the total Plans. The largest investment option was the Investment Contract Pool with 20.5% of participant assets, followed by State Street S&P 500 Index Non-Lending Series with 12.3% of participant assets.
- As of December 31, 2022, the 401(a) Match Plan was valued at \$205.6 million, which accounted for 4.4% of the Plans' assets. The largest investment option was the State Street S&P 500 Index

Non-Lending Series with 24.4% of participant assets, with the Investment Contract Pool coming in second, holding 14.0% of participant assets.

- The 403(b) Tax Sheltered Annuity Plan comprised the smallest portion of the overall Plans, with \$106 million in assets, which accounted for 2.3% of the Plans' assets. The largest investment option in the 403(b) Plan, by participant assets, was the Fidelity 500 Index Fund at 20.3%, followed by Fidelity Puritan Fund with 9.8% of participant assets.

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## **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 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.

The Board of Trustees work together with staff and outside advisors to update the menu of plan participant investment options, considering evolving market trends, best practices, investment constraints on specific plans due to laws and regulations, and opportunities for efficiencies in generating net returns to participants. The Plans' investment policy statement was most recently updated on January 23, 2023. A Statement of Investment Policy has been adopted by the Plans' Board of Trustees and serves the following purposes:

- To ensure that a broad range of investment options are offered to participants in the Plans;
- To establish an investment program that will allow Plans 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 strategies/funds;
- To define the selection criteria for the Plans' investment options;
- To define the procedures for investment strategy/fund evaluation and formal strategy/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 Plans may, but are not limited to offering the following investment categories:

- Cash Equivalent
- Bond
- Balanced
- Lifecycle/Target Date
- Domestic Large Cap
- Domestic Mid Cap
- Domestic Small Cap
- Non-U.S. Equity

Within each category of investment, between one and five investment options may be offered. For some of the categories, both actively managed and passively managed investment options are available. Additionally, there may be multiple styles (e.g., value, growth, blend) offered.

Each investment option offered under the Plans 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 and best interests of the Plans’ participants, it may remove and/or 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 the attachment following this report for more detailed results and investment option fees.

### Asset Allocation

- T. Rowe Price Retirement Funds:** The T. Rowe Price Retirement Funds are the Plans' target date options. Target date funds consist of mixed portfolios of equities and debt/fixed income securities. Because target date funds automatically "rebalance" accounts to equity/debt mixes considered best suited to a participant's age, the share of total plans' assets in target date funds has steadily grown over the past 11 years. T. Rowe Price Retirement Trust Class B was included in all plans except the 403(b) Tax Sheltered Annuity Plan, which continues to hold the T. Rowe Price Retirement Funds mutual fund. Participants' assets invested in the Class B target date funds were valued at \$829.5 million as of December 31, 2022. Participants' assets invested in the
- T. Rowe Price Retirement Funds (403(b) Plan only) were valued at \$12.8 million as of December 31, 2022.

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 2022, the most conservative fund (T. Rowe Price Retirement 2005) had a -13.50% return (Class B), while the most aggressive fund (T. Rowe Price Retirement 2065), designed for participants approximately 40+ years from retirement, returned -18.85% (Class B). On an annualized 5-year basis, the funds designed for participants that are in or close to retirement with earlier vintages (T. Rowe Price Retirement 2005 to 2020) produced returns ranging from approximately +3.09% to approximately +4.04%, whereas the fund designed for those younger participants (T. Rowe Price Retirement 2050 to 2060) earned approximately +5.70%. The following table illustrates the broad asset allocation of each of the specific lifecycle funds for the period ending December 31, 2022.

**T. Rowe Price Retirement Funds Class B Asset Allocation Breakdown**  
As of December 31, 2022

Vintage	Domestic Equity	International Equity	Real Assets	Fixed Income	Cash
T. Rowe Price Retirement 2005 Class B	27.4%	12.7%	2.2%	54.4%	3.3%
T. Rowe Price Retirement 2010 Class B	29.6%	13.7%	2.4%	50.9%	3.3%
T. Rowe Price Retirement 2015 Class B	27.4%	19.0%	2.5%	47.8%	3.3%
T. Rowe Price Retirement 2020 Class B	34.1%	15.6%	2.7%	44.5%	3.2%
T. Rowe Price Retirement 2025 Class B	38.4%	17.6%	3.0%	37.0%	4.0%
T. Rowe Price Retirement 2030 Class B	45.5%	20.9%	3.6%	25.8%	4.2%

- **Fidelity Puritan Fund:** As of December 31, 2022, \$290.1 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. Over the 3-, 5-, and 10-year periods, the fund outperformed the index and was ranked above the median in its peer group.

## Equities

- **Delaware Value Instl Fund:** The Delaware Value Instl Fund was on the watchlist and has outperformed the Russell 1000 Value Index for the fourth quarter and the 1-year period; it ranked above the median of the large cap value mutual fund universe for the quarter and for the 1-year period. The Fund underperformed the index for the 3-year and 5-year annualized periods and ranked below the median in its peer group. As of December 31, 2022, participant assets invested in this fund were valued at \$206.1 million.

- **T. Rowe Price U.S. Equity Research:** For the calendar year 2022, both the actively managed large cap blend commingled fund (included in the 457, 401(a), and 401(k) Plans) and the mutual fund (Class I-share class) (included in 403(b) Plan only) fund underperformed the S&P 500 Index and ranked below the median in its peer group for the 1-year period. Both share classes outperformed the Index for the trailing 3-, 5-, and 10-year periods. As of December 31, 2022, participant assets invested in the commingled fund and mutual fund were valued at \$184.3 million and \$4.9 million respectively.

- **Parnassus Equity Income Instl:** The large cap blend equity, socially responsible option, underperformed the S&P 500 Index during 2022. The fund outperformed the market index during the trailing 3-, 5-, and 10-year periods and was ranked above the median in its peer group. As of December 31, 2022, participants' assets invested in this fund were valued at \$47.0 million.

- **William Blair Large Cap Growth:** This actively managed large cap growth fund replaced the American Funds Growth Fund of America Fund in 2021. Both the commingled fund (included in the 457, 401(a), and 401(k) Plans) and the mutual fund (R6-share class) (included in the 403(b) Plan only) outperformed the Russell 1000 Growth Index for the quarter but underperformed for the 1-year period. As of December 31, 2022, participant assets invested in this investment option were valued at \$249.5 million (commingled fund; included in the 457, 401(a), and 401(k) Plans) and \$5.9 million (R6-share class; included in the 403(b) Plan only).

- **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-, 5-, and 10-year periods the fund also outperformed the Index. As of December 31, 2022, participant assets invested in this fund were valued at \$105.9 million.

- **Janus Enterprise N:** For the fourth quarter, the fund outperformed the Russell Mid Cap Growth Index. The fund outperformed the index for the trailing 1-, 3-, 5-, and 10-year period. Participant assets invested in this fund were valued at \$76.2 million as of December 31, 2022.

- **T. Rowe Price Small Cap Stock:** The Plans' actively managed small cap blend equity fund underperformed the Russell 2000 Index for the quarter but ranked above the median of its peer group during the trailing 1-year period. The fund outperformed the benchmark and ranked above the median of its peer group during the trailing 3-, 5-, and 10-year periods. As of December 31, 2022, participant assets invested in this fund were valued at \$178.4 million.

- **American Funds Euro Pacific Growth Fund:** During the trailing 1-year period, the Plans' actively managed international equity fund underperformed the MSCI ACWI ex-US Index. However, the fund outperformed the index for the trailing 5- and 10-year periods. As of December 31, 2022, participant assets invested in the fund were valued at \$152.7 million.

