AMENDED
Exhibit A

BOARD OF TRUSTEES FOR THE MARYLAND TEACHERS & STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS MINUTES OF THE June 1, 2009 MEETING

William Donald Schaefer Tower
Suite 200
6 Saint Paul Street
Baltimore, Maryland
21202-1608

410-767-8740
1-800-543-5605

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The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans convened at 9:45 am on June 1, 2009 in Baltimore. A quorum was present.

Members Present
Ms. T. Eloise Foster
Mr. Robert Black
Treasurer Nancy Kopp
Mr. William Whitescarver
Ms. Marcia Zercoe

Members Absent
Ms. Sabrina Bass
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. Julia Graham, Staff
Mr. David Belnick, NRS
Ms. Claudia Gulick, NRS
Mr. Brenda Anderson, NRS
Ms. Wanda Poehler, NRS
Ms. Mary Pat Alcus, Mercer Investment Consulting
Mr. Nick Davies, Mercer Investment Consulting
Mr. Andrew Ness, Mercer Investment Consulting
Mr. John Axtell, DB Advisors
Mr. Brett Gorman, DB Advisors
Ms. Lucille Douglas, DB Advisors
Dr. Melissa Moye, Treasurer's Office (by phone)
Mr. Dylan Baker, Dept. of Legislative Services

I. Chairperson's Remarks

The minutes of the Board meeting held on February 23, 2009 were unanimously approved, subject to the amendments noted in Exhibit A and special vote for approval of the Executive Session Minutes.

Employee Recognition – The Chairman noted that the Governor had designated May as recognition and appreciation month for State employees. The following MSRP employees were entitled to Certificates of Appreciation for their service:

10 years - Julia Graham
10 years - Lillie Jones
15 years - Louis Holcomb
15 years - Mirza Tumanon
25 years - Anna Marie Smith
35 years - Dianne Raitzyk

Board members joined the Chairman in appreciation for the dedicated and important service of these employees, particularly in these difficult times.

II. Administrator's Report & Marketing Plan Update

Mr. David Belnick of NRS presented the administrator's report (Exhibit B), and noted several highlights:

1. A decline in plan assets of about $412 million from the 1st quarter 2008 to the 1st quarter 2009.
2. A slight increase in contributions from the 1st quarter 2008 to the 1st quarter 2009. Treasurer Kopp noted the measurable increase in "other contributions" and a brief discussion ensued on the source of these contributions, i.e., items such as QDRO's and plan to plan transfers. Mr. Belnick promised to examine the detail behind these figures and give a report to the Board, if necessary.
3. A significant increase in allocation to fixed investment products from the 1st quarter 2008 to the first quarter 2009. He noted that the ICP had risen from $627 million to $753 million (2009) with a similar pattern for contributions. ($9 million in 2008 vs. $15 million in 2009).
4. The mapping/transfer for the Legg Mason and Lord Abbett funds went smoothly, and without significant feedback from affected participants.
5. NRS is adding a communications piece in its benefit fair presentations that describes Trustee oversight of the plans, including the role of professional firms such as Deutsche Bank and Mercer.
6. NRS is making extra outreach efforts (phone calls, mail and the like) to employees that cease or reduce contributions, to encourage resumption of savings efforts.

7. NRS personal retirement counselors will soon begin use of software that integrates participant income and assets outside the plan with plan income and assets. Training sessions are being conducted in Columbus and this will be rolled out slowly to maintain quality control.
8. There has not been a significant change in the amount of participant contact with NRS personnel although some increase in telephone activity has occurred.
9. Rollovers to IRA accounts have slowed considerably.
10. NRS is making progress on its selection of an MBE subcontractor with a target date of July 1, 2009 for selection.

