

Annual Report Summary and Highlights

Families Continue to make college savings a priority during Fiscal Year 2015

We are pleased to report another year of growth for the **College Savings Plans of Maryland**. During Fiscal Year 2015, contributions from current account holders, new enrollments, and a favorable stock market performance contributed to total investments across the Prepaid College Trust and College Investment Plan growing by more than 6%. Total investments in both Plans reached nearly \$5.2 billion as of June 30, 2015 for more than 188,900 beneficiaries.

The **Maryland Prepaid College Trust** remained fiscally sound and was 136% funded at fiscal year-end. With ongoing market volatility and forecasted Tuition increases, this actuarial surplus can help to offset potential negative impacts that off-target future investment earnings assumptions or future tuition assumptions may produce.

Understanding our duty to protect the college savings of the Prepaid Trust's 30,769 beneficiaries, the Board, as part of the yearly evaluation of the investment strategy, revised the future investment earnings assumption downward from 7.65% to 7%. While these changes reduced the actuarial surplus, the adjustment reflects the Board's prudent assessment of long-term trends and a dedication to protecting the Prepaid Trust's assets.

Investments in the **Maryland College Investment Plan** reached approximately \$4.2 billion as of June 30, 2015. In addition, the College Investment Plan had a net gain of nearly 12,500 beneficiaries and reached a total of nearly 158,150 beneficiaries at fiscal year-end. With more than \$482 million in contributions from account holders and favorable investment markets during the fiscal year, the average account balance was \$19,379 as of June 30, 2015.

Thank you for making college savings a priority for your family and participating in the **College Savings Plans of Maryland**. We hope that every dollar you save results in achieving your student's higher education goals with a lower amount of student debt.

Sincerely,

The Board

College Savings Plans of Maryland

Read the 2015 Annual Report by
visiting Maryland529.com or
by calling 888.4MD.GRAD (463.4723)

2015 Snapshot

6/30/15

Prepaid College Trust

Contributions from Account Holders	\$52 million
Investments	\$924 million
Beneficiaries	30,769
Funded Status	136%

College Investment Plan

Contributions from Account Holders	\$482.3 million
Investments	\$4.2 billion
Beneficiaries	158,150
Average Account Size	\$19,379

Larry Hogan, Governor
Boyd Rutherford, Lt. Governor

College Savings Plans of Maryland Board

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Board Chair, State Treasurer

Helene Grady
Board Vice Chair and Public Member

Robert L. Caret, Ph.D.
Interim State Superintendent of Schools

Peter Franchot
State Comptroller

Jennie C. Hunter-Cevera
Acting Secretary of Higher Education

Russell V. Kelley, Ph.D.
Public Member

John D. Kenney
Public Member

Jack R. Smith, Ph.D.
Interim State Superintendent of Schools

TBD
Public Member

TBD
Public Member

Total investments in both Plans

exceeded \$5.2 billion for more than 188,900 beneficiaries

Participants in the Prepaid College Trust (Trust) and the College Investment Plan (Plan) contributed over \$534 million over the past fiscal year. More than 188,900 beneficiaries had active, funded accounts in at least one plan as of June 30, 2015.

Highlights by Plan include:

Maryland Prepaid College Trust

The funded status in the Prepaid College Trust reached 136% as of June 30, 2015, and the actuarial surplus was \$294 million. The Trust's funded status the past two years has been a result of investment earnings and lower than expected projected tuition growth at Maryland's public colleges. While the trends benefited the soundness of the Trust, the Board is not relying on such positive conditions to persist.

As part of the yearly evaluation of the investment strategy of the Prepaid Trust, the Board revised the future earnings assumption calculations downward from 7.65% to 7%. While these changes reduced the actuarial surplus, the adjustment reflects the Board's prudent assessment of long-term trends and a dedication to protecting the Prepaid Trust's assets.

Total Beneficiaries: Nearly 1,000 new beneficiaries entered the Prepaid Trust in Fiscal Year 2015 bringing the total number of beneficiaries to 30,768. Other beneficiaries no longer had active accounts, most of whom completed the use of their tuition benefits through college attendance.