- **Fidelity 500 Index:** This passively managed large cap blend fund is offered in the 403(b) Plan only. The fund tracks the S&P 500 Index and produced results consistent with the index for the 1-, 3-, 5-, and 10-year periods. Participant investments in this fund were valued at \$21.4 million as of December 31, 2022.
- **State Street S&P 500 Index:** This passively managed large cap blend strategy is included in the 457, 401(a), and 401(k) Plans. The strategy tracks the S&P 500 Index and performed in line with the index for the 1-, 3-, 5-, and 10-year periods. Participant investments in this strategy were valued at \$665.7 million as of December 31, 2022, making it the second largest option in the Plans in terms of assets.
- **Vanguard Mid Cap Index Institutional Plus:** This passively managed mid cap blend equity fund is offered only in the 403(b) Plan and tracks the CRSP U.S. Mid Cap TR Index. The fund performed in line with its custom policy index for the 1-, 3-, 5-, and 10-year periods. Participant investments in this fund were valued at \$8.3 million as of December 31, 2022.
- **State Street S&P Mid Cap Index:** This passively managed mid cap blend equity strategy was added in August 2021 and is included in the 457, 401(a), and 401(k) Plans. The strategy tracks S&P Mid Cap 400 Index and performed in line with the index for the 1-, 3-, 5-, and 10-year periods. Participant investments in this strategy were valued at \$218.1 million as of December 31, 2022.
- **Vanguard Small Cap Index Institutional:** This passively managed small cap blend equity fund is offered in the 403(b) Plan and tracks the CRSP U.S. Small Cap Index. The fund produced results consistent with its custom policy index for the 1-, 3-, 5-, and 10-year periods. Participant investments in this fund were valued at \$3.4 million as of December 31, 2022.
- **State Street Russell Small Cap Index:** This passively managed small cap blend equity strategy is included in the 457, 401(a), and 401(k) Plans. The fund tracks the Russell 2000 Index. The fund performed in line with the index for the 1-, 3-, 5-, and 10-year periods. Participant investments in this strategy were valued at \$96.7 million as of December 31, 2022.
- **Vanguard Total International Stock Institutional:** This passively managed international blend fund is offered only in the 403(b) Plan and tracks the FTSE Global ex USA ALL Cap Index. The fund outperformed its custom policy index for the 1-, 3-, 5-, and 10-year periods. Participant investments in this fund totaled \$2.0 million as of December 31, 2022.
- **State Street International Index:** This passively managed international developed blend strategy is included in the 457, 401(a), and 401(k) Plans. The strategy tracks the MSCI EAFE index. The fund outperformed the index for the 1-, 3-, 5-, and 10-year periods. Participant investments in this strategy totaled \$115.9 million as of December 31, 2022.

## Fixed Income

- **TCW Core Fixed Income Fund:** As of December 31, 2022, participant assets invested in this fund were valued at \$148.6 million. This total includes assets of participants from each of the four Plans. For the year, the fund underperformed the Barclays Capital Aggregate Bond Index by 1 basis point. The fund was ranked above the median in its peer group for the 3-, 5-, and 10-year periods.
- **Vanguard Total Bond Market Fund:** This passively managed core bond fund is offered in the 403(b) Plan. It tracks the Bloomberg Aggregate Float Adjusted Index and produced results consistent with the index for the 1-, 3-, 5-, and 10-year periods. Participant investments in this fund were valued at \$3.1 million as of December 31, 2022.

- **State Street U.S. Bond Index:** This passively managed core bond strategy is included in the 457, 401(a), and 401(k) Plans. The bond fund tracks the Bloomberg Aggregate Bond Index and produced results consistent with the index for the 1-, 3-, 5-, and 10-year periods. The fund had \$116.7 million in participant investments as of December 31, 2022.

## Cash Equivalents

- **Investment Contract Pool (ICP):** As the largest option in terms of Plans' assets, this stable value option was valued at \$882.5 million as of December 31, 2022. This investment option is not available in the 403(b) Plan. Effective January 1, 2022, T. Rowe Price commenced managing the ICP. The 2022 calendar year return was 1.83%, as compared to the 3-Year Constant Maturity Treasury return of 1.50%.
- **Nationwide Fixed Annuity:** This option is only included in the investment line-up of the 457 Plan. Additionally, this option is frozen to new participants; however, legacy account holders can continue additional contributions. As of December 31, 2022, the value of the option was \$37.7 million. The annuity account's interest rate as of December 31, 2022 was 3.50%.
- **GW Daily Interest Guarantee, GW 36 Month Certificate of Deposit (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, 2022, the largest fund by participant assets was the 84-month CD, which was valued at \$1.9 million. The 36-month CD, 60-month CD, and the Daily Interest Guarantee were valued at approximately \$0.23 million, \$0.38 million, and \$0.17 million, respectively.
- **Vanguard Federal Money Market:** Another option only offered in the 403(b) Plan, this option had approximately \$6.1 million in assets as of December 31, 2022. Over the 1-year period, the Fund earned 1.55%, outperforming the ICE BofA US 3-Month Treasury Bill Index by 9 basis points.

# APPENDIX A - FEE REPORT

## **Investment Option Overview**

By statute, the Board must document, evaluate, and take prudent action regarding investment options in the Plans. The Board accomplishes this mandate through its investment policy. The standards under the investment policy apply to all investment options and objectives to ensure a range of options are available for voluntary participation for those who wish to bridge the gap between the State Pension Plan, Social Security, and their retirement needs.

## **The Objective of the Investment Policy**

The investment policy statement provides specific standards for selection, evaluation, reporting/monitoring, establishes objectives for each fund option, and utilizes oversight through an independent board (advised appropriately by its investment committee), national quality external auditors, and plan management/advisors engaged according to State government procurement requirements.

## **Fee Structure and Analysis**

Quarterly investment performance review ensures the level of diversification by category options is consistent; guidelines are consistently applied, compliance with investment option risk and return by investment fund category, and returns are consistent with expectations as stated in the investment policy guidelines. The Board utilizes economies of scale to manage significant funds that provide participants with diverse investment options compared with funds available in the external marketplace. In 2020, the Board approved several funds within the Plans shift from mutual funds to collective investment trusts (CITs). This change facilitated significant fee savings for participants. Although many of the funds in the Plan moved to CITs resulted in cost savings to participants, this fund change is one example of the independent oversight by the Board and its advisors to maintain diverse fund choices and provide those participating the ability to measure the relative costs of each fund as one key metric in evaluating investment alternatives.

## **2022 Fee Report by Assets Under Management (AUM) fund category**

The schedule of investments following this report shows the funds in the Plans as a whole (**401(k), 403(b), 457(b), and 401(a)**) sorted by investment type relative to fund risk. The report shows for the calendar year ended December 31, 2022, the fees charged in total dollars, fees expressed as an asset-based percentage (bps), and total participants. The total cost per participant varies depending on the size of the fund and the number of individuals invested. Thus, prices per participant are often smaller for those funds with many participants in that fund. At the end of the calendar year 2022, total costs of \$17.9M to the funds (as a whole) represent fees as a percentage, 0.039%. The

fee table that follows this narrative is relative to AUM, which is one measure to consider as a suitable comparison of alternative investments.

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**MARYLAND TEACHERS AND STATE EMPLOYEES  
MARYLAND SUPPLEMENTAL RETIREMENT PLANS**  
Schedule of Investments, by Plan  
For the Year Ended December 31, 2022

