



Exhibit A

**BOARD OF TRUSTEES FOR THE  
MARYLAND TEACHERS & STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS  
MINUTES OF THE January 24, 2011 MEETING**

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*Maryland  
Teachers & State Employees  
Supplemental Retirement Plans*

The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans convened at 9:50 am on January 24, 2011 in Baltimore. A quorum was present.

BOARD OF TRUSTEES

T. Eloise Foster  
*Chairperson*

Sabrina Bass  
Nancy K. Kopp  
Linda Tanton, Esq.  
William W. Whitescarver  
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  
[www.MSRP.state.md.us](http://www.MSRP.state.md.us)*

*Call About the Plans  
or to Enroll  
1-800-545-4730  
or Enroll on-line at  
[www.MarylandDC.com](http://www.MarylandDC.com)*

Members Present

Ms. T. Eloise Foster  
Ms. Sabrina Bass  
Treasurer Nancy Kopp  
Mr. William Whitescarver  
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. Andrew Ness, Mercer Investment Consulting  
Ms. Kelly Henson, Mercer Investment Consulting  
Mr. Jeffrey Boucek, Mercer Investment Consulting  
Mr. David Berg, DB Advisors  
Ms. Lucille Douglas, DB Advisors  
Mr. Philip Harris, Financial Integrity Resources Mgt.  
Ms. Jeanette Hernandez Harris, Financial Integrity Resources Mgt.  
Ms. Jeanette Mora, Financial Integrity Resources Mgt.

I. Chairperson's Remarks

The members offered the following correction to the draft minutes of November 22, 2010 meeting: Page 1, last bullet now reads: Growth Fund of America. The minutes as amended were unanimously approved (Exhibit A).

II. Administrator's Report & Marketing Plan Update

Mr. David Belnick delivered the special report on participant relations (Exhibit B). He described the report as an unedited recent record of participant communication (emails, phone message and the like) that commented on participant service. Members expressed appreciation on the favorable nature of the comments, and for NRS and MSRP diligence in customer service.

Mr. Harris of F.I.R.M. presented the report attached as Exhibit B-1. He noted that March 1<sup>st</sup> was the expected starting date for two additional personal retirement counselors (PRCs). Ms. Jeannette Mora continued with the report on FIRM activities and described her participation in employee/retiree counseling and education sessions. She described typical activities of PRCs and noted that presentation in the retirement counseling sessions will be different for different types of participants, for example large and small accounts. She noted, for example, that employees with significant assets are more likely to work with outside advisors, that they will discuss those advisors during the NRS sessions, and sometimes say that they feel pressure from those advisors to move assets out of the plan. Ms. Mora stated that to some degree servicing requirements can be divided into "tiers" and that the high value or large account tier is more likely to seek (and benefit from) a more comprehensive service level. She also noted that the service level has an effect on whether the participant retains assets in the plan.

During her report Chairperson Foster asked for details on the extent of counseling for the Voluntary Separation Program. Mr. Belnick estimated that NRS/F.I.R.M. representatives consulted/met with about 500 VSP participants in the month of December.

The report concluded with a discussion among staff and members on the retiree breakfast program, a possible positive effect of a brokerage window on retention of large balance accounts, and the necessity of fair and perceptive counseling to both large and small accounts.

III. Investment Advisors' Reports:

A. Mr. Boucek of Mercer began with a brief presentation on the flash performance report (Exhibit C-3) and then presented the Mercer report and recommendations on the index bond fund (Exhibit C-2). He concluded the report by noting the Mercer recommendation of the Vanguard Total Bond Market Index fund.

B. Mr. Berg of DB Advisors noted that the 4<sup>th</sup> quarter performance report was still in preparation but would be ready in advance of the next meeting. He then stated that Deutsche Bank did not recommend any changes to the current ICP investment policy (Exhibit D).

#### IV. Staff Reports

##### A. Finance Office

Ms. Roberts presented the budget analysis report for the 6 months ending 12/31/10 (Exhibit E). She noted that revenues/expenditures and reserve were all tracking slightly better than budget forecast, e.g., expenses slightly less and revenue slightly higher.

##### B. Field Staff

Mr. Holcomb presented the report attached as Exhibit F. He noted that attendance at field events approximately doubled in 2010. Three factors dominated the discussion on this topic: an increase in field personnel for MSRP; the Savings Expo; and the general series of events in the economy and financial markets in the 2008-2010 period.

The report also included a general discussion on the different types of field staff meetings (lunch seminars, financial planning sessions, pre-retirement presentations and benefit fairs) and the materials used in these different events; the Treasurer requested a set of sample participant material for these sessions.

