



Exhibit A

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

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans convened at 9:45 am on November 22, 2010 in Baltimore. A quorum was present.

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

Members Present

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

Michael T. Halpin, CRC, CRA
Secretary/ Executive Director

Debra L. Roberts, CPA, CRC
Director of Finance

Richard A. Arthur
Director of Operations & Technology

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

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www.MSRP.state.md.us*

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

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. Julia Graham, Staff
Ms. Anna Marie Smith, Staff
Mr. David Belnick, Nationwide Retirement Solutions
Ms. Claudia Gulick, Nationwide Retirement Solutions
Ms. Brenda Anderson, Nationwide Retirement Solutions
Mr. Andrew Ness, Mercer Investment Consulting
Ms. Kelly Henson, Mercer Investment Consulting
Mr. Jeffrey Boucek, Mercer Investment Consulting
Mr. John Axtell, DB Advisors
Mr. David Berg, DB Advisors
Ms. Lucille Douglas, DB Advisors
Mr. Philip Harris, Financial Integrity Resources Mgt.
Ms. Theda Jackson, Financial Integrity Resources Mgt.
Ms. Jeanette Hernandez Harris, Financial Integrity Resources Mgt.
Ms. Jeanette Mora, Financial Integrity Resources Mgt.
Mr. Dylan Baker, Department of Legislative Services

I. Chairperson's Remarks

The minutes of the Board meeting held on August 23, 2010 were unanimously approved (Exhibit A).

The Chairman announced that the agenda would be taken slightly out of order because of an important report from Julia Graham on the recent Savings Expo.

Field Staff Report. Mr. Holcomb offered brief remarks on the statistics within Exhibit F. He then introduced MSRP Field representative Julia Graham for a report on the recently concluded Savings Expo.

Ms. Graham described the various components of the Savings Expo program, such as seminars on investment and retirement issues, one-on-one counseling of State employees by NRS personnel, representation and participation by retirement and savings related agencies, e.g., Insurance Regulators, the Retirement System, Social Security, Securities Division of the Attorney General's office, SECU and attendance by representatives from all mutual funds offered by the Plans. She noted that attendance was less than expected in Annapolis (107) but exceeded the goal (663) in Baltimore. She offered the general perspective that employees who attended the program believed that it was helpful to them.

She also noted that the on-line employee evaluation for the Expo had only recently closed, and promised a detailed analysis once the data from the on-line survey had been compiled. She concluded her remarks with a recommendation that the Savings Expo be repeated next year, and offered several ideas that might increase attendance. These remarks were seconded by Mr. Harris of the F.I.R.M.

At the conclusion of the report the Chairman thanked MSRP staff for their efforts, agreed with the view that the Expo was valuable, and presented to Ms. Graham an Achievement Award for her leadership and dedication in helping Maryland state employees prepare for a better financial future.

II. Administrator's Report & Marketing Plan Update

Ms. Brenda Anderson of NRS began the report with a brief announcement that Cain Hayes, Chief Sales Officer for NRS, had resigned to accept a position with Aetna in the health insurance sector. She stressed that his departure was amicable, and had nothing to do with his performance at NRS. She also noted that the core team responsible for the Maryland plans would remain the same. Eric Stevenson has been selected to replace Cain Hayes, and he will have a similar broad range of responsibilities within NRS.

Mr. Belnick then delivered the Administrators Report for the 3rd Quarter (Exhibit B) and emphasized the following items:

- Trend activity for investment allocation was largely the same as in prior reports: the ICP is the most popular option, followed by the Vanguard S&P 500 index fund, but there is an ongoing shift (particularly by younger participants) into the T. Rowe Price Target Date Retirement funds.

- The number of participants making contributions to all Plans continued to decline, but was showing some signs of stabilization. He noted the overall participation rate, while declining, remained considerably higher than most governments, and that total contributions were up compared to 2009.
- NRS was making considerable efforts to reverse the downward trend in participation and that its action agenda included an increased schedule for group meetings, continuing special efforts at the correctional facilities, and breakfast meetings.
- A new interactive web video on retirement savings is expected to be ready in January.
- Ongoing distribution trends.
- Loan and hardship analysis; the number and dollar volume of loans has significantly increased compared to 2009, while hardships have decreased.
- A discussion of MBE purchasing trends, which were increasing because of the shift of retirement counseling function to the F.I.R.M.

After a brief report by Theda Jackson on F.I.R.M. activity over the past year (Exhibit B-1) Mr. Harris described the progress on the transition of the retirement counseling function to the F.I.R.M. He then introduced Jeannette Mora, recently hired by F.I.R.M. to head up the counseling effort. Ms. Mora described her background on finance and investments, stressed her belief in the importance of investment education, and outlined plans for retirement counseling.

III. Investment Advisor's Report:

A. Mr. Boucek of Mercer Investment Consulting began the 3rd quarter report (Exhibit C) with commentary on overall trends in the economy and financial markets. He then noted the following items:

- Management changes at Goldman Sachs.
- The American Funds Growth Fund of America should be placed on watch because of ongoing performance concerns.
- The Morgan Stanley Mid Cap Value fund should be placed on watch because of potential concern about the use of private placement securities. Mr. Boucek stated that this was unusual for a mutual fund. The concern was not the existing position (less than 1% of fund assets) but whether the size of the position would increase over time. Mr. Boucek strongly doubted this would happen, but nonetheless noted that watch list status was appropriate to force ongoing review of the situation.
- Brief commentary on performance by the plan options. In discussing the Neuberger Berman Partners fund he noted that the 3 year performance results were largely driven by the unusual developments of 2008 and 2009. He cautioned against judging managers solely on results from that highly unusual period.
- Ms. Zercoe inquired if the material on page 49 of the report indicated that the Goldman Sachs fund was skewing towards growth and away from value. Mr. Boucek described that as a statistical aberration relating to the

index benchmark, and that he remained confident that the Goldman Sachs fund is best classified as a value fund, based on their holdings.

