

STATE RETIREMENT
and PENSION SYSTEM
of MARYLAND

May 4, 2009

STATE RETIREMENT AGENCY
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The Honorable John Tabori
Town of University Park
Town Office
6724 Baltimore Avenue
University Park, Maryland 20782

R. Dean Kenderdine
Executive Director
Secretary To The Board

Dear Mayor Tabori:

I am writing to you with respect to the Town of University Park's consideration of joining the State Retirement and Pension System. I recognize that very careful consideration has been given to this decision.

You have been provided with the System's most recent Comprehensive Annual Financial Report which provides highly detailed information concerning the strength of the System as of the close of Fiscal Year 2008. We all recognize the significant changes in the financial market and the challenges these events have for pension plans across the country.

It should be recognized the System has weathered significant losses and difficult market conditions before, with tough times followed by periods of strong market gains. Over the past 20 years, our average rate of return was 9.2%. In 15 of those years, the return exceeded the assumed rate of return, with seven of those more than double the assumed rate of return. This assumed rate of return is made based on advice from a range of experts within the System and within the industry. It is regularly evaluated every two to three years in public session.

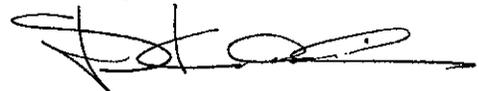
The System's assets are invested in a highly diversified manner, with investments spread over many different asset classes, market sectors, and regions of the global economy. The System's diversified investment policy is designed to help it withstand market fluctuations and position the plans to benefit as market stability and growth return.

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While the System continues to remain fundamentally sound, in the near term, adverse market conditions will present challenges to the State and the System's local participating employers. Assuming it will be several months before the market begins its recovery, the required annual contributions of the State and local employers will increase over previous years' contributions. The impact of this increase will be cushioned, however, by a rate stabilization policy that spreads market gains and losses over five years. Market losses realized this year will be spread over the next five years, just as the significant gains realized in recent years are spread over a five-year period.

The leadership of the State's retirement system will continue to make full use of its resources and skill to protect the retirement interests of its members. We will endeavor to achieve the assumed rate of return averaged over many decades as the plans are designed to do.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Dean Kenderdine', written over a horizontal line.

R. Dean Kenderdine
Executive Director

RDK:js

cc: Board of Trustees
Honorable Nancy K. Kopp, Chairman