



Exhibit A

Maryland
Teachers & State Employees
Supplemental Retirement Plans

**BOARD OF TRUSTEES FOR THE
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS
MINUTES OF THE February 22, 2010 MEETING**

BOARD OF TRUSTEES

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The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans convened at 9:36 am on February 22, 2010 in Baltimore. A quorum was present.

Members Present

Ms. T. Eloise Foster
Ms. Sabrina Bass
Mr. Robert Black
Treasurer Nancy Kopp
Mr. William Whitescarver
Ms. Marcia Zercoe

Members Absent

Mr. Robert Black
Ms. Linda Tanton

Representatives and Guests

Mr. Michael Halpin, Staff
Mr. John Barry, Esquire, Board Counsel
Mr. Richard Arthur, Staff
Ms. Debra Roberts, Staff
Mr. Louis Holcomb, Staff
Ms. Anna Marie Smith, Staff
Ms. Wanda Poehler, NRS
Ms. Claudia Gulick, NRS
Mr. Andrew Ness, Mercer Investment Consulting
Ms. Mary Pat Alcus, Mercer Investment Consulting
Mr. John Axtell, DB Advisors
Ms. Lucille Douglas, DB Advisors
Mr. Brett Gorman, DB Advisors
Dr. Melissa Moye, Treasurer's Office
Mr. Philip Harris, Financial Integrity Resources Mgt.
Ms. Theda Jackson, Financial Integrity Resources Mgt.
Ms. Jeanette Hernandez Harris, Financial Integrity Resources Mgt.

I. Chairperson's Remarks

The minutes of the Board meeting held on February 1, 2010 were unanimously approved (Exhibit A).

II. Administrator's Report & Marketing Plan Update

Mr. Belnick of NRS delivered the report attached as Exhibit B. He noted the following trends:

- A measurable growth in overall assets caused chiefly by recovering equity markets, which exceeded the drop in contributions caused by the suspension of State matching contribution.
- There were no major shifts in allocation of contributions or assets. Target Retirement Funds and the ICP continued as the two leading recipients of participant contributions.
- Distributions to participants are down due to a combination of factors; on a net basis the contributions/distributions ratio is more favorable than in prior years.
- Retirement meetings are continuing and have generally succeeded improving overall participant/administrator relations and confidence.
- An improvement in the rate at which participants are suspending contributions, i.e., a lower percentage of participants suspended contributions in the 4th Quarter of 2009 than in the first 3 quarters.

On this point the Chairperson inquired whether NRS tracked suspensions and returns, i.e., who resumed contributions and why. Mr. Belnick noted that while this was not tracked at an individual level, NRS had a variety of programs that encouraged employees to resume contributions to the Plans.

- Trends in the MBE purchases reports (Exhibit B, p. 48).

Ms. Theda Jackson of the Financial Integrity Resources Management (FIRM) provided an update on company activities (Exhibit B-1). She emphasized the following points:

- Participant communication materials had been reviewed, and Ms. Jackson recommended that each handout include a specific call for action.
- FIRM representatives had participated in participant events at Hunt Valley and Alleghany County. Ms. Jackson noted that the state benefit coordinators had been very helpful during the Alleghany County event.
- FIRM is doing a survey of participants on a variety of items, and that survey is still in process.
- A web-site evaluation is underway with completion expected by the end of March.
- FIRM had opened a local office located at 300 East Lombard Street.

At the conclusion of the report members briefly discussed several of the items presented, and offered suggestions on possible pre-retiree inclusion in the Retirement Breakfast program.

III. Investment Advisor's Report:

A. Ms. Mary Pat Alcus of Mercer Investment Consulting presented the report on 4th quarter 2009 investment activity (Exhibit C). She summarized the overall performance of equity and debt markets in 2009, and noted the positive results compared to 2008. In reviewing MSRP investment options she described MSRP as well positioned, with a relatively complete line up and good performance in most areas. She emphasized the following specific matters:

- ICP The ICP shows returns above its money market benchmark but below the Mercer peer group index, largely due to poor 2009 performance.
- As described in Exhibit C certain management and organizational changes had occurred at Vanguard, Pimco and Fidelity; Mercer did not believe any of these changes will affect investment returns for MSRP options.
- Mercer had met with representatives of T. Rowe Price and the American Funds group. Mercer confirmed positive ratings (B+) for the T. Rowe Price Small Cap Stock fund, and B for the American Funds Growth Stock fund.
- Neuberger-Berman was still technically on the watch list but Mercer will recommend that they be removed from the watch list at the end of the 12 month minimum period.

