



Maryland  
Teachers & State Employees  
Supplemental Retirement Plans

Exhibit A

**BOARD OF TRUSTEES FOR THE  
MARYLAND TEACHERS & STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS  
MINUTES OF THE January 23, 2012 MEETING**

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The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans convened at 9:38 am on January 23, 2012 in Baltimore. A quorum was present.

BOARD OF TRUSTEES

T. Eloise Foster  
*Chairperson*

Sabrina I. Bass  
Nathaniel H. Byrd, III  
Thomas P. Hickey  
Nancy K. Kopp  
Wilson H. Parran  
Linda L. Tanton, Esq.  
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*Director of Finance*

Richard A. Arthur  
*Director of Operations & Technology*

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

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

*Telephone: 410-767-8740  
Toll-Free: 1-800-543-5605*

*TTY: Use 711 in Md.  
Or 1-800-735-2258*

*Fax: 410-659-0349*

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Call About the Plans  
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**1-800-545-4730**  
or Enroll on-line at  
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Members Present

Ms. T. Eloise Foster  
Ms. Sabrina Bass  
Mr. Nathaniel Byrd  
Mr. Thomas Hickey  
Treasurer Nancy Kopp  
Mr. Wilson Parran  
Ms. Linda Tanton  
Ms. Christina Wyskiel  
Ms. Marcia Zercoe

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. David Belnick, Nationwide Retirement Solutions  
Mr. David Berg, DB Advisors  
Mr. John Axtell, DB Advisors  
Ms. Lucille Douglas, DB Advisors  
Ms. Emily Boccuzzi, Segal Advisors  
Mr. Philip Harris, Financial Integrity Resources Mgt.  
Ms. Jeanette Hernandez-Harris Financial Integrity Resources Mgt.  
Ms. Avella Collins, Financial Integrity Resources Mgt.  
Mr. Jonas Costner, Financial Integrity Resources Mgt.

I. Chairperson's Remarks

The minutes of the regular meeting of the Board of Trustees held November 21, 2011 and conference call meeting held December 6, 2011 were unanimously approved (Exhibits A and A-1, respectively).

II. Administrator's Report & Marketing Plan Update

Mr. Belnick began the administrator's report with responses to Board member inquiries at the last meeting. He reported that the Nationwide acquisition of the Harleysville Group company had produced no impact on Nationwide ratings, which remained strong. He also noted that 2011 storm damage, while substantial had not caused Nationwide to withdraw coverage or pull out of markets in the eastern coastal states.

Mr. Belnick then noted that the meeting schedule did not allow for the detailed statistical report typically given at the end of the 4<sup>th</sup> quarter. He took the opportunity to review with the members the various types of participant communication material used in enrollment and administration (Exhibit B). This included:

- Material soliciting/announcing availability of NRS represents at particular times and locations;
- Flyers that generally encourage retirement saving;
- Interactive tools, such as the slide tool included in the packet that gives estimated accumulations at retirement for different amounts of monthly savings;
- Materials related to particular activities or options, such as the Roth flyers; contractual employees; the EZ enrollment form; Savers Credit; Rollovers and Distributions;
- Map showing which NRS employees were responsible for which geographic areas.
- Materials announcing particular seminars.

Members actively participated in the presentation with a variety of questions, such as details of enrollment coverage in Western Maryland; the actual production of the flyers; suggestions for updates in light of Roth accounts; the number of "walk in" meetings at 301 W. Preston Street on a typical day; and tools and numbers used for measuring the success of communication efforts. Mr. Belnick concluded the report with the observation that detail of participation rates and the like would be part of the upcoming 4<sup>th</sup> quarter 2011 report; in general he viewed the effort as successful in maintaining relatively high participation in the face of strong headwinds, e.g., difficulties in the economy and markets, furloughs, salary caps, and the suspension of matching contributions.

Mr. Harris of Financial Integrity Resources Management (F.I.R.M.) began his report (Exhibit B-1) by introducing new employee Jonas Costner. He also noted, as a supplement to Mr. Belnick's report, that F.I.R.M. continued to work on particular communication material that would describe the differing roles and responsibilities of the three main entities: NRS, F.I.R.M. and MSRP.

Ms. Arvella Collins of F.I.R.M. then delivered the activities report. Ms. Collins described a recent planning meeting on the communication piece noted by Mr. Harris, and a general effort to increase marketing, communication and assistance to retired participants. As an example of this effort she described an intent to secure regular locations around the state that retirees could use as drop-by or drop-in centers on regularly scheduled days, to discuss their accounts and available options. Several members commented favorably on this concept.

