

MSRP E-NEWS

May, 2007



MARYLAND TEACHERS & STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

STATE OF MARYLAND OFFICE OF THE GOVERNOR



MARTIN O'MALLEY
GOVERNOR

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TTY USERS CALL VIA MD RELAY

A MESSAGE FROM GOVERNOR MARTIN O'MALLEY

Dear Fellow State Employees:

First, I want to thank all of you for your hard work and dedication to the citizens of Maryland, and for working with us during the first few months of the O'Malley-Brown Administration. Your service and commitment is extremely important to moving our state forward over the next few years to improve the quality of life for all Maryland families.

I am sure many of you know the challenges we face in State government, but working together this year with limited financial resources we were able to make historic investments in public education, life saving stem cell research, and public safety, and just last week I was able to sign into law landmark environmental legislation to reduce automobile emissions and restore our Chesapeake Bay.

But that's not all. As "Public Employee Recognition Week" approaches, I want to take this opportunity to make sure you know that we approved a 2% cost of living increase for State employee salaries effective July 1 as well as the funding for merit increments for the year. As State employees, you all play a critical role in helping to make our State government more efficient and more accountable to the people that we serve.

Also important is our need to plan and prepare for our own future security. To help all employees get ready for retirement, I am happy to announce that we approved the continued \$600 Match program for the Maryland Supplemental Retirement Plans beginning July 1. For most State employees—those in the Alternate Contributory Pension Selection plan—this means a dollar-for-dollar match of your contribution to a supplemental retirement plan account up to \$600 in fiscal year 2008.

I urge you to take the opportunity to save and prepare for your future, and make the best use of these excellent programs. These plans are part of our commitment to make public service in Maryland State government a rewarding career, but also to thank you for helping to improve our quality of life in Maryland. It is truly an honor for me to serve with all of you in our State government.

Sincerely,

Martin O'Malley
Governor

PLAN ENHANCEMENT STARTED MSRP SEMINARS SPREADING LIKE WILDFIRE

By Julia Graham

Seminars on the new Plan Enhancements being offered in your Supplemental Retirement Plans are underway statewide and will continue through the summer.

If you are unable to attend a seminar at your worksite, or no seminars are offered at your location, we welcome you to attend Plan Enhancement Seminars at other locations. To do so, we ask that you first check with MSRP to confirm availability. The schedule of Plan Enhancement Seminars is posted on the MSRP website www.msrp.state.md.us – under the “Seminars” tab.

Q & A WITH T. ROWE PRICE

By Arvella Collins

With the exciting news that the Maryland Teachers and State Employees Supplemental Retirement Plans Board of Trustees has approved the addition of the Targeted Retirement Date funds from T. Rowe Price, MSRP talked with T. Rowe Price to learn more:

Please explain why the Targeted Retirement Date Funds developed.

The Retirement Funds were developed to provide retirement investors a convenient one-step approach to retirement investing.

What is the strategy used for each fund?

Each Retirement Fund is structured as a “fund of funds,” investing in up to 12 other T. Rowe Price mutual funds to offer a broadly diversified portfolio of stocks and bonds. Each Retirement Fund utilizes an asset allocation strategy that the fund managers consider appropriate for investors at various stages of the retirement planning process – both before and after retirement. Over time, the eleven T. Rowe Price Retirement Funds with a target date continue to reallocate to more conservative allocations. They do not reach their most conservative allocation until 30 years past the expected retirement year. Stocks are diversified among large-, mid-, and small-cap growth and value; and international growth and value. Fixed income is diversified among investment-grade and high-yield bonds. The short-term fixed income allocation generally is comprised of short-term bonds, but can include money-market securities.

Please tell us about the manager of these funds.

The T. Rowe Price Retirement Funds are managed day-to-day by Jerome Clark, a Vice President of T. Rowe Price Group, Inc., T. Rowe Price Associates, Inc., and a Portfolio Manager in our Asset Allocation Group. He works on asset allocation portfolios, where he manages the Program for Charitable Giving portfolios and College Savings Plan portfolios in addition to the T. Rowe Price Retirement Funds. Prior to joining the firm in 1992, he was a Captain in the United States Marine Corps and spent three years as a Mathematics Instructor at the U.S. Naval Academy. Jerome earned a B.S. in Mathematics from the U.S. Naval Academy, an M.S. in Operations Research from the Naval Postgraduate School, and an M.B.A. in Finance from Johns Hopkins University. He has also achieved the Chartered Financial Analyst accreditation.

In addition to Jerome’s daily oversight of the Retirement Funds, strategic and tactical asset allocation decisions impacting the Funds are made by the T. Rowe Price Asset Allocation Committee, which is comprised of senior T. Rowe Price investment professionals.

How frequently is a portfolio re-diversified?

The over-all asset allocation of each Retirement Fund is managed to change gradually over time, emphasizing growth during the early phases of asset accumulation and becoming more conservative as the retirement date approaches and during retirement. (The T. Rowe Price Retirement Income Fund, however, does not change. Instead, it maintains a target allocation of 40% stocks, 30% bonds, and 30% short-term fixed income securities).