	AUM by as of 12/31/22	Fees \$\$ (annualized)	Asset Based Fee %*	Participant count by Fund
<b>Equity Funds</b>				
American Funds-EuroPacific Growth Fund® -Class R6	\$ 152,688,233	\$ 316,587	0.46%	14,755
Delaware Value Fund - Institutional Class	\$ 206,085,895	\$ 469,224	0.43%	13,158
Parnassus Core Equity Fund-Inst Shrs	\$ 47,021,138	\$ 61,415	0.51%	1,725
T Rowe Price Institutional Small Cap Stock Fund, Inc.	\$ 178,398,705	\$ 271,580	0.66%	14,908
T Rowe Price Mid Cap Value Fund, Inc.- Retail Shrs	\$ 105,855,871	\$ 191,057	0.62%	11,790
Janus Henderson Enterprise Fund-N Shrs	\$ 76,169,995	\$ 154,641	0.66%	9,568
William Blair Large Cap Growth Fund - Class R6	\$ 5,888,048	\$ 9,323	0.60%	173
Fidelity® Puritan® Fund	\$ 290,130,029	\$ 382,699	0.25%	9,121
T Rowe Price U.S. Equity Research Fund - I Class	\$ 4,868,787	\$ 7,252	0.34%	161
T Rowe Price Structured Research Cmm Tr	\$ 184,296,145	\$ 57,132	0.28%	12,565
William Blair Large Cap Growth Collective Inv Fund-Class 5	\$ 249,498,769	\$ 539,795	0.37%	13,948
State Street S&P MidCap Index Non-Lending Series Fund Class M	\$ 218,075,181	\$ 275,687	0.03%	8,796
Fidelity® 500 Index Fund	\$ 21,427,459	\$ 27,032	0.02%	335
Vanguard® Mid Cap Index Fund-Inst Plus Shrs	\$ 8,327,084	\$ 11,495	0.03%	170
Vanguard® Small Cap Index Fund-Inst Shrs	\$ 3,398,839	\$ 157,341	0.04%	154
Vanguard® Total International Stock Index Fund-Inst Shrs	\$ 1,998,681	\$ 4,656	0.08%	129
State Street International Index Non-Lending Series Fund Class M	\$ 115,933,610	\$ 465,211	0.05%	8,627
State Street Russell Small Cap Index Non-Lending Series Fund Class K	\$ 96,650,743	\$ 157,341	0.04%	11,522
State Street S&P 500 Index Non-Lending Series Fund Class K	\$ 665,732,201	\$ 993,675	0.01%	22,720
<b>Fixed Income-based Funds</b>				
Investment Contract Pool	\$ 832,125,391	\$ 1,184,715	0.25%	28,376
TCW Core Fixed Income Fund - I Class	\$ 148,563,289	\$ 441,447	0.39%	11,657
SSgA US Bd Indx NLndg M	\$ 116,723,514	\$ 88,500	0.03%	7,060
Vanguard® Federal MM	\$ 5,761,174	\$ 1,020	0.11%	150
Vanguard® Total Bond Market Index Fund-Inst Shrs	\$ 3,088,968	\$ 7,403	0.04%	109
<b>Target Date Collective investment Trusts</b>				
T Rowe Price Retirement 2005 Trust B	\$ 7,172,554	\$ 25,821	0.36%	355
T Rowe Price Retirement 2010 Trust B	\$ 24,589,241	\$ 88,521	0.36%	550
T Rowe Price Retirement 2015 Trust B	\$ 58,604,793	\$ 210,977	0.36%	1,101
T Rowe Price Retirement 2020 Trust B	\$ 121,765,934	\$ 438,357	0.36%	2,276
T Rowe Price Retirement 2025 Trust B	\$ 143,199,168	\$ 515,517	0.36%	3,089
T Rowe Price Retirement 2030 Trust B	\$ 144,490,345	\$ 520,165	0.36%	3,810
T Rowe Price Retirement 2035 Trust B	\$ 100,413,548	\$ 361,489	0.36%	3,576
T Rowe Price Retirement 2040 Trust B	\$ 83,609,128	\$ 300,993	0.36%	3,561
T Rowe Price Retirement 2045 Trust B	\$ 56,824,038	\$ 204,567	0.36%	3,362
T Rowe Price Retirement 2050 Trust B	\$ 47,800,664	\$ 172,082	0.36%	3,516
T Rowe Price Retirement 2055 Trust B	\$ 29,936,167	\$ 107,770	0.36%	2,931
T Rowe Price Retirement 2060 Trust B	\$ 9,550,917	\$ 34,383	0.36%	1,419
T Rowe Price Retirement 2065 Trust B	\$ 1,489,644	\$ 5,363	0.36%	306
<b>Target Date Mutual Funds</b>				
T Rowe Price Retirement I 2005 - I Class	\$ 193,505	\$ 658	0.34%	7
T Rowe Price Retirement I 2010 - I Class	\$ 771,852	\$ 2,624	0.34%	7
T Rowe Price Retirement I 2015 - I Class	\$ 1,250,844	\$ 4,503	0.36%	25
T Rowe Price Retirement I 2020 - I Class	\$ 2,574,342	\$ 9,525	0.37%	33
T Rowe Price Retirement I 2025 - I Class	\$ 2,732,556	\$ 10,657	0.39%	33
T Rowe Price Retirement I 2030 - I Class	\$ 2,259,468	\$ 9,264	0.41%	44
T Rowe Price Retirement I 2035 - I Class	\$ 810,793	\$ 3,405	0.42%	39
T Rowe Price Retirement I 2040 - I Class	\$ 677,574	\$ 2,846	0.42%	45
T Rowe Price Retirement I 2045 - I Class	\$ 724,046	\$ 3,113	0.43%	33
T Rowe Price Retirement I 2050 - I Class	\$ 601,891	\$ 2,648	0.44%	19
T Rowe Price Retirement I 2055 - I Class	\$ 63,040	\$ 284	0.45%	9
T Rowe Price Retirement I 2060 - I Class	\$ 98,423	\$ 453	0.46%	11
T Rowe Price Retirement I 2065 - I Class	\$ 1,843	\$ 8	0.46%	3
<b>*AUM Net of revenue sharing, if applicable</b>				
	\$ 4,581,914,068			
Fixed annuities/GW	\$ 51,058,741			
suspense	\$ (303,319)			
<b>Total AUM at 12/31/22 per unaudited financial statements</b>	<b>\$ 4,631,669,490</b>			
<b>Subtotal - fund management fees unaudited</b>				
		\$ 9,312,223		
Plan Administrator fees (Nationwide)		\$ 7,762,226		
MSRP operating expenses		\$ 858,209		
<b>MSRP fees and expenses (comparable to alternative asset managers)</b>		<b>\$ 17,932,658</b>	<b>0.39%</b>	





## Investment Performance Information - October 1, 2022 to December 31, 2022

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: [WWW.MARYLANDDC.COM](http://WWW.MARYLANDDC.COM). Please consider the fund's investment objectives, risks, and charges and expenses carefully before investing. Both the underlying fund prospectuses and informational brochure contain this and other information about the investment company. Prospectuses are available by calling 1-800-545-4730. Read carefully before investing. The rates of return do not reflect a maximum deduction of a 0.078% annual plan asset fee, which, if reflected, would reduce the performance shown. No account will be charged more than \$2000 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.

