



formerly College Savings Plans of Maryland

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¹Morningstar analysts reviewed 63 plans for its 2016 ratings (10/25/16) of which 10 plans received a "Silver" 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.

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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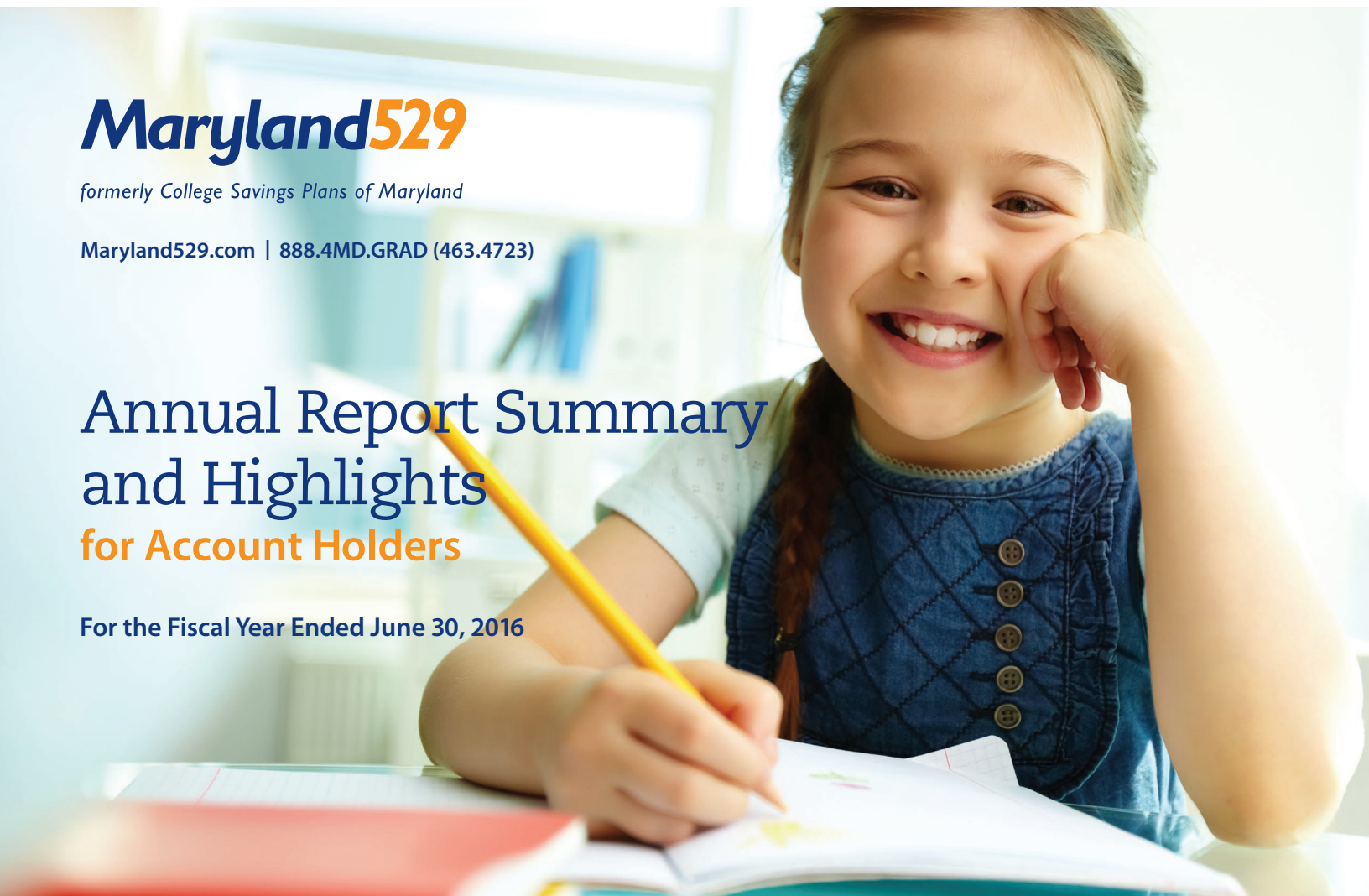


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Annual Report Summary and Highlights for Account Holders

For the Fiscal Year Ended June 30, 2016



Annual Report Summary and Highlights

Continued participation in the Maryland 529 plans in fiscal year 2016

You may have noticed a name change from the College Savings Plans of Maryland to Maryland 529. This is a result of legislation that became effective July 1, 2016. We are excited about the name change as it reflects the growth of the agency to include the Achieving a Better Life Experience (ABLE) program in late 2017. In fiscal year 2016, we are pleased to report another year forward for Maryland 529. The Prepaid College Trust saw continued participation from families across Maryland.