Maryland College Investment Plan

Investment Return vs. Benchmark: For the year ended June 30, 2015, the Maryland College Investment Plan generated modest absolute gains. For the 12-month period, five of the 11 investment portfolios that consist of actively managed T. Rowe Price mutual funds exceeded their weighted benchmarks and one portfolio performed in line with its benchmark. The portfolio since-inception performance has remained strong—eight of the portfolios outperformed their weighted benchmarks, one underperformed, and two generated in-line performance. Not counted in the above comparisons are Portfolio 2015, which was merged into the Portfolio for College on June 12, 2015, when it reached its target date; the Global Equity Market Index Portfolio, which consists of index funds, underperformed due to expenses; and the U.S. Treasury Money Market Portfolio, which has been subsidized by the Plan manager due to the low interest rate environment. We encourage account holders to periodically review the performance of their investments on our website; returns are updated each day the New York Stock Exchange is open.

Morningstar "Gold" again*: In October 2015, we were pleased to learn that the Maryland College Investment Plan was again one of four Plans in the country to receive a "Gold" rating from Morningstar Inc. Morningstar stated that plans with a "Gold" rating stand out because of generally attractive investment line-ups, well-resourced asset-allocation teams, capable oversight, and competitive fees. In addition to receiving a "Gold" rating in 2015, 2014, 2013, and 2012, the Maryland College Investment Plan received Morningstar's "Top" rating in 2011 and 2010.



Future Direction

As we look to the future, it is important for families to remain focused on their college savings goals. The drain that student loan debt places on students, their families, and our economy has grown to be significant.

Undergraduate and graduate students received approximately \$238.3 billion in financial aid during the 2013–2014 academic year (the most recent data available), and financial aid remains an important source of funding for many families. On average, each undergraduate full-time-equivalent student received \$14,180, and each graduate student received \$26,200. Consistent with past years, only a portion of average financial aid came in the form of grants—\$8,080 and \$8,540 for undergraduate and graduate students, respectively.

The rest was composed of loans, tax breaks, and the Federal Work-Study Program. College loans remain a sizable burden on many college graduates.

However, a college education continues to be important in today's competitive marketplace. That's why it is very important for families to have a plan for how they will pay for college.

Starting early and preparing in advance for college costs can have the biggest impact. In fact, an analysis by College Investment Plan program manager T. Rowe Price shows an example of how saving compared to borrowing can cut the cost of college in half.

Statistical information provided is from the College Board's "Trends in College Pricing 2014" and "Trends in Student Aid 2014" for the 2014–2015 academic year and Sentier Research.

Financial Highlights — Maryland Prepaid College Trust

Changes in Net Position

The Prepaid College Trust allows families to lock in payments that are based in part on current Tuition and Mandatory Fees at Maryland's public colleges. The Board pools and invests those payments and commits to pay future Tuition benefits when eligible students attend college, whether they attend a Maryland public college or nearly any other public or private college in the country.

Contributions from new and existing account holders exceeded \$52 million for the fiscal year. Nearly \$59 million was paid in Tuition benefits for 6,179 beneficiaries.

For the fiscal year ended June 30, 2015, the net position of the Trust decreased by \$30.8 million. This reduction is primarily due to the change in discount rate applied to the actuarial assumption. When an interest rate is used in reverse, i.e. to calculate how much you need now to have a certain amount later, it is conventionally referred to as a "discount rate." The Board, in consultation with its investment advisor, adjusted the discount rate used to calculate the projected cash flows to reflect long-term market trends and to protect the Prepaid Trust's future assets. This adjustment resulted in increased Tuition expenses recorded at present value, with a corresponding increase to Tuition expense liabilities for benefits to be paid in future years.

This increase in expenses was offset by a slight increase in Tuition contract revenue and investment income, which earned a net rate of return of 2.42% for the fiscal year. While the accounting adjustments resulted in an overall decrease in net position, our assets continued to grow through a sound investment policy and sustained membership participation.

Condensed Statements of Net Position As of June 30 (in millions)

	2015	2014
Assets		
Current	\$ 1,007.7	\$ 987.2
Noncurrent	<u>117.8</u>	<u>116.7</u>
Total	1,125.5	1,103.9
Liabilities		
Current	101.1	99.4
Noncurrent	<u>728.8</u>	<u>677.2</u>
Total	<u>829.9</u>	<u>776.6</u>
Effect of change in opening net position due to change in accounting for pensions	—	(0.9)
Net Position	\$ 295.6	\$ 326.4