VRU #	Fixed Investment Option	Jan '23	Dec '22	Nov '22					
283	Investment Contract Pool	2.240%	2.230%	2.100%					
VRU #	Variable Investment Options	Morningstar Category	Average Annual Return				Since Inception	Inception Date	Gross Expense Ratio
			1 Year	3 Year	5 Year	10 Year			
<b>Asset allocation</b>									
1439	TRowePr Rtrmt I 2010 I (o)	Target-Date 2000-2010	-13.86%	1.70%	3.36%	N/A	5.32%	09/29/15	0.34%
2390	TRowePr 2005 Trust B (b)	Target-Date 2000-2010	-13.50%	1.39%	3.09%	4.61%	5.09%	01/13/12	0.36%
2391	TRowePr 2010 Trust B (b)	Target-Date 2000-2010	-13.85%	1.66%	3.36%	5.12%	5.63%	01/13/12	0.36%
2695	TRowePr Rtrmt I 2005 I (o)	Target-Date 2000-2010	-13.51%	1.42%	3.08%	N/A	4.85%	09/29/15	0.34%
1440	TRowePr Rtrmt I 2015 I (o)	Target-Date 2015	-14.17%	2.05%	3.68%	N/A	5.89%	09/29/15	0.36%
2392	TRowePr 2015 Trust B (b)	Target-Date 2015	-14.09%	2.06%	3.71%	5.86%	6.41%	01/13/12	0.36%
1441	TRowePr Rtrmt I 2020 I (o)	Target-Date 2020	-14.46%	2.34%	4.03%	N/A	6.60%	09/29/15	0.37%
2393	TRowePr 2020 Trust B (b)	Target-Date 2020	-14.54%	2.31%	4.04%	6.59%	7.15%	01/13/12	0.36%
1442	TRowePr Rtrmt I 2025 I (o)	Target-Date 2025	-15.46%	2.78%	4.44%	N/A	7.24%	09/29/15	0.39%
2394	TRowePr 2025 Trust B (b)	Target-Date 2025	-15.50%	2.76%	4.46%	7.29%	7.87%	01/13/12	0.36%
1443	TRowePr Rtrmt I 2030 I (o)	Target-Date 2030	-16.86%	3.11%	4.77%	N/A	7.78%	09/29/15	0.41%
2395	TRowePr 2030 Trust B (b)	Target-Date 2030	-16.80%	3.12%	4.81%	7.90%	8.48%	01/13/12	0.36%
1444	TRowePr Rtrmt I 2035 I (o)	Target-Date 2035	-17.85%	3.49%	5.06%	N/A	8.25%	09/29/15	0.42%
2396	TRowePr 2035 Trust B (b)	Target-Date 2035	-17.74%	3.55%	5.15%	8.39%	8.97%	01/13/12	0.36%
1445	TRowePr Rtrmt I 2040 I (o)	Target-Date 2040	-18.72%	3.84%	5.35%	N/A	8.65%	09/29/15	0.43%
2397	TRowePr 2040 Trust B (b)	Target-Date 2040	-18.54%	3.91%	5.46%	8.77%	9.33%	01/13/12	0.36%
1446	TRowePr Rtrmt I 2045 I (o)	Target-Date 2045	-18.98%	4.14%	5.57%	N/A	8.86%	09/29/15	0.44%
2398	TRowePr 2045 Trust B (b)	Target-Date 2045	-18.71%	4.25%	5.73%	8.95%	9.49%	01/13/12	0.36%
1447	TRowePr Rtrmt I 2050 I (o)	Target-Date 2050	-19.09%	4.13%	5.57%	N/A	8.86%	09/29/15	0.45%
2399	TRowePr 2050 Trust B (b)	Target-Date 2050	-18.82%	4.24%	5.70%	8.94%	9.48%	01/13/12	0.36%
1448	TRowePr Rtrmt I 2055 I (o)	Target-Date 2055	-19.12%	4.11%	5.55%	N/A	8.84%	09/29/15	0.46%
2400	TRowePr 2055 Trust B (b)	Target-Date 2055	-18.89%	4.20%	5.68%	8.93%	9.47%	01/13/12	0.36%
1449	TRowePr Rtrmt I 2060 I (o)	Target-Date 2060	-19.10%	4.15%	5.58%	N/A	8.82%	09/29/15	0.46%
2401	TRowePr 2060 Trust B (b)	Target-Date 2060	-18.92%	4.18%	5.68%	N/A	7.04%	12/05/14	0.36%
2724	TRowePr Rtrmt I 2065 I (o)	Target-Date 2065+	-19.09%	N/A	N/A	N/A	2.87%	10/13/20	0.46%
2844	TRowePr 2065 Trust B (b)	Target-Date 2065+	-18.85%	N/A	N/A	N/A	3.79%	10/19/20	0.36%
<b>International</b>									
883	Vngrd Ttl IntlStkIdx Inst	Foreign Large Blend	-15.98%	0.53%	1.12%	4.09%	4.05%	11/29/10	0.08%
2819	SSgA Intl Indx NLndg M	Foreign Large Blend	-14.18%	1.11%	4.08%	6.03%	8.29%	11/30/08	0.05%
835	AmFds Euro Pacfc Gr R6	Foreign Large Growth	-22.72%	-0.15%	1.54%	5.30%	10.03%	04/16/84	0.46%
<b>Small cap</b>									
891	Vngrd SmCap Indx Inst	Small Blend	-17.60%	4.94%	5.95%	10.12%	8.53%	07/07/97	0.04%
2820	SSgA RsslSmCapIndxNLndg K	Small Blend	-20.42%	3.06%	4.08%	8.89%	7.52%	09/30/96	0.04%
1533	TRowePr Inst SmCap Stk	Small Growth	-23.31%	3.83%	7.77%	11.24%	9.66%	03/31/00	0.66%
<b>Mid cap</b>									
899	Vngrd MdCap Indx Inst Pls	Mid-Cap Blend	-18.69%	6.19%	7.34%	11.12%	10.53%	12/15/10	0.03%
2821	SSgA SPMdCap Indx NLndg M	Mid-Cap Blend	-13.11%	7.18%	6.67%	10.75%	9.74%	09/30/97	0.03%
1291	JnsHndrsn Entrp N	Mid-Cap Growth	-15.94%	5.96%	9.82%	13.20%	10.99%	09/01/92	0.66%
802	TRowePr MdCap Val Rtl	Mid-Cap Value	-4.24%	9.43%	6.98%	10.58%	10.84%	06/28/96	0.77%
<b>Large cap</b>									
856	Parnassus Cor Eq Inst	Large Blend	-18.45%	8.19%	10.66%	12.64%	10.46%	04/28/06	0.61%
1749	TRowePr US Eq Rsrch I	Large Blend	-18.72%	7.68%	9.60%	12.71%	9.14%	11/30/94	0.34%
2078	Fid 500 Indx	Large Blend	-18.13%	7.65%	9.41%	12.55%	10.26%	02/17/88	0.02%
2823	SSgA SP 500 Indx NLndg K	Large Blend	-18.12%	7.63%	9.40%	12.54%	8.31%	04/30/97	0.01%
2896	TRowPr StrcdRsrch Cmn Tr	Large Blend	-18.66%	7.99%	9.89%	13.05%	9.79%	05/02/05	0.28%
2626	WlmBlr LgCap Gr CIF 5	Large Growth	-32.55%	N/A	N/A	N/A	-9.88%	02/12/21	0.37%
2627	WlmBlr LgCap Gr R6	Large Growth	-32.41%	5.87%	N/A	N/A	8.60%	05/02/19	0.67%
942	DE Val Inst	Large Value	-3.51%	5.75%	6.66%	10.53%	7.80%	09/15/98	0.68%

# PERFORMANCE RESULTS

## Investment Performance Information - October 1, 2022 to December 31, 2022

VRU #	Variable Investment Options	Morningstar Category	Average Annual Return				Since Inception	Inception Date	Gross Expense Ratio
			1 Year	3 Year	5 Year	10 Year			
199	Balanced Fid Puritan	Allocation--50% to 70% Equity	-17.24%	5.87%	6.64%	8.84%	10.69%	04/16/47	0.51%
786	Bonds Vngrd Ttl Bd Mkt Indx Inst	Intermediate Core Bond	-13.15%	-2.73%	0.01%	1.02%	4.23%	09/18/95	0.04%
1641	TCW Cor Fxd Inc I	Intermediate Core Bond	-14.25%	-2.71%	0.05%	0.97%	4.56%	02/26/93	0.51%
2822	SSgA US Bd Indx NLndg M	Intermediate Core Bond	-13.15%	-2.75%	-0.01%	1.02%	2.48%	04/30/09	0.03%
1340	Short term Vngrd Fed Mny Mkt Inv (c) CURRENT YIELD: 3.00%	Money Market-Taxable	1.55%	0.67%	1.18%	0.71%	3.88%	07/13/81	0.11%

Match the market index below to the Morningstar Category listed for your fund.

Market Indices	Total Return	Average Annual Return		
	1 Year	3 Year	5 Year	10 Year
<b>Small Cap Growth Index</b> CRSP US Small Cap Growth Index	-28.44%	0.79%	5.09%	9.26%
<b>Small Cap Blend Index</b> Russell 2000	-20.44%	3.10%	4.13%	9.01%
<b>Small Cap Value Index</b> CRSP US Small Cap Value Index	-9.27%	7.13%	5.78%	10.44%
<b>International Index</b> FTSE Developed ex North America - For VRU# 835 FTSE Global All Cap ex US Index	-15.29% -15.83%	0.83% 0.82%	1.28% 1.40%	4.62% 4.48%
<b>Mid Cap Growth Index</b> Russell Midcap Growth	-26.72%	3.85%	7.64%	11.41%
<b>Mid Cap Value Index</b> Russell Midcap Value	-12.03%	5.82%	5.72%	10.11%
<b>Mid Cap Blend Index</b> S&P 400 MidCap Index	-13.06%	7.23%	6.71%	10.78%
<b>Large Cap Blend Index</b> Standard & Poor's 500 Index	-18.11%	7.66%	9.42%	12.56%
<b>Large Cap Growth Index</b> Russell 1000 Growth	-29.14%	7.79%	10.96%	14.10%
<b>Large Cap Value Index</b> CRSP US Large Cap Value Index Russell 1000 Value	-2.01% -7.54%	8.23% 5.96%	8.58% 6.67%	11.97% 10.29%
<b>Balanced Index (use for Moderate Allocation Funds)</b> 60% S&P 500/40% Barclays Capital Aggregate Bond	-15.79%	3.83%	5.96%	8.08%
<b>Government Bond Index</b> Bloomberg US Govt Interm TR USD	-7.73%	-1.38%	0.46%	0.69%
<b>Intermediate Term Bond</b> Bloomberg US Agg Bond TR USD	-13.01%	-2.71%	0.02%	1.06%
<b>Money Market Index</b> FTSE Treasury Bill 3 Mon USD	1.50%	0.71%	1.25%	0.74%



Get the most current fund performance, fund fact sheets, and fund line up on [MarylandDC.com](https://www.marylanddc.com)

## Investment Performance Information - October 1, 2022 to December 31, 2022

Match the market index below to the Morningstar Category listed for your fund.