The College Investment Plan grew by close to 5%. Total investments in both Plans reached over \$5.3 billion as of June 30, 2016 for 201,210 beneficiaries. The Prepaid College Trust funding status remained strong at 133% funded at fiscal year-end. With potential 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 31,593 beneficiaries, the Board, as part of the yearly evaluation of the investment strategy, revised the future investment earnings again in 2016. After careful review of capital market assumptions from several sources including the Plans' actuary and investment advisor, the Board changed the future investment earning assumption downward from 7.0% to 6.3%. While these changes reduced the actuarial surplus, the adjustment reflects the Board's prudent assessment of long-term trends and desire to accurately reflect the Trust's future assets.

Investments in the **Maryland College Investment Plan** reached approximately \$4.5 billion as of June 30, 2016. In addition, the College Investment Plan had a net gain of 11,467 beneficiaries and reached a total of 169,617 beneficiaries at fiscal year-end. With more than \$488 million in contributions from account holders and favorable investment markets during the fiscal year, the average account balance was \$18,933 as of June 30, 2016.

Thank you for making college savings a priority for your family and for participating in **Maryland 529**.

Sincerely,

The Board
Maryland 529

**Read the 2016 Annual Report
by visiting Maryland529.com**

2016 Snapshot

Prepaid College Trust

Contributions from Account Holders	\$52 million
Investments	\$895 million
Beneficiaries	31,593
Funded Status	133%

College Investment Plan

Contributions from Account Holders	\$488.8 million
Investments	\$4.5 billion
Beneficiaries	169,617
Average Account Size	\$18,933

Larry Hogan, Governor
Boyd Rutherford, Lt. Governor

Maryland 529 Board

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Board Chair, State Treasurer

Peter Franchot
State Comptroller

Carol Beatty
*Secretary,
Maryland Department of Disabilities*

Robert L. Caret, Ph.D.
*Chancellor, University System
of Maryland*

James D. Fielder, Jr., Ph.D.
Secretary of Higher Education

Karen B. Salmon, Ph.D.
State Superintendent of Schools

Carol Coughlin
Public Member

John D. Kenney
Public Member

Keith D. Persinger
Public Member

Dee Anna Sobczak
Public Member

Charles Tharp
Public Member

Total investments in both Plans

Exceeded \$5.3 billion for 201,210 beneficiaries

Participants in the Prepaid College Trust (Trust) and the College Investment Plan (Plan) contributed over \$540 million over the past fiscal year. 201,210 beneficiaries had active, funded accounts in at least one plan as of June 30, 2016.

Highlights by Plan include:

Maryland Prepaid College Trust

The funded status in the Prepaid College Trust reached 133% as of June 30, 2016, and the actuarial surplus was \$270 million. The Trust's funded status continues to benefit from the 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 future assumption calculations downward again in 2016. These changes reduced the actuarial surplus because rather than anticipating investment returns to average 7%, the Board is anticipating returns of only 6.3%. The adjustment reflects the Board's prudent assessment of long-term trends and a dedication to accurately reflect the Trust's future assets.