Ms. Alcus then presented a report on the possible replacement of the mid cap index fund (Exhibit C-1). She noted the different benchmarks for each fund, and the impossibility of predicting which benchmark would outperform the other for any relevant period. She stated that both benchmarks were accurate descriptions of the mid cap market, and this meant that cost should be the predominant factor in fund selection. Mercer therefore recommended that the Vanguard fund replace the Dreyfus fund.

B. Mr. Gorman of DB Advisors presented the report attached as Exhibit D. He noted that improvements in 2009 was driven by improvement in the overall market and manager performance. On the latter point he noted a mix of results, with Pimco and Goode outperforming their benchmarks, and Western Asset and Aberdeen underperforming their benchmarks. He noted that because of the inherent structure of stable value, it would take some time for this mix (poor results in 2008; good results in 2009) to work their way through to the crediting rate.

A general discussion ensued on the state of the wrapper market. Mr. Axtell noted that the ICP was fortunate in that it did not use wrapper contracts provided by firms that were now leaving the industry, such as AIG and UBS. He reported that efforts to find new wrapper capacity were ongoing, that DB Advisors was looking for results later in 2010, but had nothing definitive to announce at the moment. Ms. Zercoe inquired on the status of the performance review of Aberdeen and a possible

replacement. Mr. Gorman described steady progress on this front with decisions expected in about 6-10 weeks.

Mr. Gorman then concluded the report with notes on the following items:

- The ICP still had a relatively high cash position.
- Over 30% of the ICP was invested in Treasuries or agency securities.
- Since 12/31/09 DB Advisors had made a new placement in a Prudential GIC.
- Transition of existing wrapper arrangement to fully participating contracts was nearing completion.
- The Investment Policy for the ICP had been reviewed and amended by the Committee and was ready for Board approval.
- The Investment Committee had also made a recommendation to encourage Goode Investment Management to lessen use of funds that engaged in securities lending.

IV. Staff Reports

A. Finance Office

Ms. Roberts presented the report attached as Exhibit E. She offered a brief summary to the effect that administrative spending is tracking within budget guidelines largely because of various restraints on spending.

B. Field Staff. Mr. Holcomb delivered the report attached as Exhibit F, and briefly described ongoing planning for the Retirement Expos planned for Annapolis and Baltimore later this year.

V. Committee Reports

A. Audit Committee

No report at this time.

B. Investment Committee:

Mr. Whitescarver described Committee review and deliberations on several matters, and recommended the following items for Board approval:

- That the ICP Investment Policy (Exhibit D-1) as amended, be adopted.
- That the Goode Investment Management firm restrict (where practicable) its use of index funds that engage in securities lending.
- That, for the reasons expressed in Exhibit C-1, the Vanguard Mid-Cap Index Fund be substituted for the Dreyfus Mid-Cap Index Fund, according to the Board's usual procedure for participant notice and election.

After brief discussion Motions on each item were unanimously approved.

VI. Board Secretary's Report

Mr. Halpin offered the following summary of activity and the report attached as Exhibit G:

- Small account adjustment for the new fee schedule was summarized in Exhibit G. Mr. Halpin recommended a \$500.00 threshold for the new fee.
- A proposed new EZ enrollment form was included in Exhibit G. He described its use in Ohio and how it would integrate with general communication materials. He noted that at least initially it would be used at benefit fairs and similar presentations. Ms. Bass suggested a more prominent phone number for employee questions, and Mr. Belnick concurred.
- MSRP is now ranked 431 of the Pension & Investments ranking of the 1000 largest U.S. pension plan. (The Maryland State Retirement Agency is 37.)
- HB 793 State Retirements & Pension Boards of Trustees – Membership - Diversity
- HB 1148 Supplemental Retirement Plans – Investment Options

A brief discussion ensued on a number of these items. The Chairperson, Ms. Foster, noted her preference for inclusion of a social choice fund as an investment option, but her opposition to a legislative mandate on any investment option. On the EZ enrollment form, members concurred with its use, and affirmed its specific introduction through a Motion (unanimously approved) that approved its use. The Treasurer asked for a specific follow up report on the form within a reasonable time.

VII. Board Counsel’s Report

Mr. Barry reported that planning for the Invesco Fair Fund distribution was going well and that he expected materials to be distributed to Board members well in advance of the May meeting.

VIII. Executive Session

None.

IX. New Business

No new business considered.

X. Adjournment

A motion to adjourn was entered at 11:31 am, seconded, and carried unanimously.