III. Investment Advisor's Report:

A. Mr. Nick Davies of Mercer delivered the report attached as Exhibit C. He noted the following points:

1. Overall participant allocations among options are consistent with the broader mutual fund marketplace for individual investors.
2. Equity markets continue to be volatile and depressed with some very recent improvement.
3. Most MSRP funds were holding up well compared to benchmarks even though their performance reflects the difficulties in the equity markets.
4. The drop in crediting rate and book to market ratio for the Maryland ICP is similar to that seen in Mercer's other plans; the book to market ratio is about average for those plans.
5. Fidelity Puritan has had improved performance recently, reversing a trend of slight underperformance.
6. T. Rowe Price Target Date Retirement Funds are outperforming comparable funds in the recent quarter, largely due to their higher than average U.S. domestic equity allocations.
7. The Neuberger Berman Fund had a very strong performance in April, also a reversal of trend underperformance. They have largely completed their transition to a new ownership and management structure.
8. Mercer recommended that the T. Rowe Price Small Cap Stock fund be removed from the watch list because potential problems of style drift had greatly lessened.

Mr. Ness then delivered a report on life cycle/target date retirement funds (Exhibit C-1). The report arose out of recent Board member inquiries on the use of target date funds in government plans. He offered the following commentary on the report:

1. Life Cycle funds are typically used by reluctant investors.
2. There are significant variations in the allocation percentages and investment formulas used in these funds (Exhibit C-1, page 11) and these differences can make the evaluation of the different funds complex.
3. Some plans (Exhibit C-1, pages 8-9) create their own "custom" life cycle

funds, and some of these funds will vary their allocation weights depending on whether the plan is the primary retirement vehicle, or supplemental to a defined benefit plan. He noted that actively managed funds will vary these allocations over time.

At the conclusion of the presentation members asked for comments on recent controversies in the press on the performance of target date funds during the recent equity market decline. Ms. Alcus observed that members should keep themselves informed about these debates, but she did not believe that any specific or immediate action was necessary. She affirmed the view that long term investment principles were equally important in times of great volatility.

B. Mr. John Axtell of DB Advisors introduced new relationship manager Lucille Douglas, and Mr. Gorman delivered the 1st quarter report (Exhibit D). He noted the following points:

1. Sentiment had significantly improved in the 1st quarter, resulting in much better sector spreads for various benchmarks against Treasury, reversing the trend that commenced in September 2008. Submanager performance improved, although HIMCO still fell short of their benchmark.
2. The market to book ratio was now at 94.4%, an improvement over its low point with additional improvement expected in the April 30th report.
3. Deutsche Bank's annual sub-manager performance reviews were largely complete, with no immediate changes expected. He described various details of the process, including the different background and experience of the committees and what they did. The Chairman asked if these committee reports could be shared with MSRP staff; Mr. Gorman promised to check with his management/compliance team.
4. The wrapper market continued to suffer from strains on capacity, caused by extra demand for coverage at the same time certain large companies (UBS; Rabobank) were withdrawing from the market.
5. Deutsche Bank, working with the Investment Committee, will create a matrix showing price and other key terms of the wrapper contracts so that Board members could examine the evolution of this market over time and exercise appropriate oversight of the overall process.
6. Cash flows into the ICP slowed in April.
7. Details on the reallocation of assets from WAMCO to other managers were described.
8. ICP yield is dropping, largely due to increased cash and the increased use of lower yielding treasury obligations in the fund. He noted the wrapper issuers were beginning to urge, if not require, a higher percentage of treasury/government securities for the contracts.

Mr. Axtell then delivered the report (Exhibit D-1) on the 2008 DB Advisors selection of HIMCO as a manager for the ICP. He summarized the review and bidding process used for selection of HIMCO. As described in the report and noted that this type of review was required by Deutsche Bank policy in order to document and justify any sub-manager selection, and that disclosure of Hartford/HIMCO Deutsche Bank relationship was required by the review committee, and had occurred at the time of the selection. The Chairman asked Mr. Axtell to address the question of whether the selection was an impermissible conflict of interest because of DB Advisors role in managing a stable value fund for HIMCO's controlling owner, The Hartford. Mr. Axtell noted that there was no direct or indirect connection between the two events; that Deutsche Bank had a number of connections with most financial managers; and that the selection was fully compliant with ERISA.