Total Beneficiaries: Nearly 1,000 new beneficiaries entered the Trust in fiscal year 2016, bringing the total number of beneficiaries to 31,593. The overall number reduced from 2015 due to beneficiaries no longer having 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, 2016, the Maryland College Investment Plan generated subdued results. Over the 12-month period, all 12 investment portfolios that consist of actively managed T. Rowe Price mutual funds underperformed their respective benchmarks. This number does not include the Global Equity Market Index Portfolio, which consists of passively managed index funds, and the U.S. Treasury Money Market Portfolio, which the Plan manager has subsidized due to the low interest rate environment. Much of the past year's performance stemmed from unfavorable selection in U.S. large-cap stocks, where our underlying growth and value portfolios lagged their style-specific benchmarks over the period, as well as in select fixed income portfolios. However, longer-term performance remains solid. Since inception, three of the 12 actively managed portfolios outperformed their respective benchmarks, six performed in line, and three underperformed. We encourage account holders to periodically review the performance of their investments on our website. Returns are updated each day after the close of trading on the New York Stock Exchange.

In October 2016 we were pleased to learn the College Investment Plan was one of ten plans in the country to receive a "Silver" rating from Morningstar, Inc. Morningstar believes that plans with a silver rating are among the best-in-class options and follow many of the industry's best practices.¹



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 \$238.9 billion in financial aid during the 2014–2015 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 \$14,210, and each graduate student received \$26,950. Consistent with past years, only a portion of average financial aid came in the form of grants—\$8,170 and \$8,840 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 Maryland College Investment Plan program manager T. Rowe Price shows an example of how saving compared with borrowing can cut the cost of college in half.

Statistical information is from the College Board's "Trends in College Pricing 2015" and "Trends in Student Aid 2015" for the 2015–2016 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 \$61 million was paid in tuition benefits for 6,230 beneficiaries.

For the fiscal year ended June 30, 2015, the net position of the Trust decreased by \$23.1 million. Several factors contributed to the reduction: Investment performance remained flat with a -0.7% return on investment which was lower than the 2.4% rate of return from 2015. An additional factor was a change in the 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 determine the present value of accrued tuition payments from 7% in 2015 to 6.3% in 2016.

The impact of reducing the discount rate negatively impacted net position by approximately \$33.4 million. One additional adjustment that impacted the liabilities of the Trust was a change in several assumptions used to value the future assets. Those changes were an additional assumption for differential tuition assessed at the University of Maryland College Park and a 3% bias load to the community college WAT to account for usage at higher cost schools.

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

	2015	2016
Assets		
Current	\$ 986.7	\$1,007.7
Noncurrent	<u>116.5</u>	<u>117.8</u>
Total	1,103.2	1,125.5
Liabilities		
Current	83.6	101.1
Noncurrent	<u>747</u>	<u>728.8</u>
Total	<u>830.6</u>	<u>829.9</u>
Net Position	\$ 272.5	\$ 295.6

Maryland Prepaid College Trust

Investment Earnings and Tuition Increases

Net Investment Gains

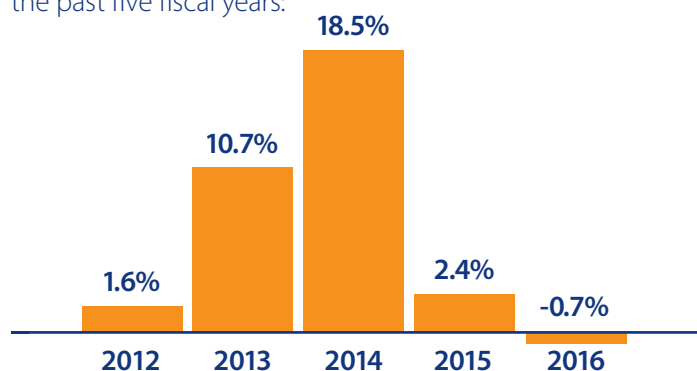
During the fiscal year ended June 30, 2016, the Trust continued to invest contract payments received into its increasingly diversified investment portfolio. The investment balances as of June 30, 2016, and June 30, 2015, are shown below:

Investments (in thousands)

	<u>2016</u>	<u>2015</u>
S&P 500 Core	\$175,476	\$183,959
Domestic Large Cap Value	69,177	72,886
Domestic Large Cap Growth	21	74,771
Domestic Small Cap Value	69,495	79,618
Private Equity	17,015	15,944
International Equity	36,378	39,466
Developed Markets Equity	64,319	57,567
Emerging Markets Equity	24,461	25,203
Intermediate Duration Fixed Income	155,468	124,867
High Yield Fixed Income	56,152	56,374
Global Real Estate	39,272	35,707
Private Real Estate	51,032	46,155
Emerging Market Debt	80,920	78,509
Commodities	28,912	33,234
Total Investments	\$868,098	\$924,260