Maryland Prepaid College Trust

Investment Earnings and Tuition Increases

Net Investment Gains

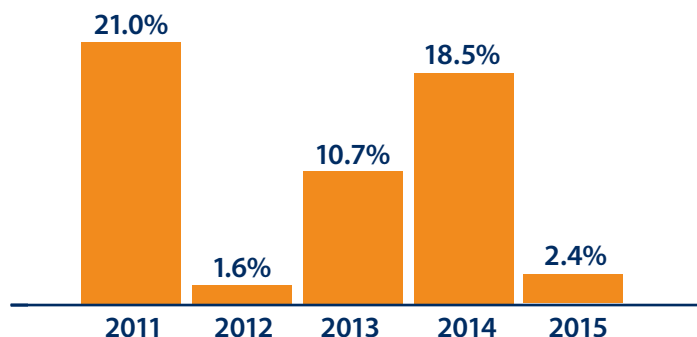
During the fiscal year ended June 30, 2015, the Trust continued to invest contract payments received into its increasingly diversified investment portfolio. The investment balances as of June 30, 2015 and June 30, 2014 are shown below:

Investments (in thousands)

	<u>2015</u>	<u>2014</u>
S&P 500 Core	\$183,959	\$123,090
Domestic Large Cap Value	72,886	113,783
Domestic Large Cap Growth	74,771	102,440
Domestic Small Cap Value	79,618	82,076
Private Equity	15,944	8,383
International Equity	39,466	74,331
Developed Markets Equity	57,567	27,743
Emerging Markets Equity	25,203	27,247
Intermediate Duration Fixed Income	124,867	126,696
High Yield Fixed Income	56,374	40,756
Global Real Estate	35,707	35,770
Private Real Estate	46,155	41,156
Emerging Market Debt	78,509	81,748
Commodities	33,234	10,071
Total Investments	\$924,260	\$895,290

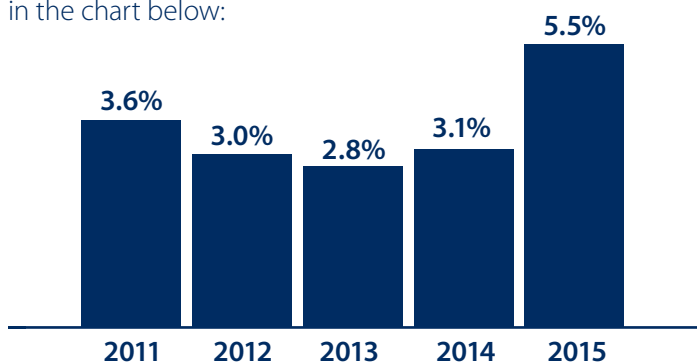
Investment Returns

The Trust's investments produced an overall return of 2.4% for the fiscal year. The chart below shows the rate of return on the Trust's investments for the past five fiscal years:



Tuition Increases

The Weighted Average Tuition at Maryland's public four-year colleges rose by 5.5% for the 2015–2016 academic year, as compared to the projected tuition increase of 6% and a mandatory fee increase of 10%. Weighted Average Tuition increases for the past five fiscal years are shown in the chart below:



Help your family and friends learn about our Plans and saving for college by telling them about our website—Maryland529.com



Maryland Prepaid College Trust

Actuarial Status and Tuition Benefit Payments

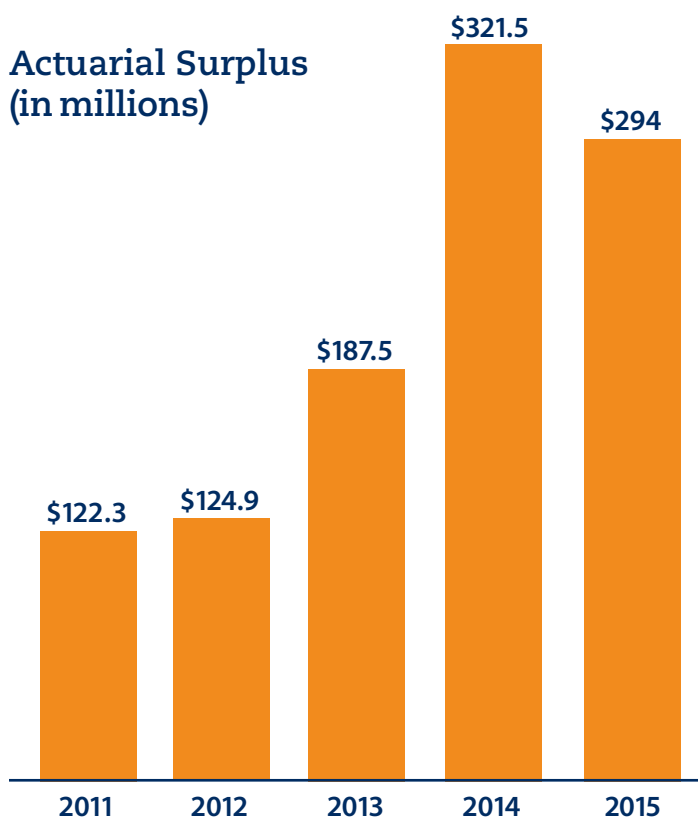
The Prepaid College Trust is in Good Standing