Ms. Alcus of Mercer observed as part of this discussion that HIMCO is a significant money manager in its own right with excellent reputation, and that HIMCO was used as a manager in many stable value funds run by competitors of Deutsche Bank. A general discussion ensued on the details of the internal Deutsche Bank process, with Ms. Douglas offering detail to support the view that the process was specific, real, not pro forma, and used for all sub-manager selections, in order to document that these selections were fully compliant with all legal requirements.

The discussion concluded with comments on the request by the Legislative Auditor for follow-up on the issue with the State Ethics Commission. The Chairman asked Mr. Barry to begin that process immediately.

IV. Staff Reports

A. Finance Office

Ms. Roberts delivered the reports attached as Exhibit E and noted the reserve balance as of April 30, 2009 was $175,645. She then noted that the subsequent special charge, approved at the February meeting in light of deteriorating Board revenues, had taken effect, yielding revenue of $204,000 as of May 1, 2009.

B. Field Services

Mr. Holcomb delivered the report attached as Exhibit F. He noted that the benefit fair schedule had recently been completed and estimated that staff saw approximately 6,000 State employees in various field events between January and May 1, 2009. He noted that MSRP staff was able to attend all of the benefit fairs for the State agencies and that these programs generated appreciative feedback from benefit coordinators and employees. He noted that staff schedules would largely shift to one-on-one sessions with MSRP staff and State employees. Mr. Holcomb and Board members then discussed the difficulty of scheduling employee time for these sessions, and various materials, on-line materials.

V. Committee Reports

A. Audit Committee

No report

B. Investment Committee:

On behalf of the Investment Committee Mr. Whitescarver recommended that MSRP change its share class in the Growth Fund of America fund and the Vanguard Institutional Index fund. He noted this would eliminate the participant rebate of America for the Growth Fund but reduce the expense ratio by a greater amount. Mr. Halpin noted that the Vanguard changeover would only occur when plan funds reached the level noted in Exhibit C. Mr. Whitescarver's motion to authorize the changeover was seconded by Ms. Zercoe, and carried unanimously.

He next noted the Mercer recommendation to remove T. Rowe Price Small Cap Stock fund from the watch list, and that this had been discussed by the Committee and approved by consensus that morning. His motion to adopt the Mercer and Investment Committee recommendation was seconded by the Chairman and carried unanimously.

VI. Board Secretary's Report

Mr. Halpin noted (Exhibit G) that neither HB 886 nor HB 1333 had been enacted, the former being withdrawn by the sponsor and the latter being voted down in committee.

A brief discussion occurred on the suspension of the match contribution as required by the most recent budget bill. As part of this discussion Mr. Halpin offered a list of employees that were not eligible for the match: Legislators, State Police, Correctional officers, unionized MTA employees, Judges, and those employees that are members of the old retirement system.

A brief discussion was held on efforts by university personnel to coordinate 403(b) lists, and an up-coming meeting of relevant officials on this effort. Mr. Barry described some recent history that explored this effort, stated that these exploratory consultations would continue but that in his judgment no immediate action was required.

Mr. Halpin next distributed and discussed a list of commitments undertaken because of the ongoing legislative audit (Exhibit H). Members expressed a desire to promptly comply with as many of the agreed-upon requests as was possible, but also noted as part of the discussion that these efforts, along with responses to new inquires, needed careful coordination.

The hiring process was completed for the special consultant, Breidenbach Capital Consulting, LLC and that the company had promised a draft report by June 19th. The Chairman expressed appreciation for the efforts of the special procurement committee (Ms. Zercoe, Ms. Bass & Dr. Moye).

VII. Board Counsel's Report

No report at this time.

VIII. Executive Session

Ms. Foster asked for a vote approving an Executive Session to discuss the minutes and related matters covered in the Executive Session of February 23, 2009. An Executive Session was unanimously approved.

The regular meeting resumed at the conclusion of the Executive Session. The Chairman announced that during the Executive Session the Board had discussed and approved the minutes for the Executive Session held on February 23, 2009

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IX. New Business

No new business considered.

X. Adjournment

A motion to adjourn was entered at 12:45 pm, seconded, and carried unanimously.