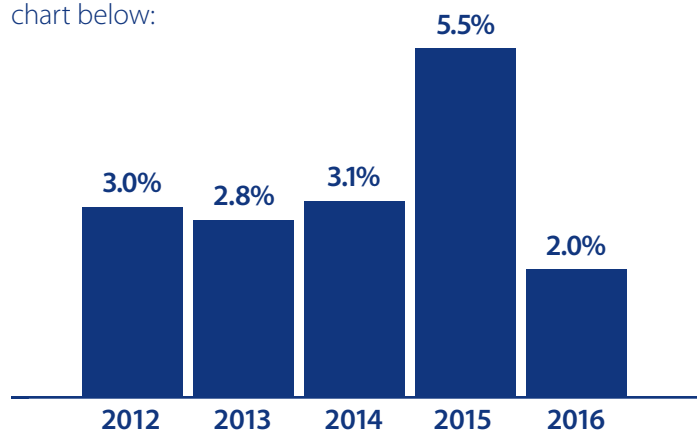
Investment Returns

The Trust's investments were relatively flat with a -0.7% return on investment 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 2.0% for the 2016–2017 academic year, compared with the projected tuition increase of 6% and a mandatory fee increase of 8%. 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 Payment

The Prepaid College Trust is in Good Standing

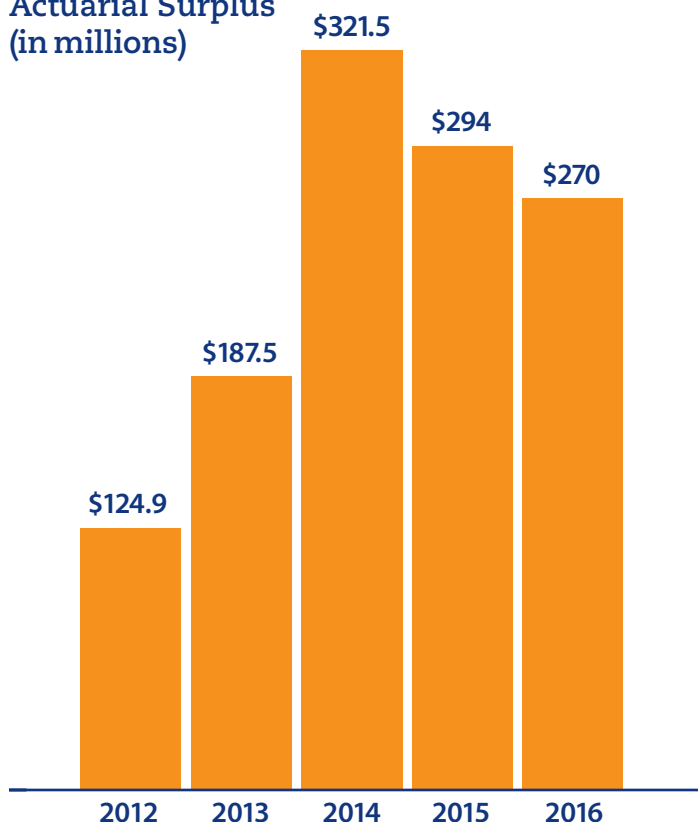
Each year, an actuarial valuation of the Prepaid College Trust is conducted. The purpose of this valuation and resulting Soundness Report is to compare the future value of the Trust's assets with its future liabilities, which are discounted to reflect their present value.

As of June 30, 2016, the Trust was 133% funded, with an actuarial surplus of \$270 million. This is a decrease from last year based on changes in the future assumption calculations and a lower investment return.

