



Exhibit A

Maryland  
Teachers & State Employees  
Supplemental Retirement Plans

**BOARD OF TRUSTEES FOR THE  
MARYLAND TEACHERS & STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS  
MINUTES OF THE May 24, 2010 MEETING**

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BOARD OF TRUSTEES

T. Eloise Foster  
*Chairperson*

Sabrina Bass  
Robert W. Black, Jr., CPA  
Nancy K. Kopp  
Linda Tanton, Esq.  
William W. Whitescarver  
Marcia Zercoe

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Richard A. Arthur  
*Director of Operations & Technology*

Louis A. Holcomb, Jr., CRC  
*Director of Participant Services*

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The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans convened at 9:52 am on May 24, 2010 in Baltimore. A quorum was present.

Members Present

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

Members Absent

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  
Mr. Cain Hayes, Nationwide Retirement Solutions  
Ms. Brenda Anderson, Nationwide Retirement Solutions  
Mr. David Belnick, Nationwide Retirement Solutions  
Ms. Claudia Gulick, Nationwide Retirement Solutions  
Mr. Andrew Ness, Mercer Investment Consulting  
Ms. Kelly Henson, Mercer Investment Consulting  
Mr. Jeffrey Boucek, Mercer Investment Consulting  
Ms. Lucille Douglas, DB Advisors  
Mr. Brett Gorman, DB Advisors  
Mr. Philip Harris, Financial Integrity Resources Mgt.  
Ms. Theda Jackson, Financial Integrity Resources Mgt.  
Ms. Jeanette Hernández Harris, Financial Integrity Resources Mgt.  
Mr. William Seymour, SB & Company, LLC

I. Preliminary Remarks

The Chairperson began the meeting by noting that May 5<sup>th</sup> was State Employee Appreciation Day. She expressed thanks to all MSRP employees for their efforts in State service and presented certificates to the following employees:

Julia Graham – 20 years  
Richard Arthur – 10 years  
Debra Roberts – 5 years

Chairperson's Remarks

The minutes of the Board meeting held on February 22, 2010 were unanimously approved (Exhibit A).

II. Plan Financial Statements

Mrs. Tanton, Chairperson of the Audit Committee, began the presentation by noting her review of the proposed statements. She then asked Ms. Roberts to present the proposed Calendar Year 2009 Comprehensive Annual Financial Report ("CAFR") to the Board.

Ms. Roberts described the nature and purpose of the report and emphasized that it was broader than simple financial statements; it included material on a number of topics, such as Board goals, activities, operations and developments. She highlighted the various specific sections of the report, including the Chairperson's letter, the introductory overview, and sections on investment returns and plan statistics. During the course of this description the Treasurer noted that the description of the Investment Contract Pool (ICP) on p. 28 of the report (financial statements) was different than the description in the ICP fact sheet. She asked for an explanation of the difference, and whether it was appropriate for the report to have two different descriptions of the same financial entity. Mr. Barry stated that in his opinion the differences were not material and that the definitions and descriptions on p. 28 were simply the traditional phraseology used in financial statements, while the Fact Sheet was an informative general description for participants. Mr. Seymour concurred with this view, e.g., the accuracy of the description on p. 28. Ms. Roberts then concluded her presentation and asked Mr. Seymour of SB & Company, plan auditors, to review the Plan financial statements contained in the CAFR (pp. 17-36) and his firm's proposed opinions (Exhibit J).

Mr. Seymour began his presentation with a brief description of the statements and the opinions of the auditors. He noted the various conditions and restrictions on these opinions (as noted in Exhibit J) and that under the standard terminology used for financial statements the opinions were unqualified. He then briefly reviewed for the Board a number of items pertinent to the statements, including the effect of GASB rule 53; the treatment of Invesco settlement proceeds; and required communications or disclaimers concerning the effects and limitations of the auditor opinions. At the conclusion of his presentation the Board unanimously approved a Motion (Ms. Tanton moved, Mr. Black, second) to adopt the 2009 CAFR and its financial statements as proposed. Ms. Roberts concluded this section of the meeting by noting that the CAFR would be submitted to GFOA for review under their certificate program for excellence in financial reporting. Members thanked Ms. Roberts for her efforts in producing the report.