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Q & A WITH T. ROWE PRICE

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All the Retirement Funds are rebalanced periodically (typically quarterly) so the desired risk profiles are maintained.

May participants transfer assets between the Targeted Retirement Date funds and other funds within the MSRP retirement accounts? If so, what are the limitations (i.e., amount & frequency)?

Yes, participant's may transfer their assets between the Retirement Date funds. Please refer to the T. Rowe Price Retirement Funds prospectus, which outlines the T. Rowe Price Funds Excessive Trading Policy. If shares are held in a retirement plan, generally the plan's trading policy is applied by your plan's record keeper. To determine which of your transactions are subject to the plan's excessive trading policy please call Nationwide Retirement Solutions Customer Service at 1(800) 545-4730.

Does T. Rowe Price recommend a participant contribute entirely to a Targeted Retirement Date fund or as one of several funds in a diversified account?

The T. Rowe Price Retirement Funds are designed to provide a convenient, diversified, and appropriate investment approach for retirement investors and are offered as a one-step approach. However, when planning for retirement, investors should also consider other factors such as their objectives, time horizon, and risk tolerance. Because the Funds invest in several underlying funds, they have exposure to the risks of investing in stocks and bonds. The more a Retirement Fund allocates to stock funds, the greater the expected risk. Also, the Retirement Funds should not be considered a complete retirement solution. For more information about the T. Rowe Price Retirement Funds, please call Team MSRP Direct Access Retirement Specialists at 1(877)628-2499.

Are the funds solely comprised of TRP mutual funds? Or, are other funds/stocks incorporated into the Targeted Retirement Date Funds to meet the funds objective (s)?

The underlying components of the T. Rowe Price Retirement Funds are all T. Rowe Price mutual funds.

Why don't the more conservative funds, such as the 2005 and the Retirement Income Fund have cash as part of their portfolio? Please explain what comprises the Short-Term Investment.

The short-term fixed income component of the Retirement Funds ordinarily is comprised of short-term bonds (rather than money market securities) because we believe that short-term bonds generally offer a more attractive risk/reward profile. Under certain circumstances, however – such as a rising short-term interest rate environment – we recognize that money market securities may offer a more attractive risk/reward profile. So, within the short-term fixed income component of the Retirement Funds, the Asset Allocation Committee, in conjunction with the Portfolio Manager, has the ability to shift assets between short-term bonds and money market securities in order to provide investors with a risk/reward profile that is, in their judgment, most appropriate given the interest rate environment.

Non-Spousal Beneficiary Portability 829

As a result of the Pension Protection Act of 2006, non-spouse beneficiaries are permitted to have distributions they are entitled to receive from an eligible 457(b) plan, qualified plan [including a 401(k) plan], or 403(b) plan directly rolled into an IRA.

Beginning in 2007 designated non-spouse beneficiaries who are entitled to a benefit payment from a qualified, 403(b), or 457(b) plan that meets the requirements of an eligible rollover distribution may elect to have these amounts directly rolled to an individual retirement account or individual retirement annuity (IRA). This IRA will be treated as an inherited IRA and subject to the IRA distribution rules that apply to beneficiaries. The IRA provider is responsible for administering the inherited IRA. Nationwide Retirement Solutions will provide the IRA trustee or custodian with the name of the deceased participant, the name of the beneficiary, and other applicable information the IRA trustee or custodian would need to properly administer the IRA.

SPRING FORWARD INTO FINANCIAL EDUCATION

By Julia Graham, CRC

There is no time like the present to learn more about personal finance so that you can better plan for your retirement! MSRP offers two full-day educational workshops for state employees to equip you with the information you need to manage your finances now and plan for your future. The sessions are considered State sponsored employee training activities and may be recognized in your personnel file as part of your Individual Career Development Plan.

Please be aware that while the Regional Financial Workshops and Personal Finance Seminars are *similar* in content, they are not exactly the same. **The Regional Financial Workshops** are geared towards employees that may be newer to state service. Those employees with **5 years of state service or less and employees who are not enrolled** in any of the state of Maryland's supplemental retirement plans would be best served by attending a **Regional Financial Workshop**.

The **Personal Finance Seminar** is targeted to **mid-career (5-20 years)** State employees who want to get a better understanding of their overall financial health. This seminar includes discussion of the state pension plan in addition to financial planning, basic investing and debt management education.

REGIONAL FINANCIAL WORKSHOP

The Regional Financial Workshops are intended for all State of Maryland Employees with **0 to 5 years of State service** or any employee who is **not currently enrolled** in a supplemental retirement plan. Our workshops will cover important topics to help State Employees make sound financial decisions and equip them with the knowledge to enroll in a supplemental retirement plan. The topics will include:

- Budgeting Basics & Debt Management – presented by the Maryland Cooperative Extension
- Selecting Your Investments – presented by Jeannie Henry, Chartered Financial Consultant
- Supplemental Retirement Plans Overview – presented by MSRP
- Enrollment Assistance – presented by Nationwide Retirement Solutions

These workshops will begin at 8:45 a.m. and conclude at 3:30 p.m. The dates and locations of each workshop are listed below. The complete address of the location will be included in the confirmation. At the bottom of this page is the enrollment information. Each session will be limited to 40 eligible state employees. Sessions fill up fast, so please sign up **as soon as possible**.

