Exhibit A

BOARD OF TRUSTEES FOR THE MARYLAND TEACHERS & STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS MINUTES OF THE November 14, 2016 MEETING

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

Visit the MSRP Board website at
http://.MSRP.maryland.gov

Call About the Plans
or to Enroll
1-800-545-4730
or Enroll on-line at
www.MarylandDC.com

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:30 a.m. on November 14, 2016, in Baltimore. A quorum was present.

Members Present
Ms. T. Eloise Foster
Mr. Thomas Brandt, Jr.
Ms. Margaret Bury
Ms. Lynne Durbin
Mr. John Lewis
Mr. Wilson Parran

Representatives and Guests
Mr. Michael Halpin, Staff
Ms. Lara L. Hjortsberg, Board Counsel
Mr. Richard Arthur, Staff
Ms. Debra Roberts, Staff (*via phone*)
Mr. Louis Holcomb, Staff
Ms. Anna Marie Smith, Staff
Ms. Bernadette Benik, State Treasurer's Office (*representing Treasurer Kopp)*
Mr. Daniel Wrzesien, Nationwide
Mr. Claude Gregory, Financial & Realty Services, LLC
Ms. Taylor Benson, Galliard Capital Management
Mr. John DeMairo, Segal Rogerscasey
Ms. Vanessa Vargas, Segal Rogerscasey

I. Chairperson's Remarks

Upon motion duly made and seconded, the minutes of (a) the Open Session of the Regular Meeting of the Board of Trustees (the "Board") held on August 22, 2016 (Exhibit A) and (b) the Special Meeting of the Board (Board Briefing) held on October 12, 2016 (Exhibit A-1), were unanimously approved.

II. Proposed Amendment to 401(a) Match Plan

Ms. Lara Hjortsberg reviewed the proposed resolution (Exhibit A-2) to amend the 401(a) Match Plan to correct the inadvertent deletion of the beneficiary hierarchy in Article IX of the Match Plan that had apparently occurred during an earlier restatement of the Plans. Ms. Hjortsberg explained that because the Match Plan was automatically established for each Plan participant when he or she initially joined the Plans, a participant did not proactively designate a beneficiary for the Match Plan as he or she did as with the other Plans. Rather, she noted, the Match Plan defaulted to the beneficiary designated on a participant's 457 Plan, 401(k) Plan, or 403(b) Plan (in that order in the case of more than one Plan established by a participant). She noted that during a prior restatement of the Plans, the special language for this defaulting mechanism had been deleted from the Match Plan but that the intention was for it to be retained and that the proposed resolutions and amendment language presented therein were for the purpose of reinstating the original language and hierarchy. She also noted that a participant had the ability to change his or her beneficiary in the Match Plan from the defaulted beneficiary at any time in accordance with the Plan documents. After discussion, and upon motion duly made and seconded, the resolution presented in Exhibit A-2 was unanimously approved and the amendment to the 401(a) Plan was approved, effective January 1, 2016.

III. Administrator's Report & Marketing Plan Update

Prior to beginning the Administrator's Report, Mr. Dan Wrzesien reported to the Board on the managed account options approved by the Board at the August meeting and the associated Investment Option Relaunch Plan. He noted that the investment option relaunch campaign would highlight the three strategies:

A – Do-it-yourself (Your own strategy with MSRP investment options)
B – One and done (Target Date Funds from T. Rowe Price)
C – Go Pro (Nationwide ProAccount®)

Mr. Wrzesien explained that with a marketing relaunch in the industry you typically see a 10% increase in participation but that with MSRP last relaunch associated with the introduction of the target date funds (TDFs), MSRP experienced a 13% increase in participation. Mr. Wrzesien noted that everyone at Nationwide working on the ProAccount® product would have a Series 65 and 66 license by January 1. He then reviewed the streamlined educational materials with the Board, including the re-designed Enrollment Kit (*The Basics*) and the updated Team MSRP Workshop. He also noted that no favoritism would be given to any of the three strategies presented to participants.