Each year, an actuarial valuation of the Prepaid College Trust is conducted. The purpose of this valuation and resulting Soundness Report is to compare the future value of the Trust's assets to its future liabilities, which are discounted to reflect their present value.

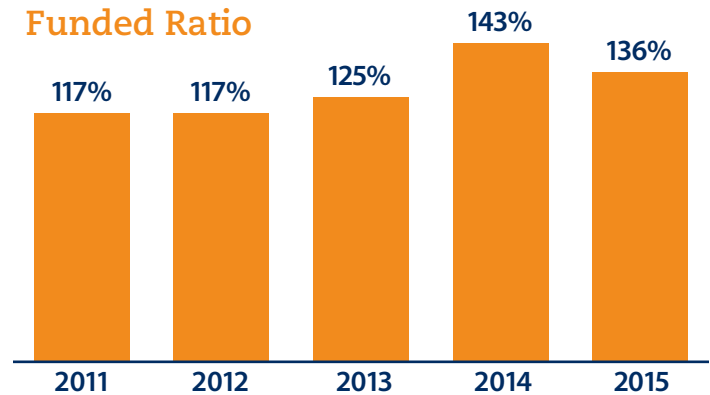
As of June 30, 2015, the Trust was 136% funded, with an actuarial surplus of \$294 million. This is a decrease from last year based on changes in the future assumption calculations and a lower investment return.

As part of the yearly evaluation of the investment strategy of the Prepaid Trust, the Board revised future earnings assumption calculations downward. These changes reduced the actuarial surplus because rather than anticipating investment returns to average 7.65%, the Board is anticipating returns of only 7%. The adjustment reflects the Board's prudent assessment of long-term trends and a dedication to protecting the Prepaid Trust's assets.

The key measures of soundness for the past five fiscal years are included in the charts below:



Funded Ratio



Long Term Trends Effecting the Trust's Actuarial Status

As shown in the charts on this page, the Trust's actuarial status remained healthy for Fiscal Year 2015. This continued positive funding status has been primarily the result of investment returns that exceeded our rate of return projection in three of the past five years, as well as lower than projected tuition growth at Maryland public four-year colleges over the entire five year period.

The Board believes there is a significant likelihood that these trends may not continue at these levels over at least the next several years. In order to maintain the Trust's funding strength, The Board has worked closely with their investment advisor and actuary on assessing their future projections, as well as their investment strategy. The resulting assumptions are lower-risk investment goals implemented to maintain the Trust's long term health and meet the needs of its account holders.

Students Use Tuition Benefits at College Nationwide

4,828 beneficiaries had claimed their benefits for the Fall 2015 semester as of October 16, 2015, with approximately 41% of these students attending Maryland public colleges and 59% attending a wide variety of private and out-of-state colleges across the country.

Financial Highlights—Maryland College Investment Plan

The Maryland College Investment Plan is managed and distributed by T. Rowe Price and offers families the opportunity to choose from a variety of investment options ranging from conservative to aggressive with no sales commissions or loads. Account holders choose how much they wish to invest, starting with as little as \$25 per month with automatic monthly contributions.

Changes in Net Position

There was an increase in net position of \$294 million for the Plan for the fiscal year 2015. Net additions to net position resulted from 30,575 new accounts, \$482.3 million in account holder contributions to portfolios, and \$75 million in net investment income. Net deductions from the Plan's net position include \$245.3 million in distributions to account holders and \$17.4 million in rollovers to other 529 plans.

Market Commentary

Market performance has a direct effect on the overall performance of investments in the College Savings Plans of Maryland. The following is designed to provide a summary of market performance for the period ended June 30, 2015.