#### V. Committee Reports

##### A. Audit Committee

No report at this time.

##### B. Investment Committee:

Mr. Whitescarver reported that the Investment Committee concurred with the Mercer recommendation on the addition of the Vanguard Bond Index Fund. There was a brief discussion on this addition, focusing on two points: the need for careful communication so that participants understood that bond funds had a possibility of loss; and the need to procure approval of the addition from the ICP wrapper providers. On Motion of Mr. Whitescarver (Ms. Zercoe, second) the motion to add the Vanguard Bond Index Fund under the Board's usual procedures (subject to necessary approval from wrapper-providers) was carried unanimously.

Mr. Whitescarver then described the Committee and advisor review of the Board investment policies, including the slight ministerial changes to the general policy (Exhibit C-1). On Motion of Mr. Whitescarver (Ms. Zercoe, second) the motion that the Board affirm continued use of both policies was carried unanimously.

His report concluded with a general discussion among the members of the brokerage window option, with members noting some of the positive aspects (e.g., ability to keep and/or draw in assets under the Plan umbrella in individual cases) and negative aspects (e.g., the increased possibility of significant investment loss through misdirected speculative activity).

#### VI. Board Secretary's Report

Mr. Halpin began his report with a message from Mrs. Tanton that the 2009 Comprehensive Annual Financial Report (CAFR) had been submitted to GFOA, but

unfortunately had not received a certificate of excellence. Mrs. Tanton nevertheless expressed great appreciation of Mrs. Roberts' efforts and the belief that the CAFR was a marked improvement from financial statements of prior years. Members joined with Mrs. Tanton in extending compliments and appreciation to Mrs. Roberts. Mrs. Roberts expressed thanks, then explained that the corrections suggested by the GFOA review committee were largely matters of technical presentation and style, did not involve missing or inaccurate data, and should be easily remedied in next year's report.

Mr. Halpin continued with his report noting the following points (Exhibit G):

- Plan assets had passed the 2½ billion dollar mark.
- MSRP budget hearings were scheduled on March 2 (House) and March 2 (Senate).

At the conclusion of his report Mrs. Kopp requested updated copies of asset and participation charts, such as those used in legislative reports, showing ten year trends.

#### VII. Board Counsel's Report

Mr. Barry reported on 3 items. He first noted Exhibit G, a Resolution formerly amending the 401(k) and 457 Plans to allow for Roth contributions. He noted the previous Board activity on this issue, gave a brief summary of the tax effects of Roth accounts, and stated his own recommendation that the amendments be adopted as proposed. The motion adopting the Resolution passed unanimously.

Mr. Barry noted and described an ongoing legal claim in the Lehman Brothers bankruptcy proceeding arising out of ICP transactions. He stated that to date the ICP had a net positive result from these events but that there was a residual set-off amount of approximately \$78,000 that was held by the Board within the ICP but subject to a possible claim of the Lehman Brothers bankruptcy trustee. He stated that he and Mr. Halpin were exploring possible settlement of this dispute. He stated that this type of matter was typically resolved by the Executive Director under general delegation of authority, and he believed that was appropriate here. Mr. Barry noted however, that he wanted Board members to be aware of this claim so that additional presentations could be made if desired.

Mr. Barry's report concluded with a general discussion of recent SEC regulations that implement Dodd-Frank financial reform legislation and require registration of municipal advisors: persons who advise governmental entities on matters relating to asset management (including pension asset management) and bond issuance. He reported that the regulations (more precisely, staff commentary to proposed regulations) made a distinction between government employees (who are not required to register) and unpaid appointed officials (who are required to register). Mr. Barry stated this could include MSRP board members and affect MSRP because of a number of problematic aspects of registration. Mr. Barry gave additional technical details of the regulations, noted that he was not making specific action recommendations, and stated that members should be aware of this issue and that he (and numerous other Assistant Attorney Generals) were following developments closely. A brief discussion ensued on whether MSRP should

submit its own comments/objections on the regulations to the SEC, but no consensus was reached.

VIII. Executive Session

The Chairperson stated that an Executive Session was necessary to discuss interrelated procurement and investment matters relating to the Investment Contract Pool. The Board unanimously approved an Executive Session for this purpose.

At the conclusion of the Executive Session the Chairperson resumed the regular session and announced that during the Executive Session the Board had approved issuance of an RFP for an ICP manager on a timetable consistent with the expiration of the current DB Advisors contract in July 2011.

XI. New Business

No new business considered.

X. Adjournment

A motion to adjourn was entered at 12:05 pm, seconded, and carried unanimously.