He then proceeded to the Administrator's Report for the third quarter of 2016 (Exhibit B). He first reviewed the Executive Summary and highlighted the following:

- Current Assets: $3.4 billion
- Total Participant Accounts: 66,236 (+1%)
- Enrollments: 800
- Deferrals: $45.3 million
- Mutual Fund Savings: $1.6 million
- Rollovers-In: 142/$5.2 million
- Distributions: $58.9 million
- Rollovers-Out: 396/$22.3 million
- Loans: 737 active/$7.1 million
- Hardship/UE: 281

Mr. Wrzesien returned to key points in the Administrator's Report from the Executive Summary. Mr. Wrzesien noted that the 3.10% net change in Plan assets as compared to the third quarter of 2015 followed the market during that time period. In reviewing the allocation of assets and contributions in the Plans, he noted that with respect to asset allocation, the TDFs increased by 0.8% and fixed/cash decreased by 1.7%, as compared to the third quarter of 2015, and that with respect to contributions, the TDFs increased by 4.4% as compared to the third quarter of 2015. In response to a question from a Board member regarding why there were so many rollovers out of the Plans, Mr. Wrzesien noted that Nationwide continued to educate participants, particularly within law enforcement, regarding the option to remain in the Plans after separation from service.

Mr. Wrzesien then proceeded to the marketing updates, stating that the overall plan participation rate was 76.05% of eligible employees, with 43.80% participants actively deferring. He noted that he had been working with Mr. Halpin to remove from the calculation those participants who are in active payout but that even with that taken into consideration, the participation rate remained one of the highest in the country. He also noted that the report would include a new calculation of eligible employees based upon recent data from the Department and Budget and Management. Mr. Wrzesien presented the loan analysis, noting that there were 1,871 new loan approved year-to-date such that the Plans were on pace to have the same number as in 2015 but less than 2014. He reviewed the regulations that general purpose loans were available upon application up to 50% of the account balance between a minimum amount of $2,500 and a maximum of $50,000. A brief discussion ensued regarding the careful disclosure of repayment obligations and penalties for defaluts. For hardships, he reported 1,049 year-to-date approved hardships, which were trending lower than both 2015 and 2014.

Mr. Wrzesien provided the field update and reported on rollovers, noting that rollovers out of the Plans (396; $22.3 million) were greater than rollovers into the Plans (142; $5.2 million) in the third quarter of 2016.

Mr. Wrzesien noted a Minority Business Enterprise participation rate of 14% for the third quarter of 2016, with a year-to-date MBE participation rate of 15%.

IV. <u>Investment Advisors' Reports:</u>

A. <u>Segal Rogerscasey ("Segal")</u>

Mr. John DeMairo introduced himself for the benefit of the new members of the Board. He also noted that the Marco Consulting Group acquisition by Segal was scheduled to close on January 1, 2017 and spoke to the strategy of the acquisition. He stated that the team responsible for the MSRP account would remain the same but that the firm name would change to Segal Marco Advisors.

Ms. Vanessa Vargas then presented the third quarter performance report (Exhibit C). After providing a summary of the financial market conditions for the third quarter of 2016, Ms. Vargas highlighted the following:

- The allocation to each of the Plans was as follows: 457 Plan – 44.3%, 401(k) Plan – 48.1%, 403(b) Plan – 2.5%, and 401(a) Plan – 5.0%.
- Stable value represented 24% of the market value in the Plans; active options accounted for 35%; passive options accounted for 23%; and the TDFs accounted for 16%.
- Active core and passive core options represented approximately 60% and 40%, respectively, of the total core options in the Plans.
- Asset allocation remained relatively the same from the beginning of the quarter to September 30, 2016.
- Allocation of contributions saw an increase of 3.6% (29.9% to 35.5%) from the second quarter of 2016 to the third quarter of 2016.
- Performance versus market index for the active and TDFs -- for the quarter, all funds outperformed their benchmarks except for the T. Rowe Price Small Cap Stock Fund; for the year-to-date (YTD), excluding the TDFs, 6 funds underperformed their benchmarks and 4 outperformed.
- On a peer-to-peer basis – one (T. Rowe Price Institutional Small Cap Stock Fund) of the ten active core options was below median, two funds (Goldman Sachs Large Cap Value and T. Rowe Price MidCap Value) were in the 3rd quartile.