### Market Indices (continued)

	Total Return	Average Annual Return		
	1 Year	3 Year	5 Year	10 Year
<b>Asset Allocation Index</b>				
Combined Index Portfolio 2005	-13.49%	1.56%	3.22%	4.66%
Combined Index Portfolio 2005 (CIT)	-13.49%	1.56%	3.22%	4.66%
Combined Index Portfolio 2010	-13.90%	1.84%	3.49%	5.16%
Combined Index Portfolio 2010 (CIT)	-13.90%	1.84%	3.49%	5.16%
Combined Index Portfolio 2015	-14.23%	2.09%	3.77%	5.83%
Combined Index Portfolio 2015 (CIT)	-14.23%	2.09%	3.77%	5.83%
Combined Index Portfolio 2020	-14.58%	2.36%	4.13%	6.54%
Combined Index Portfolio 2020 (CIT)	-14.58%	2.36%	4.13%	6.54%
Combined Index Portfolio 2025	-15.35%	2.90%	4.63%	7.24%
Combined Index Portfolio 2025 (CIT)	-15.35%	2.90%	4.63%	7.24%
Combined Index Portfolio 2030	-16.41%	3.36%	5.04%	7.85%
Combined Index Portfolio 2030 (CIT)	-16.41%	3.36%	5.04%	7.85%
Combined Index Portfolio 2035	-17.14%	3.87%	5.47%	8.36%
Combined Index Portfolio 2035 (CIT)	-17.14%	3.87%	5.47%	8.36%
Combined Index Portfolio 2040	-17.65%	4.36%	5.86%	8.77%
Combined Index Portfolio 2040 (CIT)	-17.65%	4.36%	5.86%	8.77%
Combined Index Portfolio 2045	-17.91%	4.66%	6.09%	8.94%
Combined Index Portfolio 2045 (CIT)	-17.91%	4.66%	6.09%	8.94%
Combined Index Portfolio 2050	-17.99%	4.68%	6.10%	8.94%
Combined Index Portfolio 2050 (CIT)	-17.99%	4.68%	6.10%	8.94%
Combined Index Portfolio 2055	-17.99%	4.67%	6.10%	8.94%
Combined Index Portfolio 2055 (CIT)	-17.99%	4.67%	6.10%	8.94%
Combined Index Portfolio 2060	-17.99%	4.67%	6.10%	N/A
Combined Index Portfolio 2060 (CIT)	-17.99%	4.67%	6.10%	N/A
Combined Index Portfolio 2065	-18.01%	N/A	N/A	N/A
Combined Index Portfolio 2065 (CIT)	-18.01%	N/A	N/A	N/A
Combined Index Portfolio Income	-13.10%	1.73%	3.33%	4.57%
Combined Index Portfolio Income (CIT)	-13.10%	1.73%	3.33%	4.57%

### FEE DISCLOSURES

The Standardized illustration represents performance based on a \$10,000 hypothetical investment. Fees and expenses listed are in addition to the fees disclosed in the underlying fund prospectus.

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.

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.

### FOOTNOTES

b) These 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 fund's expenses, you are indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds.

c) 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.

o) The Target Retirement Funds invest in a wide variety of underlying funds to help reduce investment risk. So in addition to the expenses of the Target Retirement Funds, you pay a proportionate share of the expenses of the underlying funds. Like other funds, Target Retirement 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.

### RISK DISCLOSURES

**Government Money Market Funds:** The Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund is open to all investors. Although the Fund seeks to preserve the value of the investment at \$1.00 per share, it cannot guarantee it will do so. You could lose money by investing in the Fund. The Fund may impose a fee upon sale of shares or temporarily suspend the ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time. The Fund may invest in shares of other government money market mutual funds, including those advised by the Fund's subadviser, to provide additional liquidity or to achieve higher yields. Please refer to the most recent prospectus for a more detailed description of the Fund's principal risks.

**International/emerging markets funds:** Funds that invest in international stocks face risks that funds investing only in U.S. stocks do not. Currency fluctuation, political risk, differences in accounting standards and the limited availability of information may make these funds less stable.

**Small company funds:** Small and emerging companies may have less liquidity than larger, established companies. Therefore, funds investing in stocks of small or emerging companies may face greater price volatility and risk.

**High-yield bond funds:** Funds that invest in high-yield securities may have more credit risk and changes in price than funds that invest in higher-quality securities.

## PERFORMANCE RESULTS

### Investment Performance Information - October 1, 2022 to December 31, 2022

**Non-diversified funds:** Funds that invest in a single industry or small number of securities may be more volatile than those that invest more broadly.

**Government bond funds:** These funds invest mainly in securities of the U.S. government and its agencies; however, these entities do not guarantee the value of the funds.

**Real estate funds:** Funds that invest mainly in real estate are sensitive to economic and business cycles, changing demographic patterns and government actions.

#### IMPORTANT DISCLOSURES

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

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

Investing may involve market risk, including the possible loss of principal. Certain underlying funds discussed here are only available as investment options in group variable annuity contracts issued by life insurance companies. They are not offered or made available directly to the general public. These portfolios contain different investment than similarly named mutual funds offered by the money manager and investment returns may be higher or lower.

Inception Date is the date the underlying fund was established. Non-Standardized performance for UIO's includes hypothetical performance for periods before the UIO was available in the group annuity, where applicable, applying contract charges to actual fund NAVs to determine the performance the UIO would have achieved inside the separate account.

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Distributions of contributions and earnings from the Roth account are tax free if contributions have been in the Roth elective deferral account for a period of at least five (5) tax years and the participant is at least 59½ years old at the time of the distribution.

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

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# Maryland State Teachers and State Employees Supplemental Retirement Plans Master Trust

William Donald Schaefer Tower ~ 6 Saint Paul Street ~ Suite 200 ~ Baltimore, Maryland 21202-1608  
Phone 410-767-8740 or 1-800-543-5605 Fax 410-659-0349

All information as of December 31, 2022

## Category

Stable Value — The Investment Contract Pool (the "ICP") of the Maryland Teachers & State Employees Supplemental Retirement Plans (the "MSRP") is a stable value investment option offered under the Plan and is structured as a separately managed portfolio. The ICP is not a registered mutual fund, therefore there is no prospectus.

## Management

T. Rowe Price Associates, Inc. (TRPA)

## Objective

The purpose and objective of the ICP is to provide participants in the Maryland Teachers & State Employees Supplemental Retirement Plans (the "MSRP") with an investment vehicle that, among other things:

- emphasizes safety through preservation of principal and accrued income;
- provides benefit responsiveness for qualifying participant withdrawals at book value;
- credits a rate of interest that exhibits low volatility and tracks the general direction of interest rates.

## Approach

The ICP primarily invests in synthetic investment contracts ("SICs"). SICs are commonly referred to as wrap contracts or wraps. The ICP invests across a number of contracts with high quality contract issuers in order to help diversify the ICP's credit risk with respect to any one counterparty. With respect to SICs, these wrap contracts are supported by underlying high-quality fixed income portfolios (such assets are commonly referred to as "wrapped assets"). The wrapped assets are generally managed to a target duration not more than 3.5 years with the objective of enhancing the ICP's crediting rate. SICs provide a guarantee of principal and interest payment for routine participant transactions permitted under the MSRP regardless of the market value of the wrapped assets.

**Reserve Segment (3.0% of ICP)** This segment is invested in an unwrapped short-term investment fund to help facilitate liquidity for routine participant transactions.

## SIC Actively Managed Portfolio Segment (97.0% of ICP)

This segment is invested across five high quality SIC contracts and is intended to enhance the ICP's crediting rate while remaining benefit responsive for routine participant transactions.

SIC Contract Issuers	% of ICP	Credit Quality Rating <sup>1</sup>
American General Life Insurance Company	20.3%	A2
Transamerica Life Insurance Company	20.3	A1
State Street Bank and Trust Company	19.1	Aa1
Metropolitan Tower Life Insurance Company	18.7	Aa3
The Prudential Insurance Company of America	18.6	Aa3

The above issuers represent 97.0% of the ICP as of December 31, 2022.

Total Return Performance <sup>2</sup> Figures are Calculated in U.S. Dollars	One Month	Two Months	Three Months	One Year	Since Inception <sup>5</sup> 1 January 2022
Investment Contract Pool ("ICP")	0.19%	0.36%	0.54%	N/A	1.83%
FTSE 3-Month Treasury Bill Index <sup>3</sup>	0.34	0.63	0.87	1.50%	1.50
3-year Constant Maturity Treasury <sup>4</sup>	0.35	0.70	1.07	3.16	3.16

Past performance is not a reliable indicator of future performance.