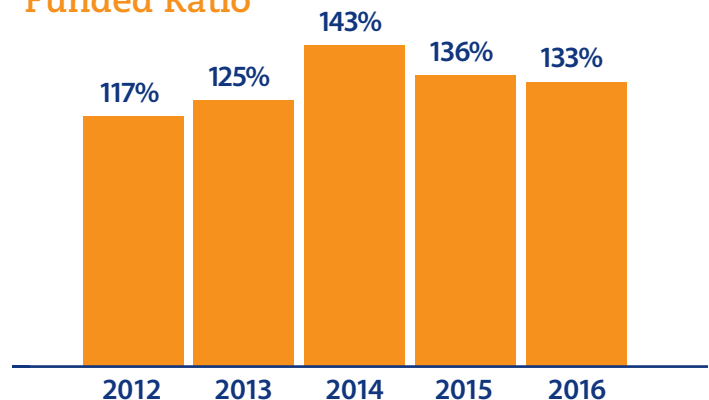
As part of the yearly evaluation of the investment strategy of the Trust, the Board revised future earnings assumption calculations downward. These changes reduced the actuarial surplus because rather than anticipating investment returns to average 7.0%, the Board is anticipating returns of only 6.3%. The adjustment reflects the Board's prudent assessment of long-term trends and a dedication to accurately reflect the Trust's future assets.

The key measures of soundness for the past five fiscal years are included in the following chart:

Actuarial Surplus (in millions)



Funded Ratio

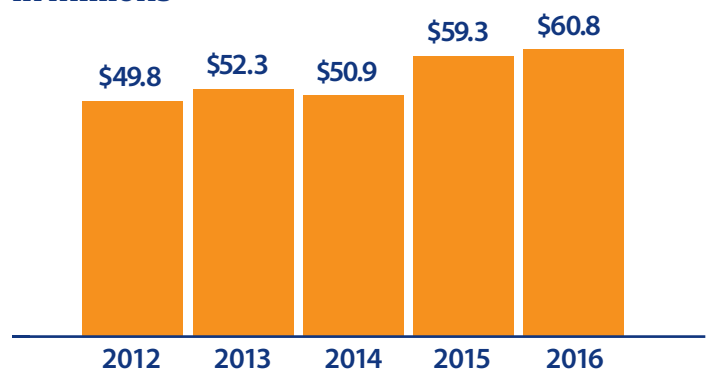


Students Use Tuition Benefits at College Nationwide

There are total of 9,928 students eligible to use benefits for the fall 2016 semester, as compared to 10,957 students who were eligible for the prior academic year. As of October 13, 2016, approximately 47% of eligible beneficiaries had claimed their benefits this fall, with approximately 51% of these students attending Maryland public colleges and 49% attending a wide variety of private or out-of-state colleges across the country. This is the first time in nine years that the number of students attending Maryland public colleges exceeded the number of students attending private or out-of-state colleges. The remaining 53% of eligible beneficiaries have yet to claim their fall 2016 tuition benefits or have decided to defer using their benefits until a future semester.

Total tuition benefits paid during the past five fiscal years are as follows:

in millions



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 \$221 million for the Plan for fiscal year 2016. Net additions to net position resulted from 29,176 new accounts, \$488.8 million in account holder contributions to portfolios, and \$68.9 million in net investment income. Net deductions from the Plan's net position include \$275.8 million in distributions to account holders and \$13.2 million in rollovers to other 529 plans.

Market Commentary

Market performance has a direct effect on the overall performance of investments in Maryland 529. The following is designed to provide a summary of market performance for the period ended June 30, 2016.

U.S. Stocks Gain Despite Economic and

Political Turmoil: U.S. stocks ended on a mixed note for the year ended June 30, 2016, a volatile period for global financial markets. Major U.S. stock market indexes began the period near record highs but fell with other global stock markets in the summer of 2015 after a sell-off in mainland Chinese stocks and a devaluation in the country's currency. Global markets stabilized in the final months of 2015 but entered another downturn in early 2016 as tumbling prices for oil and other commodities revived concerns about the world economic outlook. By mid-February, U.S. small-caps and some non-U.S. markets entered a bear market—defined as a drop of at least 20% from recent highs—and oil prices sank to a 13-year low.

