



**BOARD OF TRUSTEES FOR THE
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS
MINUTES OF THE November 18, 2013 MEETING**

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:35 a.m. on November 18, 2013 in Baltimore. A quorum was present.

BOARD OF TRUSTEES

T. Eloise Foster
Chairperson

Sabrina I. Bass
Margaret A. Bury
Nathaniel H. Byrd, III
Thomas P. Hickey
Nancy K. Kopp
Wilson H. Parran
Christina W. Wyskiel
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

*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*

Members Present

Ms. T. Eloise Foster
Ms. Sabrina Bass
Ms. Margaret Bury
Mr. Thomas Hickey
Treasurer Nancy Kopp
Mr. Wilson Parran
Ms. Christina Wyskiel

Representatives and Guests

Mr. Michael Halpin, Staff
Ms. Lara L. Hjortsberg, Board Counsel (via conference phone)
Ms. Debra Roberts, Staff
Mr. Richard Arthur, Staff
Mr. Louis Holcomb, Staff
Ms. Anna Marie Smith, Staff
Mr. David Belnick, Nationwide Retirement Solutions
Ms. Brenda Anderson, Nationwide Retirement Solutions
Mr. David Berg, Deutsche Asset & Wealth Management
Mr. Robert Cahill, Deutsche Asset & Wealth Management
Ms. Lucille Douglas, Deutsche Asset & Wealth Management
Ms. Emily Boccuzzi, Segal Rogerscasey
Mr. John DeMairo, Segal Rogerscasey

I. Chairperson's Remarks

Upon motion duly made and seconded, the minutes of the regular meeting of the Board of Trustees held on September 3, 2013 were unanimously approved. (The minutes are attached hereto as Exhibit A.)

II. Administrator's Report & Marketing Plan Update

Ms. Brenda Anderson of Nationwide Retirement Solutions distributed the Social Media Program Update handout. She then provided the Board with several updates from Nationwide, including an explanation of Nationwide's mutual company structure and its benefits.

Mr. David Belnick distributed the following handouts: *Enhancements to Unforeseeable Emergency Distribution Processing*; sample letter to a hypothetical participant regarding increasing her contributions; and *Investing in Your Community to Create Positive Outcomes*.

Referring to the first handout, Mr. Belnick updated the Board on the hardship processes. He noted that there had been a change in the review process for hardship requests, mainly related to "no-doc" approval. He explained that when a participant applies for a hardship distribution, he or she can fax or email the supporting documentation and that approvals are normally completed in one or two days, with funds directly deposited into a participant's bank account. He noted that the entire process should take about four to five days from application to funding. He noted that a letter had been sent to participants who have asked why the policies with respect to hardship withdrawals had changed but that these changes had not been communicated to participants generally.

Mr. Belnick highlighted the following initiatives:

- Contributions – NRS was requesting approval from MSRP to approach participants who have not made a contribution change in at least 18 months.
- Mobile Computing – Full functionality of the mobile computing site to be released over the coming weekend.
- Social media – Facebook and Twitter initiatives provide an opportunity to post sales literature, schedules, etc.; both platforms were used in real time for the first time during the Saving\$ Expo.

Mr. Belnick then proceeded to the administrator's report for the third quarter of 2013 (Exhibit B). He noted that the Plans continued with strong growth, with total assets as of September 30, 2013 at \$3.0 billion; an increase of \$316 million from the third quarter of 2012; and contributions were \$46 million, an increase over the previous three quarters. He reviewed the allocation of assets and contributions in the Plans, noting an increase in allocations to large cap and retirement date funds and a decrease in allocations to fixed income and cash. For contribution allocations he noted a significant increase in the flow of allocations to retirement date funds and a decrease in allocations to fixed income and cash, bonds and balanced. Mr. Belnick then reviewed the mutual fund reimbursements for the third quarter and year-to-date. He reported on participant account activity for the third quarter, noting 659 new enrollments, representing the highest number of new enrollments in a quarter in the past year. He noted that distributions continue to outpace contributions, with a net decrease of \$4.9 million for the third quarter and a \$23.4 million

net decrease year-to-date. A discussion followed as to how this trend affects the investment options for the Plans. It was noted that deemed IRAs and self-directed brokerage options were options that could be offered to potentially retain assets in the Plans. Mr. Halpin noted that for the latter, it was possible to allow the brokerage option only for participants with a deemed IRA.

Mr. Belnick continued his report with the marketing updates, stating that the overall plan participation rate was 74.6% of eligible employees, with 44.5% participants actively deferring. He noted that enrollments had increased by 12.46% and that there were 555 increases during the third quarter, representing an increase of 14.5% as compared to the second quarter. He noted that decrease activity was higher than the second quarter but lower than the first quarter of 2013 and the third and fourth quarters of 2012. Mr. Belnick reported a total of 361,832 participant contacts during the third quarter. Mr. Belnick then presented the loan and hardship analysis, noting that loans continue to increase and that they would likely reach \$31 million (3,400 loans) for the year if they continued on trend. This was compared to total loans of \$24.3 million in 2012 (2,906 loans). He noted 712 hardships in the third quarter and stated that NRS expected 2,600 if the trend continues.