Sector Breakdown (%)	% of ICP	Credit Quality (%) <sup>1</sup>	% of ICP	ICP Characteristics	
Credits	41.4%	U.S. Government Agencies/Aaa	54.8%	Assets (Millions USD)	\$832.27
U.S. Treasuries	24.2	Aa	3.5	Average Crediting Rate (gross of trustee fees, net of 14.5 bps wrap fees)	2.23%
U.S. Agencies	1.4	A	20.5	Market-to-Book Ratio	93.07%
ABS	8.9	BBB or Lower	17.4	Duration	3.01 Years
CMBS	4.9	Reserves/Cash Equivalents	3.8	Yield	4.90%
Mortgage Back Securities (MBS)	15.4			<b>Underlying Fixed Income Portfolios (% of ICP)</b>	
Reserves/Cash Equivalents	3.8			T. Rowe Price	49.6%
				Payden	19.1
				Loomis	18.7
				Xponance	9.6

FOR MARYLAND (MSRP) ONLY. NOT FOR FURTHER DISTRIBUTION.

# Maryland State Teachers and State Employees Supplemental Retirement Plans Master Trust

All information as of December 31, 2022

## **Past performance is not a reliable indicator of future performance.**

<sup>1</sup>Credit ratings for the securities held are provided by Moody's, Standard & Poor's and Fitch and are converted to the Moody's nomenclature. A rating of "AAA" represents the highest-rated securities, and a rating of "D" represents the lowest-rated securities. If the rating agencies differ, the highest rating is applied to the security. If a rating is not available, the security is classified as Not Rated (NR). T. Rowe Price uses the rating of the underlying investment vehicle to determine the creditworthiness of credit default swaps and sovereign securities. The portfolio is not rated by any agency. U.S. Government Agencies includes U.S. Treasury obligations as well as debentures, pass-throughs, CMOs, and project loans issued by Agencies of the U.S. Government.

<sup>2</sup>Performance is reported from the inception date of TRPA appointment as an investment manager of the Fund on January 01, 2022, and is gross of trustee fees, net of 14.5 bps wrap fees. Prior to January 01, 2022 the Fund was managed by other investment advisers not affiliated with TRPA. During the reported periods, other stable value portfolios may have performed better or worse than the Fund. Periods greater than one year are annualized.

<sup>3</sup>The FTSE 3-Month Treasury Bill Index provides a monthly return based on a rolling three-month average of U.S. Treasury bills.

<sup>4</sup>The 3-year Constant Maturity Treasury Index provides a monthly return based on a rolling three-year average of U.S. Treasury bills.

<sup>5</sup>"Since Inception" return is from inception of management by TRPA. Please contact the Plan for performance data relating to prior periods. The Fund is not insured by the FDIC or any other government agency. There is no assurance that the Fund will be able to maintain a stable net asset value of 1 USD a share and it is possible to lose money by investing in the Fund.

Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.

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# Statistical Section

## (Unaudited)

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Annual Comprehensive Financial Report 2022

## 2022 Plan Statistics

## 2022 Totals for All Plans

Average Combined Plan Assets by Participant	72,941
TOTAL Participants	67,670
TOTAL Deferring/Contributing Participants	32,775
Average Roth Assets by Participant	12,927
Participants in Multiple Plans	27,497
Total Roth Accounts	8,873
TOTAL Participants with Systematic Payouts	13,073
Participants with Multiplan Deferrals	3,333
Average Annual Deferrals per Participant	1,778

## 457(b) Deferred Compensation Plan

	2022	2021	2020
Participants	35,613	35,954	36,147
Deferring Participants	19,187	19,187	21,129
Systematic Payouts	7,072	8,902	3,090
Loans	2,384	2,423	2,496
Annuitants	1	1	1
Net New Enrollments	1,110	(66)	(66)

## 401(k) Savings &amp; Investment Plan

	2022	2021	2020
Participants	31,343	31,823	32,111
Contributing Participants	15,048	15,048	16,626
Systematic Payouts	5,810	4,834	3,363
Number of Loans	1,888	1,981	2,131
Annuitants	-	-	-
Net New Enrollments	932	-	(438)

## 403(b) Tax Deferred Annuity Plan

	2022	2021	2020
Participants	804	804	775
Contributing Participants	265	265	324
Systematic Payouts	191	135	134
Number of Loans	3	29	29
Annuitants	-	1	1
Net New Enrollments	42	(7)	(7)

## 401(a) Match Plan

	2022	2021	2020
Participants	24,796	25,580	26,973



Statement of Changes in Fiduciary Net Position 10 Year History

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>ADDITIONS TO NET POSITION ATTRIBUTED TO:</b>										
Employee contributions	\$ 189,971,046	\$ 190,217,444	\$ 179,872,866	\$ 182,405,999	\$ 164,038,436	\$ 167,321,062	\$ 155,632,594	\$ 163,723,479	\$ 153,458,164	\$ 143,259,190
Employer contributions	-	-	-	16,554	35,822	70	16,363	9,750	28,418	39,564
Variable earnings reimbursements	1,671,106	1,786,049	1,990,832	2,666,215	3,057,487	2,102,082	2,096,422	2,206,440	2,026,395	1,756,620
Investment income:										
Participant fee income	1,336,367	1,766,789	2,035,000	2,029,000	-	-	-	-	-	-
Variable earnings investment (loss) income	(818,461,864)	733,896,717	605,341,098	711,776,796	(165,557,554)	491,695,469	231,765,315	(6,641,027)	202,623,164	490,102,916
Interest income	19,851,311	18,292,463	22,356,074	22,656,096	21,104,108	18,923,831	18,431,370	18,549,979	18,590,728	-
<b>Total Additions</b>	<b>(605,632,034)</b>	<b>945,959,462</b>	<b>811,595,870</b>	<b>921,550,660</b>	<b>22,678,299</b>	<b>680,042,514</b>	<b>407,942,064</b>	<b>177,848,621</b>	<b>376,726,869</b>	<b>635,158,290</b>
<b>DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:</b>										
Distributions to participants	277,699,840	300,550,087	252,429,639	268,869,648	238,492,183	241,714,809	205,568,155	214,590,958	199,498,199	182,784,784
Administrative expenses	9,956,801	9,897,560	8,752,776	8,805,494	6,264,365	5,537,415	5,243,677	4,609,909	4,931,985	4,659,702
Life insurance premiums	1,430	1,440	2,375	3,520	5,350	6,644	7,982	11,725	16,098	20,281
<b>Total Deductions</b>	<b>287,658,071</b>	<b>310,449,087</b>	<b>261,184,790</b>	<b>277,678,662</b>	<b>244,761,898</b>	<b>247,258,868</b>	<b>210,819,814</b>	<b>219,212,592</b>	<b>204,446,282</b>	<b>187,464,767</b>
Net (decrease) increase	(893,290,105)	635,510,375	550,411,080	643,871,998	(222,083,599)	432,783,646	197,122,250	(41,363,971)	172,280,587	447,693,523
Fiduciary Net Position beginning of year	5,575,865,135	4,940,354,760	4,389,943,680	3,746,071,682	3,968,155,281	3,535,371,635	3,338,249,385	3,379,613,356	3,207,332,769	2,759,639,246
Fiduciary Net Position End of Year	<u>\$ 4,682,575,030</u>	<u>\$ 5,575,865,135</u>	<u>\$ 4,940,354,760</u>	<u>\$ 4,389,943,680</u>	<u>\$ 3,746,071,682</u>	<u>\$ 3,968,155,281</u>	<u>\$ 3,535,371,635</u>	<u>\$ 3,338,249,385</u>	<u>\$ 3,379,613,356</u>	<u>\$ 3,207,332,769</u>