Stocks advanced in the ensuing months as oil prices rebounded and new stimulus measures in Europe and Japan took effect. Assurances from the Federal Reserve that it would proceed cautiously in raising interest rates after it raised short-term rates in December also boosted sentiment. The June 23 Brexit vote derailed the U.S. market's advance, causing a two-day global stock sell-off that briefly pushed the major U.S. stock indexes into the red for 2016. However, stocks rallied in the last three days of June on optimism that global central banks would take action to contain the post-Brexit fallout, generating a gain for the large-cap S&P 500 Index for our fiscal year.

Bonds Benefit From Post-Brexit Uncertainty:

U.S. investment-grade bonds produced solid returns over the past year. Uneven U.S. economic data and Brexit-induced uncertainty spurred demand for Treasuries, pushing the yield on the benchmark 10-year note down to near-record lows at the end of June. Longer-term Treasuries surged as ultralow or negative interest rates in Europe and Japan prompted foreign investors to favor the added yield on U.S. government debt and investors sought safe-haven investments after the Brexit vote. Corporate bonds did well, while mortgage- and asset-backed securities trailed with moderate gains.

High yield corporate bonds lagged investment-grade corporates but still produced positive returns. Commodities weakness for much of last year weighed on the natural resources companies that make up a large proportion of the high yield market, but the overall market rebounded with commodity prices in the last few months. Bonds in developed non-U.S. markets produced strong returns in dollar terms as central banks in Japan and the eurozone continued to buy bonds and push interest rates lower—in some cases, into negative territory. At the end of our fiscal year, uncertainty after Brexit drove bond yields in many developed countries deeper into negative territory.

Investment Earnings by Portfolio

The investment earnings for each portfolio are listed below. Please read the 2016 Annual Report for explanations of performance versus the benchmark for each individual portfolio.

Performance Comparison as of June 30, 2016

Portfolio	1-Year Return	Weighted Benchmark*	Annualized Since Inception Return	Weighted Benchmark*	Inception Date
Portfolio 2036**	N/A	N/A	0.10%	0.88%	11/30/15
Portfolio 2033	-2.25	-1.23	9.88	10.04	12/31/12
Portfolio 2030	-2.16	-1.12	10.00	10.08	12/31/09
Portfolio 2027	-1.06	0.06	5.94	5.76	6/30/06
Portfolio 2024	0.00	1.25	6.75	6.65	10/31/03
Portfolio 2021	1.16	2.57	5.59	5.69	11/26/01
Portfolio 2018	1.54	2.85	5.43	5.45	11/26/01
Portfolio for College	1.58	2.09	3.16	3.23	11/26/01
Equity Portfolio	-2.20	-1.23	6.03	6.12	11/26/01
Global Equity Market Index Portfolio	-1.97	-1.40	6.27	6.62	6/30/06
Balanced Portfolio	1.14	2.01	6.22	5.95	11/26/01
Bond & Income Portfolio	4.58	6.00	5.89	4.85	11/26/01
Inflation Focused Bond Portfolio	1.24	1.86	2.13	2.27	10/31/03
U.S. Treasury Money Market Portfolio	0.00	0.14	0.00	0.08	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.

**Portfolio 2036 was added to the investment lineup on November 30, 2015. Because the portfolio began operations 7 months before the reporting period ended June 30, 2016, there is no 1-year return available.

Asset Distribution by Portfolio

The relative distribution of assets invested by portfolio for the fiscal year ended June 30, 2016, rounded to the nearest tenth of a percent, is shown below. Assets in Enrollment-Based Portfolios composed approximately 74.6% of total Plan assets, which is slightly higher than at the end of fiscal year 2015. The Portfolio for College decreased by 3.1% during the fiscal year, primarily due to withdrawals for beneficiaries who have reached college age. All remaining Enrollment-Based Portfolios grew slightly during the fiscal year, from 0.1% to 0.8%. Among the static portfolios, the Equity Portfolio declined 0.8%. The Global Equity Market Index Portfolio and the U.S. Treasury Money Market Portfolio grew 0.2% and 0.3%, respectively. The Bond & Income Portfolio declined 0.1%. The Balanced Portfolio declined 0.2%, and the Inflation Focused Bond Portfolio declined 0.1%.

Total Net Assets as of June 30, 2016