III. Administrator's Report & Marketing Plan Update

Mr. Belnick of NRS began his report with an introduction of Mr. Cain A. Hayes, the new VP of NRS National Sales and Client Management. Mr. Hayes described his areas of responsibility for NRS, his commitment for "best in class" service, and the core role of public sector plans for the NRS business. He noted that NRS administered over 47 billion dollars of Public Plan retirement assets.

Mr. Belnick then presented the Administrator's Report (Exhibit B) for the first quarter. He noted that generally improving financial markets had caused assets to recover to the levels of the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2008; that contributions (p. 2) were up slightly; and that changes in asset allocation were largely driven by the gradual increase in popularity of the retirement date funds. He attributed the decline in the percentage of assets allocated to the ICP to increased equity values, and not because of any significant shift out of the ICP by participants.

He then highlighted the following items from the report:

- The introduction of the EZ enrollment reform; members approved by consensus Mr. Belnick's request that the form become a permanent part of the standard enrollment package.
- An extended discussion of hardships and loans; the Chairperson and the Treasurer emphasized that adequate communication of these Plan features was an important part of MSRP and NRS responsibility. Mr. Barry requested that future reports give year to year comparisons of hardship and loan activity.
- Trends in contributions, distributions, and suspensions of contributions.
- Continued popularity of the Retiree Breakfast program.
- MBE purchasing statistics, year to date.
- A recent NRS award for Multicultural Business activities.
- Mapping of the Dreyfus Midcap Index Fund to the Vanguard Mid-Cap Index Fund had occurred without incident or disruption.
- NRS had received no participant comments or complaints on the recent announcement of the new Board 50¢ a month account fee.
- The systems conversion to the DC direct computer system had allowed adoption of 2 new participant options. These included an "end result exchange" which facilitated allocation changes among funds. Also added was an automatic rebalancing feature that automatically adjusts fund totals to the original percentage allocation at the end of each quarter.

Ms. Theda Jackson of the Financial Integrity Resources Management (FIRM) concluded the Administrator's report with a description of the company's activities since the last meeting (Exhibit B-1). She noted their participation at 5 group breakfast meetings and the completion of 58 survey questionnaires on participant satisfaction and potential new services or products. The survey results have shown a generally high level of participant satisfaction. When questioned on their interest in new or alternative financial products and services, participants show interest in long term care insurance, retiree health care, and post-tax Roth accounts. She concluded her presentation by discussing her company's review of the NRS plan web site. Her comments were generally favorable, with suggestions to add a site map and to feature more prominently the different methods participants can use to contact NRS representatives.

IV. Investment Advisor's Report:

- A. Mr. Ness introduced the new investment representatives Jeffrey Boucek and Kelly Henson. Mr. Boucek then delivered the report (Exhibit C) with brief commentary. He gave particular emphasis to the watch list recommendation (p. 12) concerning Neuberger Berman Partners, Goldman Sachs Large Cap Value Fund and Van Kampen Mid Cap Value (special report, Exhibit C-1). On the latter item he noted that the change in funds recommended in Exhibit C-1 would allow the Board to retain its originally chosen managers and strategy, all as reviewed with the Investment Committee that morning. On Neuberger Berman Ms. Zercoe noted instances of a large deviation between the fund's performance and its benchmark index for a particular period and questioned whether this was a concern. Mr. Boucek replied that this was not a concern largely because the particular difference was induced by the extraordinary market developments of 2008-09, and that many funds exhibited such behavior during this period. Chairperson Foster noted at the conclusion of the presentation that the watch list recommendations would be taken up with the report of the Investment Committee.
- B. Mr. Gorman of DB Advisors delivered the report attached as Exhibit D. He noted the following items:
- The overall tone of the market continued to improve.
  - All sub-managers had out-performed their benchmarks, but gains were getting harder to achieve.
  - Volatility in the Euro market may have some future effect on ICP performance.
  - The wrapper market was still stressed, but with some progress on the efforts to develop new capacity. He stated that in these efforts DB Advisors continued to require that offerors issue traditional contracts that give plans the right to terminate the agreement at book value on a fixed timetable.