Mr. Ness and Ms. Henson then delivered the biennial investment review (Exhibit C-1). The following items were noted:

- The survey of practices and investment options in governmental defined contribution plans was conducted by Financial Integrity Resources Management.
- The survey showed that the MSRP array of investment option was similar to the majority of governmental plans in its offerings of index funds, target date funds, and a stable value fund.
- As with the majority of plans, MSRP in its offerings covers the broad range of investment classes, but does not offer competing options within a particular class.
- There are two options offered by a significant number of plans, but not MSRP; a brokerage window, and a bond index fund. Mercer recommended that these options should be considered by the Committee. This could be part of a tiered strategy of investment options; Target Date Funds, Index Funds, Actively Managed Fund, and a Brokerage Window.
- Mercer indicated that the prevalence of managed accounts and investment advice has grown in recent years. While Mercer did not specifically recommend that these services be added to the Plans, it did recommend that the Committee should explore that possibility.
- Mercer did recommend that the Board add a Bond Index fund.

Ms. Henson then offered commentary on the section of the Review dealing with the stable value fund. She noted the following points:

- Stable value was a viable and valuable investment option, and that MSRP should continue to maintain the option notwithstanding the recent difficulties in the wrapper market.
- Issues relating to fee increases, investment restrictions, and very low interest rates were manageable. Most Plan sponsors were committed to stable value.
- Mercer believes the current practices for the organization of the Maryland fund were broadly similar to practices used by similar plans, and were appropriate for funds of this type. The ICP correctly relied on diversity of assets, managers and wrapper providers. The one exception was that Mercer believed that proposal competition would increase and fees could be reduced if the Manager of the Fund were allowed to also manage a portion of the underlying assets.

B. Mr. Axtell of DB Advisors delivered the 3rd quarter report for the ICP (Exhibit D) and made the following remarks:

- The restructuring of the ICP and replacement of Aberdeen, as outlined in prior reports, had been successfully completed.
- The primary departures from the wrapper business were UBS, AIG, and Rabobank. These departures had no direct impact on the Maryland fund, but did contribute to an industry-wide shortage of capacity, which did affect the Maryland

fund. He cited one specific example of market dynamics: a large financial entity had circulated onerous contract terms most active managers, but met with stiff resistance and a few if any acceptances.

- He agreed with the Mercer's comments that there is a very real possibility that the current difficulties in the stable value market would work themselves out. Fees appeared to be stabilizing between 20 and 25 basis points. However, when the results of the current regulatory review being conducted by the SEC and the CFTC in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act are released, they have the potential to change the fees, terms and/or supply and demand dynamics of the stable value market significantly.
- Crediting rates are trending slightly up with details noted in the report.
- The market and improved manager performance had produced a favorable market to book ratio of about 103%.

IV. Staff Reports

A. Finance Office

Ms. Roberts delivered a brief commentary on the Budget report (Exhibit E). She noted that spending for this fiscal year was tracking the budget very closely and that certain excess expenditure amounts in the monthly reports was due to the payment structure of certain Board expenses. She also noted that the recent Board 50¢ a month fee, combined with recent asset gains, had produced the desired result of generating ongoing revenue in excess of expenses, and that this would be used to gradually restore the reserve to an appropriate level.

V. Committee Reports

A. Audit Committee

No report at this time.

B. Investment Committee:

Mr. Whitescarver noted the Mercer watch list recommendations discussed earlier in the meeting, and stated that the Committee concurred in those recommendations. On behalf of the Committee he recommended that the Board place the two funds (American Funds Growth Fund of American and Morgan Stanley Mid Cap Growth Fund) on the watch list, as recommended by Mercer. Mr. Whitescarver then moved that these two funds be placed on the watch list maintained under the Board's investment policy. The motion passed unanimously.

Mr. Whitescarver concluded his report by noting the general Committee consensus in favor of adding an indexed bond fund to the investment line-up, and that work in this regard would proceed in the months ahead. He also noted that the brokerage window option would be explored with the assistance of NRS and their experience in other states.

VI. Board Secretary's Report

Mr. Halpin offered the report attached as Exhibit G. He noted the following items:

- The NAGDCA Leadership Recognition Award for Effective Communication

Leadership Award for the Personal Retirement Consultant Retiree Breakfast Program. Mr. Halpin thanked NRS for their efforts on this project and donated the plaque to Mr. Belnick.

- Brief comments on the Savings Expo that repeated the favorable views expressed earlier in the meeting. He gave particular thanks to the efforts of Ms. Graham.
- The introduction of the Parnassus fund went smoothly; Parnassus will be paying a 10 basis point administrative services rebate that will be distributed to invested participants.
- Extended comments on the project to amend the plans to adopt a Roth accounts in the 457 and 401(k). He noted that this was not intended for adoption at this meeting, but that the plan amendments and other material contemplated adoption at the January meeting. It would be helpful in that regard if he had a consensus from the members on whether this work should proceed.

A general discussion ensued, which focused on the technical details of Roth accounts, the nature of requirements for the new Roth in plan conversion option, and NRS experience with Roth accounts. At the conclusion of the discussion a consensus emerged that work should continue, as adoption of the Plan amendments at the January meeting was likely.

VII. Board Counsel's Report

VIII. Executive Session
None.

XI. New Business
No new business considered.

X. Adjournment
A motion to adjourn was entered at 12:01 pm, seconded, and carried unanimously.