### III. Investment Advisors' Reports:

#### A. DB Advisors

Mr. John Axtell delivered the report of DB Advisors on the Investment Contract Pool (Exhibit C). He emphasized the following points:

- Updates on the crediting rate and the continuing favorable market-to-book ratio;
- The addition to the fund in December arising from billing errors by Goode Investment Management in earlier periods. This error had been discovered in October. He noted this refund by Goode included compensatory amounts for lost earnings.
- Deutsche Bank was in the process of a strategic review of its U.S. asset management business, including DB Advisors. He noted that he was not able to offer predictions or comments on press reports;
- The restructuring activity described at the last meeting, e.g., DB Advisors response to the gradual tightening of the wrapper market and the exit from that market of the banks and investment banks.

He then noted that Exhibit C described restructuring activity as occurring in phases or steps, with the first phase noted on page 2 and the second phase on page 3. He described the process as shifting assets from bank wrapper agreements to separate account annuity contracts issued by insurance companies. He then described some of the characteristics of this type of contract, including the necessity of filing the contract with the Maryland Insurance regulatory office.

The presentation concluded with descriptions of managers under the proposed structure and a vigorous dialogue on MBE participation in the ICP. Members encouraged Mr. Axtell to continuously explore possible use of MBE managers consistent with fiduciary standards and necessary consent of contract users. Mr. Axtell promised that efforts would continue.

#### B. Segal Advisors

Ms. Emily Boccuzzi delivered the interim report and apologized for the absence of Mr. DeMairo, noting he was unexpectedly delayed in Pittsburgh due to weather concerns. She described the report as a “preview” of the upcoming 4<sup>th</sup> quarter report and gave an overview of market performance in general and MSRP funds in particular (Exhibit D). She distributed an in-depth “Manager Focus” report (Exhibit D-1) on the Neuberger Berman Partners fund that described the specific change in fund management and additional changes in management style. Ms. Boccuzzi

concluded the presentation with Segal's recommendation that the fund be placed on watch list and a search commenced for possible replacement funds.

Members engaged in a general discussion of the performance problems of the Neuberger Berman Partners fund but declined an immediate watch list vote in light of the timing of the notice.

IV. Staff Reports

A. Finance

Ms. Roberts began her presentation by noting the recent receipt from the Government Finance Officers Association of a Certificate of Excellence for the MSRP 2010 Comprehensive Annual Financial Report (CAFR). Members congratulated and thanked Mr. Halpin, Ms. Roberts and MSRP staff on their efforts.

Ms. Roberts then delivered the Budget report attached as Exhibit E. She noted that the variances from budget were generally small, but on an overall basis had been helped by favorable contracts from several service providers. She concluded the report by noting the small (but regular) increase in the reserve balance.

B. Field Services

Mr. Holcomb delivered the Field Services report attached as Exhibit F. The report gave a recap of 2011 activity, including statistics on number of meetings, contacts, and the Savings Expo. Members inquired about the flat-lining or decline of attendance and contacts as compared to 2010; Mr. Holcomb noted that total MSRP contacts were heavily influenced by attendance at the annual health benefit fairs, and that employee attendance at those events was noticeably less in 2011.

V. Committee Reports

The Chairperson noted the recent organization of committees, viz.; Investment (Chair, Marcia Zercoe); Audit (Chair, Linda Tanton); and Executive (Chair, Sabrina Bass). Ms. Foster thanked all the members for their efforts.

A. Audit Committee

No report at this time.

B. Investment Committee

No report at this time.

C. Executive Committee

No report at this time.

VI. Board Secretary's Report

Mr. Halpin noted that the Legislative Audit awaited a final report but that no significant adverse findings were expected. He then noted two different procurements that needed discussion in Executive Session viz., ICP management services and audit services. A motion to conduct an Executive Session to discuss these items passed unanimously.

VII. Board Counsel's Report

No report at this time.

VIII. Executive Session

At 12:15 pm the Board resumed its regular session. Chairperson Foster announced that during the Executive Session the Board had unanimously approved two separate procurement actions:

1. Approval of the recommendation of the Audit Committee that the Board award the Audit services contract (task order procurement) to SB & Company.
2. Postpone the contemplated RFP for Investment Contact Pool management services and seek a contract extension with DB Advisors. She observed that this option was preferred in light of the need to restructure investment and insurance contract arrangements within the ICP and the belief that a bid process for ICP management services would proceed more smoothly (and with better results for participants) if conducted after the restructuring was completed.

IX. New Business

No new business considered.

X. Adjournment

A motion to adjourn was entered at 12:25 pm, seconded, and carried unanimously.