Ms. Vargas reviewed the performance of each of the investment options. She noted that PIMCO Total Return Fund was being terminated and that TCW would be added to the line-up in December. Ms. Vargas reviewed the performance of the TDFs, noting that their performance for the quarter ranged from 2.57% (Balanced) to 5.61% (Retirement 2060). She noted that all of the TDFs were above median (i.e., top quartile) as compared to their peer group.

Ms. Vargas then distributed the October performance. She noted that the TDFs were below benchmark, with performance ranging from -1.25% (Balanced) to -1.74 (Retirement 2060, Retirement 2040). She noted, however, that the TDFs still tended to perform better than their benchmarks and peers.

Ms. Vargas then directed the Board's attention to Exhibit C-2, *All Janus Strategies Placed on Hold*, October 5, 2016. She explained that the rating change was in response to Janus Capital Group's announcement of a merger agreement with Henderson Group plc, expected to close in the second quarter of 2017. Ms. Vargas closed her presentation with a discussion of T. Rowe Price's announcement that Brian Rodgers (Chairman and Investment Officer) would be retiring in March 2017. She noted that T. Rowe Price had announced that it would not be replacing Mr. Rodgers with a single individual but had elevated senior portfolio managers within the organization who had worked in the firm for over 20 years. She noted that the announcement had been made far in advance of his departure with a plan of succession to prevent disruption in investment.

B. Galliard Capital Management ("Galliard")

Ms. Taylor Benson reviewed the provided the third quarter performance report for the quarter ending September 30, 2016 (Exhibit D), during which the following was highlighted:

- Changes to portfolio managers: PIMCO was replaced with TCW in June; Earnest Partners was moved from the short-term sleeve in the ICP to the intermediate sleeve; JPMorgan was moved from the short-term/intermediate sleeve to the short-term sleeve
- Assets under management (AUM) – $778.2 million (relatively flat)
- Duration – 2.80 years
- Monthly declared rate (net of fees) – 1.71%
- Market-to book ratio – 101.66%
- Performance for the quarter was 0.48% before investment management fees and 0.43 net of investment management fees; the linked benchmark was 0.21%.
- Since inception (February 1, 2014), performance before investment management fees was 1.97% and 1.71% net of investment management fees; the linked benchmark was 1.72%.
- The ICP was comprised of 6 issuers for the quarter; it will consist of 5 issuers in the next quarter to be reported because of one guaranteed investment contract having rolled off in October 2016.
- Average holdings quality was Aa3/AA.

Ms. Benson then proceeded to review the underlying manager performance in the ICP for the quarter, noting (a) generally that all managers outperformed for the 1- and 3-year periods; (b) since TCW replaced PIMCO as of June 10, 2016, the legacy performance numbers in the report are those of PIMCO; and (c) the performance for the individual underlying managers was as follows for the quarter:

- Barings (*f/k/a* Babson) – +0.62% (benchmark: +0.31%);
- Earnest Partners – -0.01% (benchmark: +0.04%);
- JPMorgan – +0.17% (benchmark: 0.09%);
- TCW – +0.31% (benchmark: +0.08%);
- Galliard – +0.80% (benchmark: +0.52%);

In response to a question from Mr. Halpin regarding lowered ratings of RGA Reinsurance Company and Transamerica Premier Life Insurance Company by Fitch (page 7), Ms. Benson stated that these are consistent with trends in the commercial reinsurance market and Galliard does not see a problem with respect to the ICP by a reliance as well on the unchanged ratings by Standard & Poors and Moody's.