- Friday May 18, 2007 Potomac Center, Hagerstown MD
- Wed. May 23, 2007 Goldstein Treasury Building, Annapolis MD
- Monday June 4, 2007 State Center, Baltimore MD (*limited seating*)
- Friday June 8, 2007 Morgan State University, Baltimore MD (*limited seating*)
- Monday Sept. 10, 2007 Dept. of Agriculture, Annapolis MD
- Wed. Oct. 3, 2007 Dept. of Social Services, LaPlata MD
- Friday Oct. 19, 2007 Potomac Center, Hagerstown MD
- Monday Nov. 5, 2007 Howard County Health Department, Columbia MD
- Wed. Nov. 28, 2007 State Center, Baltimore MD
- Monday Dec. 3, 2007 Eastern Shore Hospital, Cambridge MD

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SPRING FORWARD INTO FINANCIAL EDUCATION

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PERSONAL FINANCE SEMINAR

Personal Finance Seminars are intended for all State of Maryland Employees with **5 to 20 years of State service**. Our seminars will cover important topics to help State Employees make sound financial decisions.

The topics will include:

- Budgeting Basics & Debt Management – presented by the Maryland Cooperative Extension
- Your Pension System – presented by the Maryland State Retirement Agency
- Supplemental Retirement Plans Overview – presented by MSRP
- Investing Basics – presented by Nationwide Retirement Solutions

These seminars will begin at 8:45 a.m. and conclude at 3:30 p.m. The dates and locations of each seminar are listed below. The complete address of the location will be included in the confirmation. At the bottom of this page is the enrollment information. Each session will be limited to 40 eligible state employees. Sessions fill up fast, so please sign up **as soon as possible**.

- Monday May 7, 2007 State Center, Baltimore MD *(full)*
- Wed. June 20, 2007 Goldstein Treasury Building, Annapolis MD *(limited seating)*
- Monday Sept. 17, 2007 State Center, Baltimore MD *(full)*
- Friday Sept. 28, 2007 Potomac Center, Hagerstown MD *(full)*
- Thursday Oct. 11, 2007 Eastern Shore Hospital, Cambridge MD *(limited seating)*
- Monday Oct. 22, 2007 MDOT Headquarters, Hanover MD *(limited seating)*
- Friday Nov. 16, 2007 Dept. of Agriculture, Annapolis MD
- Wed. Dec. 12, 2007 Howard County Health Dept., Columbia MD

If you would like to attend a seminar or workshop please verify with your supervisor that you may attend and send us your information **as soon as possible**. Please email the requested information to personalfinance@msrp.state.md.us or fax in to "Personal Financial Seminar" at 410-659-0349. You will receive a confirmation from our agency within 3 business days. If you do not hear back from us in that time frame please contact Janet Wilt at 1-800-543-5605 or 410-767-8742.

Please Include:

Your name

Your e-mail address

Your mailing address (work)

Your daytime phone number

Which session you plan to attend (date & location)

What agency you are employed by

How many years you have been employed with the State

If you require any special assistance for a disability

You will receive a confirmation e-mail from our agency within 3 business days. If you do not hear back from us within that time frame, please contact Janet Wilt at (410)767-8742.

Lunch And Learn Seminars



*Secretary Raymond Skinner and
MSRP Representative Jeannie Henry*

"MSRP's Field Department provides an invaluable service by educating state employees on their supplemental retirement savings plans. Hopefully all state employees will take advantage of their workshops and seminars that break down a lot of the financial jargon. The first step to a successful retirement is to enroll in one of the Maryland plans."

-Secretary Raymond Skinner,
Department of Housing and Community Development

By Jeannie Henry, CHFC

Ever wonder what the difference is between the 401(k) and the 457?
Not sure how to diversify your supplemental retirement funds or why you even need to diversify?

Education is critically important in everything we do in our lives. This is especially true with respect to investments. A Lunch and Learn is a great way to broaden your knowledge concerning the supplemental retirement plans and the whole area of retirement planning. Each seminar is designed to last approximately 30 minutes.

Getting to Know MSRP

Offers an overview of the plans available, the components of each plan as well as the contribution rate and investment option decisions you'll need to make.

MSRP Tool Shop

An online demonstration of the tools and account access links on the www.Marylanddc.com website.

Choosing the MSRP Portfolio

An in-depth look at the investment options in the supplemental plans and the process on selecting an appropriate portfolio for your situation.

Withdrawing from the MSRP Plan

An overview summary of withdraw options during and following your years of service.

Look for upcoming seminars on other areas of retirement planning such as Women and Investing, Retirement Today: What's Different? and Planning for Your Financial Security.

YES, THE \$600 MATCH CONTINUES

Effective FY 2008 (July 1, 2007 to June 30, 2008) the Match is budgeted by Governor O'Malley and authorized by the General Assembly for the full amount of up to \$600 per eligible employee.

Please visit www.MSRP.state.md.us or call 1-800-543-5605 for more information.

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