## Ten Year History Of Administrative Charges And Expenditures

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Plan Charges</b>	\$ 1,851,811	\$ 525,589	\$ 1,924,298	\$ 2,518,517	\$ 1,290,459	\$ 2,084,562	\$ 1,580,828	\$ 1,693,232	\$ 1,889,868	\$ 1,353,339
Technical & Special fees	2,500	-	-	-	6,813	-	-	2,427	5,945	889
Benefits	1,335,270	1,221,029	1,221,029	1,466,342	1,239,426	1,236,248	1,252,561	1,179,268	1,093,162	1,131,212
Contractual Services	461,097	308,157	301,178	231,874	197,903	373,298	279,367	298,242	241,535	285,473
Office Rent and Insurance	320,491	173,289	163,361	170,768	168,675	152,415	248,648	298,486	138,699	134,222
Supplies and Materials	40,506	31,164	31,164	16,237	18,075	6,249	10,404	8,794	12,142	4,500
Equipment/Furnishings	16,176	9,991	9,991	11,808	1,339	15,545	10,986	78	354	15,883
Communications	11,099	5,379	5,379	28,999	18,874	39,751	19,279	16,823	26,243	9,433
Travel	7,435	-	-	22,558	25,102	22,483	20,659	19,823	20,513	16,257
Expenditures										
Salaries, Wages and Fringe										
<b>Total Expenditures</b>	<u>2,194,574</u>	<u>1,749,009</u>	<u>1,732,102</u>	<u>1,948,586</u>	<u>1,676,207</u>	<u>1,845,989</u>	<u>1,841,904</u>	<u>1,823,941</u>	<u>1,538,593</u>	<u>1,597,869</u>
<b>Plan Charges Less Expenditures</b>	(342,763)	(1,223,420)	192,196	569,931	(385,748)	238,573	(261,076)	(130,709)	351,275	(244,530)
									-	-
<b>Reserve Balance</b>	<u>\$ 592,401</u>	<u>\$ 1,023,856</u>	<u>\$ 405,986</u>	<u>\$ 418,608</u>	<u>\$ 418,608</u>	<u>\$ 448,833</u>	<u>\$ 210,260</u>	<u>\$ 471,336</u>	<u>\$ 602,045</u>	<u>\$ 250,770</u>

## Ten Year Plan Statistics by Plan

(\$ In Millions)

## 457(b) PLAN SUMMARY

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Additions: Contributions	\$ 95,978	\$ 91,857	\$ 85,588	\$ 83,004	\$ 74,579	\$ 72,953	\$ 66,817	\$ 66,812	\$ 60,837	\$ 58,119
Additions: Investment Return	(334)	308	258	301	(56)	210	104	8,959	94	204
Loan Amount	\$ 20,528	\$ 20,261	\$ 20,755	\$ 21,731	\$ 20,922	\$ 19,733	\$ 18,772	\$ 18,077	\$ 17,466	\$ 14,822
Mutual Fund Reimbursements	738,626	787,066	873,126	1,159	1,338	888	893	937	-	-
Participant Accounts	35,613	35,954	36,147	35,557	38	34	33	32	30	30
Deferring Participants	19,187	19,187	21,129	20,907	20,907	19	19	18	17	16
Number of Loans	2	2	2	3	3	2	2	2	2	2
<b>Total Fiduciary Net Position</b>	2,054	2,407	2,140	1,916	1,649	1,741	1,572	1,498,891	1,524,446	1,465,381
Plan Administration Fees*	(4,362)	(5,483)	(2,696)	(2,731)	(3,048)	(2,203)	(1,942)	(1,942)	(2,041)	(2,570)
Withdrawals	122,600	(1,292)	(20,755)	(121,417)	(108,390)	(112,576)	(96,552)	(99,281)	(94,809)	(90,899)

## 401(k) PLAN SUMMARY

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Additions: Investment Returns	374	374	322	373,789	(76,379)	257,286	124,407	4,757	106,157	238,849
Additions: Contributions	(429)	96	89	96,379	87,096	91,833	85,852	94,255	89,860	82,602
Loan Amount	16,663	15,048	16,626	19,960	19,528	19,841	19,231	19,071	18,897	17,676
Mutual Fund Reimbursements	792	374	933	1,309	1,469	1,054	1,030	1,062	972	830
Participant Accounts	35,613	39,954	36,147	32,548	33	32	33	34	34	34
Deferring Participants	19,187	19,187	211,219	17,230	18	18	18	19	20	20
Number of Loans*	5	4	3	2	2	2	3	3	3	3
<b>Total Fiduciary Net Position</b>	2,316	2,778	2,454	2,165	1,827	1,931	1,698	1,585	1,588	1,485
Plan Administration Fees*	(3,816)	(3,935)	(3,578)	(3,583)	(2,842)	(2,927)	(2,349)	(2,331)	(2,513)	(1,821)
Withdrawals	(136,477)	(150,175)	(119,796)	(129,392)	(113,827)	(1,138,166)	(96,555,381)	(99,554,689)	(91,201,808)	(79,068,751)

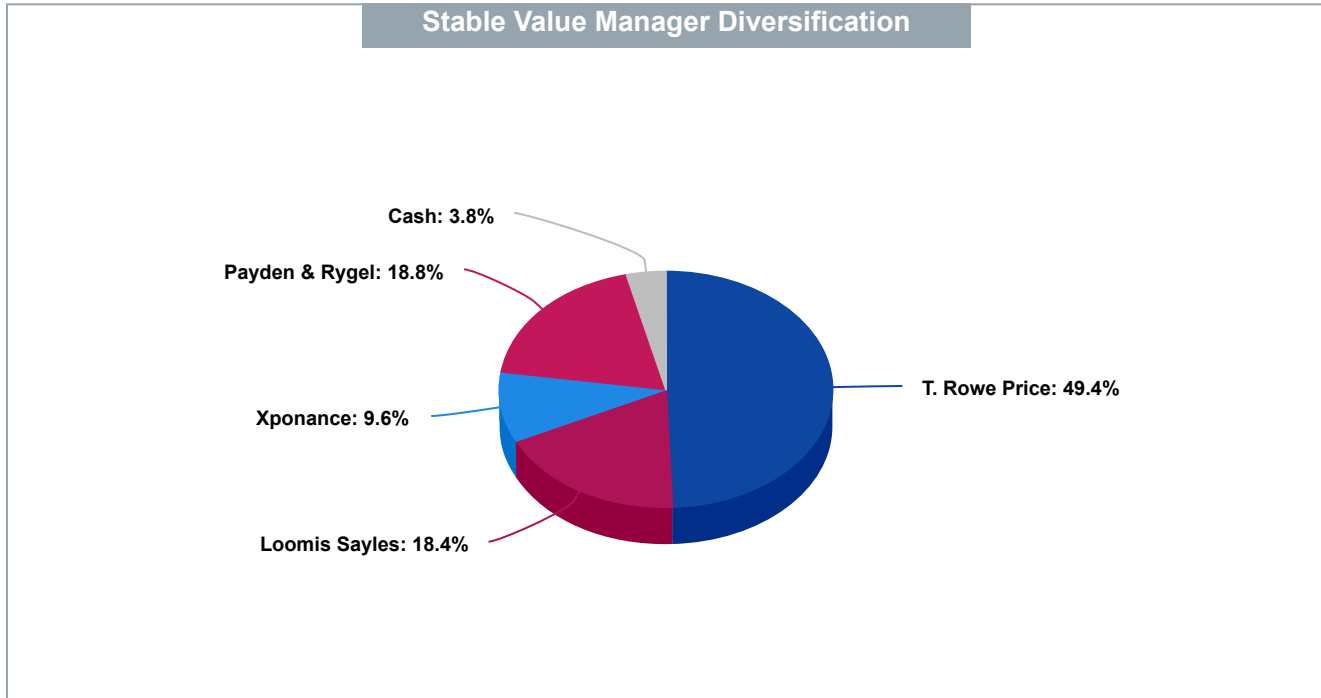
## 403(b) PLAN SUMMARY

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Additions: Investment Returns	415	418	15,419,860	20,198	(4,284)	14,660	7,100	(77)	6,888	15,142
Additions: Contributions	2,540	2,551	4,727	3,024	2,363	2,535	2,664	2,656	2,761	2,538
Loan Amount	86	416	494	464	413	369	363	344	365	414
Mutual Fund Reimbursements	105	88	4	72	91	54	56	79	61	53
Participant Accounts	804	804	775	784	782	780	777	784	784	784
Deferring Participants	265	265	324	339	346	346				
Number of Loans	29	29	29	29	32	32	32	32	32	30
<b>Total Fiduciary Net Position</b>	105,992	131,311	117,365	103,325	91,038	99,330	88,029	82,506	86,497	82,945
Plan Administration Fees	(136)	(149)	(140)	(152)	(128)	(143)	(116)	(118)	(131)	(97)
Withdrawals	9,285	6,789	6,037	10,955	6,333	6,103	4,191	6,451	6,027	5,576

## 401(a) PLAN SUMMARY

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Additions: Investment Returns	31,568	41,285	31,640	39,321	(7,568)	27,750	14,140	567	13,953	31,449
Mutual Fund Reimbursements	81,018	88,034	112,313	127	159	107	117	128	116	104
Contributions	-	-	33,118	16,554	35,822	35,822	16,363	97,500	28,148	39,564
Participant Accounts	24,796	25,580	26,973	28,755	29,397	29,397	32,175	33,681	35,322	36,776
Deferring Participants	-	-	-	-	-	-	-	-	-	-
<b>Total Fiduciary Net Position</b>	205,565	257,775	228,529	207,508	178,289	195,848	176,934	171,152	180,097	173,707
Plan Administration Fees*	(308,081)	(327,983)	(112,313)	(310,357)	(245,674)	(264,863)	(827,950)	(218,807)	(247,229)	(172,242)
Withdrawals	11,935	(11,820)	(10,641)	(9,935,402)	(9,940,434)	(9,218,727)	(8,279,501)	(930,318)	(7,460,646)	(7,240,428)

\* Expressed as thousands+



# MSRP Contribution Limits

## For Calendar Year 2022

<b>PLAN</b>	<b>Calendar Year 2022 LIMIT</b>
457(b) Deferred Compensation Plan	Up to 100% of compensation, but not more than \$20,500
403(b) Tax Sheltered Annuity Plan	Up to 100% of compensation, but not more than \$20,500
401(k) Savings & Investment Plan	Up to 100% of compensation, but not more than \$20,500
When participating in <i>both</i> the 457(b) Plan and the 401(k) Plan [or 403(b)], one may contribute \$20,500 a year to each Plan for a potential combined contribution of \$41,000.	