Mr. Belnick provided the field update and rollover report for the quarter and noted an MBE participation rate of 22% for the year to date.

III. Investment Advisors' Reports:

A. Segal Rogerscasey

After providing an overview of the capital markets and noting a strong quarter, Ms. Emily Boccuzzi delivered the third quarter performance report (Exhibit C) and highlighted the following:

- AUM were \$3.027 billion at the end of the third quarter.
- Allocations in the 403(b) Plan were the most aggressive, with 60% allocated to equity, whereas the 457 Plan was the most conservative, with 40% allocated to equity.
- Stable value accounted for 29% of the market value of the total Plans; active options accounted for 37%; passive options accounted for 21% and the target-date funds accounted for 12%.
- The split between active and passive options was 64% active and 36% passive.
- Performance vs. Market Index was generally positive, but underperformance by American Century Equity Growth, American Funds EuroPacific Growth was noted.
- Morgan Stanley Institutional Trust Fund underperformed for the trailing three-year period but otherwise outperformed the market for the other periods. The recommendation was to continue with this fund on the watch list for now.
- In the peer-to-peer analysis for the quarter, the index funds showed more "yellow" (third quartile) ratings, which was not considered surprising given that active funds had done so well during the third quarter; the "red" (fourth quartile) in the active category were T. Rowe Price MidCap Value and American Funds EuroPacific Growth.

B. Deutsche Asset & Wealth Management

Mr. David Berg introduced Mr. Bob Cahill and noted that during the RFP process, both would be monitoring the portfolio. Mr. Berg then presented the report on the third quarter performance for the investment contract pool (“ICP”) (Exhibit D). He emphasized the following points:

- Yield for the third quarter was 1.95%, a decrease of 22 bps from the second quarter of 2013 but above the comparable benchmark for the iMoneyNet Taxable (All) Index of 0.01%.
- Market-to-Book ratio was unchanged at the end of the third quarter from the end of the second quarter of 2013.
- Babson was the only manager during the third quarter to exceed its benchmark (+0.15%); all other sub-managers underperformed during the third quarter: PIMCO -0.28%, Earnest -0.26%, and JPMorgan -0.17%.
- Assets under management were \$800 million and net participant cash flows were +\$7.1 million.

With respect to Babson’s performance as compared to the index and the other sub-managers, Mr. Berg noted that he would follow-up with Babson for attribution and provide an update by email.

IV. Staff Reports

A. Finance

Ms. Roberts delivered the agency budget and expenditure report (Exhibit E) as of October 31, 2013. She noted that fiscal year to date revenues were \$120,098, which was \$344,146, or 74.13%, less than budget. She explained that this variance was associated with the Invesco settlement funds that had been transferred to the MSRP reserve account and were being used to fund the fee holiday. She noted that expenditures were \$469,926, which was \$45,014, or 8.74%, less than budget. She explained each of the favorable and unfavorable variances for the expenditure line items. She noted that the reserve balance as of October 31, 2013 was approximately \$448,398. She noted that the budget and expenditure report now indicated that the spend-down of the reserve balance was intentional and related to the fee holiday.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), which included a summary of the fall health benefit fairs and a summary of the October Saving\$ Expos.

V. Committee Reports

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 presented his report on recent activity (Exhibit G). He discussed the Board fee holiday, noting that during the month of December, he expected the reserve balance to fall below \$300,000. He, therefore, recommended that the Board asset fee of 0.05% be reinstated in December. It was the consensus of the Board to reinstate the Board asset fee as recommended.

Mr. Halpin next updated the Board with respect to the MSRP banking contract. He explained that the banking relationship would be fully operational on January 1, 2014.

VII. Board Counsel's Report

No report at this time.

VIII. Executive Session

At 11:35 a.m., the Chairperson requested an Executive Session pursuant to State Government Article Section 10-508(a)(14) to discuss a matter relating to the Request for Proposals for Stable Value Fund Investment Management Services, Solicitation No. G50R4400004 (the "RFP"). Upon motion duly made and seconded, it was unanimously

RESOLVED, that the meeting of the Board of Trustees shall be closed pursuant to State Government Article §10-508(a)(14) to discuss issues pertaining to the Request For Proposals for Stable Value Investment Management Services, Solicitation No. G50R4400004.

All guests and representatives other than Messrs. Halpin and Arthur and Ms. Hjortsberg left the meeting at this time. After the conclusion of the Executive Session at 11:40 a.m., the Chairperson announced that no action had been taken by the Board during the Executive Session.

IX. New Business

There was a discussion of the benefits of pursuing an "opt out" rather than an "opt in" approach to enrollment in the Plans. Mr. Halpin explained that currently whether the enrollment information was provided to new hires was in the control of the personnel officers of the State agencies and that completion of the MSRP enrollment form was not a requirement. Mr. Halpin undertook to develop a package to provide to personnel officers in the various State agencies for new hires.

X. Adjournment

There being no further business, a motion to adjourn was entered at 11:55 a.m., seconded and carried unanimously.