Mr. Gorman then gave a brief description on how cash flow in a stable value fund affects returns, and how this can make it difficult to compare returns from one fund to the next, or against certain universes or averages. He noted that as a consequence of this managers should be graded for performance individually, and that returns from specialized managers (e.g. Himco – maturity structure; Goode – index fund structure) should be evaluated for periods that reflect the actual start date of those strategies.

Mr. Gorman concluded the report with three items: his expectation that Aberdeen would be replaced by July 1<sup>st</sup>; a prediction that DB Advisors would likely structure the Aberdeen assets in a single wrapper contract; and that all policy changes adopted at the February meeting (including those relating to Goode Investment Management) had been implemented.

V. Staff Reports

A. Finance Office

Ms. Roberts presented the report attached as Exhibit E, and briefly noted that revenues and expenditures were consistent with projections and reports given earlier in the year.

B. Field Staff. Mr. Holcomb delivered the report attached as Exhibit F. He noted that his team had participated in all of the recently concluded health benefit fairs.

VI. Committee Reports

A. Audit Committee

The Chairperson noted the approval of the CAFR and financial statements for the 2009 calendar year earlier in the meeting.

B. Investment Committee:

Mr. Whitescarver noted that the Committee had examined the three watch list items at its morning meeting and recommended adoption of each item, viz.:

That the Neuberger Berman Partners Fund be removed from the watch list. Motion by the Treasurer, second by Ms. Tanton, approved by unanimous vote.

That the Goldman Sachs Large Cap Value Fund be placed on watch list due to overall developments at the firm. Motion by the Treasurer, second by Ms. Tanton, approved by unanimous vote.

That the Van Kampen Mid Cap Fund be placed on watch list, and replaced with the new Morgan Stanley Fund as described in Exhibit C-1, all under standard administrative procedures. Motion by the Treasurer, second by Ms. Tanton, approved by unanimous vote.

The Committee report concluded with brief discussion among members on the expected procedures and dates for the Van Kampen Fund transfer; Mr. Halpin indicated that NRS, expecting the Board decision, was planning on a July transfer date.

VII. Board Secretary's Report

Mr. Halpin offered the following summary of activity as described in Exhibit H:

The MSRP budget had been approved as proposed by the Board and the Executive Department. None of the legislation relating to defined contribution plans had been adopted. As with NRS, he had received no participant comments on the 50¢ fee. At the conclusion of the report the Treasurer noted the discussion in the Investment Committee, and that she expected Mercer and the Committee to have recommendations on social choice funds in short order.

VIII. Board Counsel's Report

Mr. Barry noted the distribution of materials relating to the Invesco distribution plan (Exhibit I) and briefly described the Plan for the members. He noted that the participant communication pieces included in the packets were subject to alteration after the meeting and he cited as an example (since corrected) a statement in one of the letters that no tax withholding would occur on amounts distributed to former participants. As part of the discussion the Treasurer asked for and received assurances that the final copy of participant communications would be sent to the members. Mr. Barry concluded the presentation with a statement that the plan was expected to be implemented in mid June. He then asked for a vote from the members. On Motion by Mr. Whitescarver, second by Mr. Black, the Board unanimously approved the Resolution marked as Exhibit I. Members then engaged in a brief discussion on certain items relating to stable value wrapper contracts included in the Financial Regulation Bill pending in Congress. The general consensus was that no particular Board action was necessary at that time.

IX. Executive Session

None.

X. New Business

No new business considered.

XI. Adjournment

A motion to adjourn was entered at 12:00 pm, seconded, and carried unanimously.