<b>CATCH-UP PROVISION</b>	<b>Calendar Year 2022 LIMIT</b>
Catch-Up for Age 50 and Over	Employees over 50 years old may make catch-up contributions to the 457(b), 403(b) and 401(k) Plans over and above the 401(k) and other limits. The amount of these contributions is \$6,500 per Plan in 2022. The maximum amount of these additional contributions will be indexed and may increase with inflation, as frequently as yearly, in \$500 increments.
Special 457(b) Catch-Up	Assuming prior years of employment contributing less than the maximum, the limit on special catch-up contributions in the 457(b) Plan is double the \$20,500 regular deferral limit, or \$41,000 in 2022.

<b>Calendar Year 2022</b>	<b>Maximum Deferral/Contribution Limit</b>	<b>Deferral/Contribution Limit plus Age 50 Catch-Up</b>	<b>Special 457(b) Catch-Up Deferral Limit</b>
	If you're <i>less than age 50</i> this year, you may defer as much as...	If you're <i>at least age 50</i> this year, you may defer as much as...	If you have <i>three years before the year you will retire</i> , you may defer as much as...
<b>457(b) Plan</b>	\$20,500	\$27,000	\$41,000
<b>401(k) Plan or 403(b) Plan</b>	\$20,500	\$27,000	\$27,000 (Use Age 50 Catch-Up)
<b>TOTAL</b>	<b>\$41,000</b>	<b>\$54,000</b>	<b>\$68,000</b>



# 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

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**MarylandDC.com**

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# Glossary

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Annual Comprehensive Financial Report 2022

## Rates of Returns

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

## Betas

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

## Indices

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

**Standard & Poor's 500 Index ("S&P 500").** The S&P 500 is a broad-based measurement of stock market conditions; 70% of U.S. equity is tracked by this index, which consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index, with each stock's weight proportionate to its market value.

**50% S&P/50% Lehman Brothers Aggregate Bond Index.** This is the 50% S&P 500 and 50% Lehman Brothers Aggregate Bond Index. The Lehman Brothers Aggregate Bond Index is a mix of government, corporate, mortgage-backed, asset-backed, and Yankee bonds.

**60% S&P/40% Lehman Brothers Aggregate Bond Index.** This is the 60% S&P 500 and 40% Lehman Brothers Aggregate Bond Index.

**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 Brothers Intermediate Government Bond Index.** Includes Government Index Issues with a time to maturity between 1 and 10 years.

**Morgan Stanley Capital International Europe, Australia, and the Far East (MSCI EAFE) Index.** The MSCI 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 2000 Index, representing 10% of the total U.S. equity market.

## Medians

**Fixed Income - Short Term Median.** This universe includes funds defined by Morningstar as Short-Term Bond funds; these 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 midpoint of this universe.

**Large Cap Blend Median.** This universe includes funds defined by Morningstar as Large Blend funds; these funds invest in a combination of Large Cap Growth and Large Cap Value stocks. The return represents the midpoint 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 midpoint of this universe.

**Mid Cap Growth Median.** This universe includes funds defined by Morningstar as Mid-Cap Growth funds; these funds primarily invest in stocks of mid-sized companies which are growing at faster than average rates. The return represents the midpoint 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 funds; these funds invest in a combination of Small-Cap Growth and Small-Cap Value stocks. The return represents the midpoint 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/Contributing Participants.** Those participating employees who made a contribution to the Plans 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.** These occur when participants receive withdrawals from the Plans with remaining balances invested in the Plans.

**Average Deferrals/Contributions Per Participant.** Calculated by dividing the dollar value of "TOTAL Deferrals/Contributions" in all Plans combined by the number of "TOTAL Deferring/Contributions 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.

**Asset Allocation.** As the Plans are intended as voluntary sources of retirement income for eligible participants, asset allocation in this document represents the combined assets allocated to each broad category (equities, fixed income, balanced and target date).

**Passive Options.** (Sometimes called indexed options) May appeal to investors who are looking for investment options that track the markets per their selected index to create a diversified portfolio and normally carry lower than average investment fees.

**Active Options.** May appeal to investors who prefer to take an active role in their investment selection and like picking and choosing individual funds and fund managers to create a diversified portfolio.

**Mutual funds.** Are diversified portfolios of stocks, bonds, and other investments chosen by an investment manager to achieve a stated objective. Each mutual fund is assigned a five-letter symbol that helps investors find information via financial websites and publications. In addition, each mutual fund publishes a prospectus: a formal legal document filed with the SEC that provides details about its investment object, fees, charges and expenses, and related information.

**Commingled/Collective Investment trusts (CITs).** Are similar to mutual funds, offering many of the same diversification and management services as mutual funds but generally at a lower cost. Specific information about a CIT may be available solely through the Plan that offers it.

**Money market investments.** Primarily invest in high quality fixed income/bond instruments with maturities of less than one year. These may include instruments issued by financial institutions, non-financial corporations, the U.S. government and federal agencies.

**Stable value.** An investment category with an objective to preserve principal and provide stable, competitive rate of return. An investment option in this category invests primarily in guaranteed investment contracts and other fixed income/bond instruments that may be covered by a principal guarantee wrap agreement.

**Bonds.** Invest in fixed income obligations to corporations, municipalities, the federal government or other issuers. Most bonds pay interest until the bond matures. Bonds investment options are portfolios of various bonds that are acquired, held and sold by the investment manager to achieve the investment objective. Bond investment options have the same interest rate, inflation and credit risks that are associated with the underlying bonds, an investment manager may acquire and hold many different issues of bonds to comprise a given bond investment option.

**Balanced funds.** Invest in both bonds and stocks. Investment returns are expected to be derived from both current income and capital appreciation. The purpose is to achieve higher returns than bonds but with less volatility or price fluctuation than most stock funds.

**Domestic equity.** (also known as U.S. equity) Investment options represents a share of ownership in a corporation or certain partnerships. This category is further broken down by capitalization (cap), which essentially means the size of the companies that are being invested in. Domestic equity investment options are portfolios of various stocks that are acquired, held and sold by the investment manager to achieve its investment objective.

- **Domestic large-cap equity** invests primarily in the stocks of the largest companies (generally \$10 billion and greater in market capitalization) in the U.S. These companies tend to be well established with long track records of success and experienced management. Investment returns are expected to be derived primarily from capital appreciation and, to a lesser degree, dividend income.
- **Domestic mid cap equity** invests in medium size companies (generally \$2 billion to \$10 billion in market capitalization). Stocks of mid size companies can experience more volatility than those of larger companies because these companies may have less experienced management, fewer resources and may not be well established in their marketplace.
- **Domestic small cap equity** often consists of young companies generally with a market capitalization of \$2 billion or less. Small cap equities are often more volatile than stocks of larger, more established companies. Smaller companies do not always have the resources and management experience to weather downturns in business cycles.

**International or non-U.S. equity.** Own shares of companies that are headquartered outside of the U.S. and are listed on foreign exchanges. International investments may be subject to several additional risk factors, such as government instability, currency valuation and market regulation. Despite these added risks, these investments can be an important diversifier to portfolios because foreign or non-U.S. developed stock markets do not always move in the same direction as U.S. markets.

**Lifecycle/Target Date.** Designed to provide diversification and asset allocation across several types of investments and asset classes. Each vintage represents an inclusive portfolio that is managed for people planning on retiring or using the money in the account at or around the target year named in the specific investment option. 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.



MSRP