Stocks Gained Amid Heightened Volatility: U.S. stocks generated solid gains for the 12-month reporting period, although the U.S. economy generated subpar first-quarter economic growth. Transitory factors, such as harsh winter weather, a stronger dollar, a West Coast ports strike, and plunging oil prices in the second half of 2014, contributed to the slowdown. Over the last 12 months, U.S. economic growth has been relatively strong compared with growth in developed Asian and European countries. The College Investment Plan program manager (T. Rowe Price) believes the economy strengthened in the second quarter as evidenced by increased consumer spending, a jump in home sales, a pickup in exports, and solid jobs and income growth.

There were periods of heightened market volatility amid intermittent concerns about sluggish global growth, geopolitical tensions in Ukraine and the Middle East, and fears that the Federal Reserve would raise short-term U.S. interest rates sooner than the expected mid-2015 time frame. Additionally, fears of a Greek exit from the eurozone stoked investor concerns at the end of the reporting period. Stocks in developed non-U.S. markets declined in U.S. dollar terms over the last 12 months and lagged U.S. shares, but local currency returns were solidly higher. Emerging markets equities also declined in U.S. dollar terms but recorded gains in local currency terms during the reporting period. The U.S. dollar strengthened markedly against most currencies. Much of the dollar strength stemmed from diverging monetary policies and economic growth prospects for the U.S. and overseas economies.

Bonds Deliver Steady Results Ahead of Possible

Fed Action: U.S. bonds produced positive returns over the last year. Longer-term Treasuries posted good results as yields declined despite pressure from the Federal Reserve's decision to wind down its asset purchases in October 2014. Asset-backed and agency mortgage-backed securities also recorded solid gains. High yield bonds, which trailed investment-grade issues in late 2014, performed well in the first half of 2015, supported by rising oil prices, moderate levels of new issuance, and demand for fixed income investments with above-average yield. Local currency bonds in developed and emerging markets declined sharply in dollar terms, hurt by the dollar's appreciation, while U.S. dollar-denominated emerging markets debt posted more modest losses.

Although the Fed could begin raising interest rates later in 2015, many global central banks, including the European Central Bank and the Bank of Japan, are in the midst of aggressive stimulus policies. Federal Reserve Chair Janet Yellen has repeatedly stated that the Fed's first interest rate increase since 2006 will be data dependent and that the pace of subsequent rate hikes will be more moderate than in past tightening cycles.

Investment Earnings by Portfolio

The investment earnings for each portfolio are listed below. Please read the 2015 Annual Report for explanations of performance versus the benchmark for each individual portfolio.

Performance Comparison as of June 30, 2015

Portfolio	1-Year Return	Weighted Benchmark*	Annualized Since Inception Return	Weighted Benchmark*	Inception Date
Portfolio 2033	3.95%	2.94%	15.16%	14.91%	12/31/12
Portfolio 2030	3.94	2.94	12.37	12.25	12/31/09
Portfolio 2027	3.15	2.76	6.74	6.42	6/30/06
Portfolio 2024	2.37	2.63	7.35	7.13	10/31/03
Portfolio 2021	1.52	2.47	5.92	5.92	11/26/01
Portfolio 2018	1.08	2.31	5.72	5.64	11/26/01
Portfolio 2015 ¹	1.01	1.51	5.27	5.20	11/26/01
Portfolio for College	0.24	0.63	3.27	3.31	11/26/01
Equity Portfolio	3.93	2.94	6.66	6.69	11/26/01
Global Equity Market Index Portfolio	3.77	4.27	7.23	7.56	6/30/06
Balanced Portfolio	2.14	1.70	6.60	6.25	11/26/01
Bond & Income Portfolio	-1.38	1.86	5.99	4.77	11/26/01
Inflation Focused Bond Portfolio	-2.05	-2.05	2.21	2.31	10/31/03
U.S. Treasury Money Market Portfolio	0.00	0.02	0.00	0.07	12/31/09