V. Staff Reports

A. Finance

Ms. Debra Roberts presented the agency budget and expenditure report (Exhibit E) as of September. She noted revenues of $567,266, which were $106,037, or 22.97% more than budget. Ms. Roberts noted that expenditures were $388,443, which are lower than budget with a variance of $53,831 or 12.17%. She explained each of the favorable and unfavorable variances for the expenditure lines. She noted a reserve balance as of September 30, 2016 of $223,348.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), which included a summary of the 2016 Financial Fitness Days and Benefit Fairs. He then discussed the 2016 Eddy Award entry submitted by Team MSRP (*copy attached*).

VI. Board Secretary's Report

Mr. Halpin presented the Board Secretary's Report (Exhibit G), highlighting the following:

- **Personnel Changes** – Mr. Halpin noted that Janet Wilt had retired with 23 ½ years of State service and almost 16 years at MSRP. He noted that recruitment for a replacement receptionist had begun and that Sharlene Matthews had been given the appointments responsibilities previously held by Ms. Wilt.
- **Board Asset Fee Holiday** – Mr. Halpin reported that he was not recommending to change the current Board asset fee but that the Board consider a suspension of the fee at a future meeting after sufficient accumulation in the reserve fund.
- **Settlement Distributions from Aurora Life** – Mr. Halpin noted that Nationwide had received 2 checks totaling $75,190.10 distributed from the court approved Rehabilitation Plan of Executive Life (predecessor of Aurora Life) and reviewed with the Board the previous distribution MSRP had received in October 2007 ($440,000). He noted that in that instance, the Board had determined to add the full amount directly to the ICP submanger portfolios. He noted that based on the size of the current distribution, three options:
    - Option 1 – Pro rata distribution to participant accounts in proportion to their ICP balances;
    - Option 2 – Transfer the full amount to an ICP investment manager portfolio; or
    - Option 3 – Transfer the full amount to the MSRP Board reserve fund.

  Mr. Halpin explained that although the Board approved Option 2 for the 2007 distribution, it did not have to use the same method for the 2016 distribution and that he, Nationwide and Galliard were recommending Option 3 given the relatively small size of the distribution. Ms. Hjortsberg explained the permissibility of the use of the settlement for administrative costs under the Plan documents and reminded the Board of the Invesco settlement.

After discussion, and upon motion duly made and seconded, the Board unanimously approved Option 3 for the distribution checks from the Rehabilitation Plan of Executive Life totaling $75,190.10.

VII. Board Counsel's Report

Ms. Hjortsberg stated that she had nothing to report during the open session.

VIII. Executive Session

Chairperson Foster noted the Executive Session on the agenda. At the Chairperson's request, Ms. Hjortsberg explained that the reasons for closing the meeting was in accordance with General Provisions Article §3-305(b)(8), to consult with staff, consultants or other individuals about pending and potential litigation; §3-305(b)(7), to consult with counsel to obtain legal advice on such matters; and to §3-103(a)(1)(i), the exercise of an administrative function (review the minutes of the closed session of the Board meeting held on August 22, 2016). Ms. Hjortsberg noted that Chairperson Foster had signed the *Presiding Officer's Written Statement for Closing a Meeting* ("Statement to Close") with respect to §§3-305(b)(7) and (8) to this effect.

Upon motion made and seconded, it was unanimously

RESOLVED, that the Board of Trustees of the Maryland Supplemental Retirement Plans move into a closed session in accordance with §§ 3-305(b)(8) and 3-305(b)(7) and §1-103(a)(1)(i) to (a) consult with staff, consultants or other individuals about pending and potential litigation, (b) obtain the advice of counsel with respect to such pending and potential litigation; and (c) exercise an administrative function.

The Board members and the following persons remained present for the Executive Session: Ms. Benik, Mr. Halpin, Ms. Roberts, and Ms. Hjortsberg.

The Executive Session concluded and the regular session resumed at 11:34 a.m. At the Chairperson's request, Ms. Hjortsberg announced the following actions by the Board during the Executive Session:

- Receipt of an update from counsel and staff regarding *Hurley et al. v. MSRP et al.* (Information only)

- Approval of Minutes of Executive Session of the Board, August 22, 2016.

IX. New Business

None

X. Adjournment

A motion to adjourn was entered at 11:35 am, seconded, and carried unanimously.