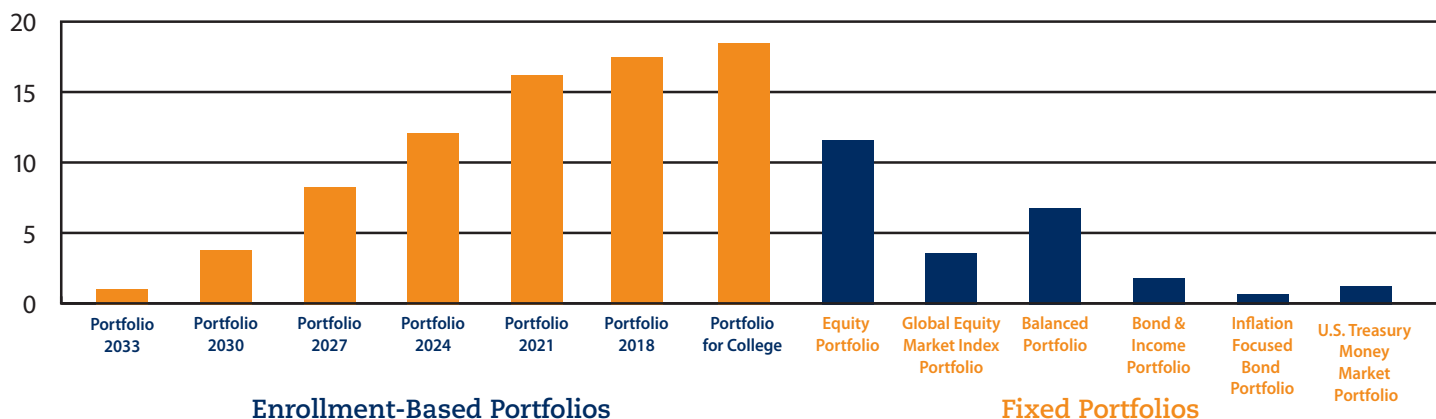
*Benchmark performance commenced on November 30, 2001, for the portfolios with an inception date of November 26, 2001. Benchmark performance for all other portfolios commenced on the same date as the portfolio's inception date.

¹Portfolio 2015 was merged into the Portfolio for College on June 12, 2015; the portfolio and benchmark returns are for the 11-month and since-inception periods ended May 31, 2015, respectively.

Asset Distribution by Portfolio

The relative distribution of assets invested by portfolio for the fiscal year ended June 30, 2015, rounded to the nearest 10th of a percent, is shown below. Assets in Enrollment-Based Portfolios composed approximately 74.0% of total Plan assets, which is slightly higher than at the end of fiscal year 2014. The Portfolio for College increased by 8.4% during the fiscal year, as a result of the prescheduled conversion of Portfolio 2015, which reached its target date on June 12, 2015. All remaining Enrollment-Based Portfolios grew slightly during the fiscal year, from 0.3% to 1.0%. Among the fixed/static portfolios, the Equity Portfolio declined 0.4%. The Global Equity Market Index Portfolio and the U.S. Treasury Money Market Portfolio grew 0.4% and 0.1%, respectively. The Bond and Income Portfolio declined 0.1%. The Balanced Portfolio was relatively unchanged, and the Inflation Focused Bond Portfolio declined 0.3%.

Total Net Assets as of June 30, 2015





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*Morningstar analysts reviewed 63 plans for its 2015 ratings (10/20/15), 64 plans for its 2014 ratings (10/21/14), 2013 ratings (10/22/13) and 2012 ratings (10/15/12), of which 4 plans received a "Gold" rating. To determine a plan's rating, Morningstar's analysts considered five factors: the plan's strategy and investment process; the plan's risk-adjusted performance; an assessment of the individuals managing the plan's investment options; the stewardship practices of the plan's administration and parent firm; and whether the plan's investment options are a good value proposition compared to its peers. Plans were then assigned forward-looking ratings of "Gold," "Silver," "Bronze," "Neutral," and "Negative." Each year, certain of the industry's smallest plans are not rated. Morningstar analysts reviewed 58 plans for its 2011 survey, of which 6 plans received a "Top" rating, and 52 plans for its 2010 survey, of which 5 plans received a "Top" rating. Ratings for each plan were based on five factors: the quality of the underlying investment options; performance of those options; the skill of the managers of those options; the costs associated with each plan; and the stewardship practices of each plan's program manager. Plans were then assigned ratings of "Top," "Above Average," "Average," "Below Average," and "Bottom." To earn a "Top" rating, a plan must be best-in-class across all five areas.

Analyst Ratings are subjective in nature and should not be used as the sole basis for investment decisions. Analyst Ratings are based on Morningstar analysts' current expectations about future events and therefore involve unknown risks and uncertainties that may cause Morningstar's expectations not to occur or to differ significantly from what was expected. Morningstar does not represent its Analyst Ratings to be guarantees.



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Annual Report Summary and Highlights for Account Holders

For the Fiscal Year Ended June 30, 2015