



**BOARD OF TRUSTEES FOR THE
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS
MINUTES OF THE January 28, 2019 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 January 28, 2019, in Baltimore. A quorum was present.

BOARD OF TRUSTEES

T. Eloise Foster
Chairperson

Thomas M. Brandt, Jr.
Lynne M. Durbin, Esq.
Nancy K. Kopp
John D. Lewis
Johnathan R. West

Members Present

Ms. T. Eloise Foster
Mr. Thomas Brandt, Jr. *(by phone)*
Ms. Lynne Durbin
Treasurer Nancy Kopp
Mr. John Lewis

Representatives and Guests

Mr. Michael Halpin, Staff
Ms. Lara L. Hjortsberg, Board Counsel
Mr. Richard Arthur, Staff
Ms. Debra Roberts, Staff
Mr. Louis Holcomb, Staff
Ms. Anna Marie Smith, Staff
Mr. Daniel Wrzesien, Nationwide
Mr. Jeffrey Francis, Nationwide
Ms. Juliana Bertone, Nationwide
Mr. Peter Schmit, Galliard Capital Management
Ms. Vanessa Vargas, Segal Marco Advisors
Mr. Claude Gregory, FRS/Nationwide

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

Debra L. Roberts, MBA, CPA, CRC®
Director of Finance

Richard A. Arthur, MBA, CPM
Director of Operations & Technology

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

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

*Call About the Plans
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1-800-545-4730
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www.MarylandDC.com*

I. Chairperson's Remarks

Upon motion duly made and seconded, the minutes of the Open Session of the Regular Meeting of the Board of Trustees (the "Board") held on November 19, 2018 (Exhibit A) were unanimously approved.

II. Administrator's Report

Mr. Wrzesien introduced Julie Bertone, a senior consultant for Nationwide, for the presentation of the 2019 Communications & Education Plan (Exhibit B). Mr. Wrzesien first provided a demonstration of a beta version of the My Interactive Retirement Planner (MIRP) that includes a pension and social security estimator. He explained that two companies with which Nationwide contracts (Stillwater and Cobesium, respectively) analyze public feeds for the calculation of these benefits payments in order to provide an estimate of these amounts and that this calculation would replace the current process of requiring participants to manually determine and type in the pension and social security information. Mr. Wrzesien requested that the Board allow Nationwide to implement this capability for the Plans. After discussion, the Board determined to take the matter under advisement, declining to approve implementation of the requested changes at this time.

Ms. Bertone and Mr. Wrzesien next proceeded to the presentation of the 2019 Communications and Education Plan. Ms. Bertone began with the 2018 Overview of marketing activities. Next Mr. Wrzesien then joined the presentation with the 2019 Marketing Plan. He noted the overarching plan objectives were, through education and material support, to (a) increase participation and plan awareness, (b) increase contributions, and (c) develop and use targeted communications. With respect to each objective, he presented the strategies and tactics to be employed in achieving these objectives.

III. IV. Investment Advisors' Reports:

A. Segal Marco Advisors ("Segal")

Ms. Vanessa Vargas noted that during the Investment Committee meeting immediately preceding the Board meeting, Segal had recommended certain changes to the Statement of Investment Policy (the "IPS") (Exhibit C and Exhibit C-1). She explained that the proposed changes were intended to facilitate the use of investment vehicles other than mutual funds (e.g., collective investment trusts). She directed the Board's attention to Exhibit C-1, the redlined version of the IPS, noting the change of "fund" to "option" so that the IPS was broader in scope than the current version.

After discussion, and upon motion duly made and seconded, it was unanimously

RESOLVED, that the proposed changes to the MSRP Statement of Investment Policy as presented at the meeting in Exhibit C-1 be, and they hereby are, approved.

Ms. Vargas then provided a brief overview of the 2018 year end market volatility, (Exhibit C-2), noting that the full report, including a performance report, was

provided during the Investment Committee meeting. She highlighted that at year-end 2018, seven of the eleven active options outperformed their respective benchmarks, and eight of the eleven were above median. For perspective, she noted that as compared to the 2008 investment option list, three of the ten active options at that time underperformed their respective indices.

C. Galliard Capital Management (“Galliard”)

Mr. Peter Schmit noted Taylor Benson’s departure from Galliard. He next summarized the discussion of Galliard’s recommended changes to the Investment Contract Pool Investment Policy and Guidelines (the “ICP IPS”) (Exhibit D) during the Investment Committee meeting. It was noted that the Investment Committee had decided that the recommended language in **Section III** on page 5 of Exhibit D would be changed from the following:

The ICP Manager will ~~normally target~~ manage the overall portfolio with an average credit quality of the equivalent of AA₋ or higher for the ICP investments.

to read as follows:

The ICP Manager will manage the overall portfolio with an average credit quality of the equivalent of AA or higher for the ICP investments.

After discussion, and upon motion duly made and seconded, it was unanimously

RESOLVED, that the proposed changes to the MSRP Investment Contract Pool Policy and Guidelines, as presented to the Investment Committee in Exhibit D, as revised by the Investment Committee at its meeting on January 28, 2019, and recommended to the Board, be and they hereby are, approved.

It was noted that Galliard would make the necessary revisions and distribute the revised ICP IPS following the Board meeting.

IV. Staff Reports

A. Finance

Ms. Debra Roberts presented the agency budget and expenditure report (Exhibit E) as of December 31, 2018. She reported revenues of \$843,186, with expenditures \$756,799, resulting in a surplus of \$86,387. She commented that the surplus increased the reserve balance to \$418,608.

Ms. Roberts noted that as of December 31, 2018, salary and benefits are expected to exceed budget by appropriately \$55,238 at year end. She noted that some of this shortfall (approximately \$16,000) is covered by savings or surpluses in other areas. She explained that she is working with the Department of Budget and Management (DBM) with respect to this line item to make sure that it is correct and that DBM has

advised that the best way to address the shortfall is to request a deficiency appropriation.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), which included an overview of MSRP field department 2018 events, a summary of outcomes of the seminars, a listing of the 2019 featured monthly workshops and an activity preview of 2019.

V. Committee Reports

No Committee Reports were presented.

VI. Board Secretary's Report

Mr. Halpin presented the Board Secretary's Report, noting the following items:

- *Geographical Location of Participants* – In response to a question, Mr. Halpin noted that the agency had information as to the place of residence of participants but not necessarily where they work. He stated that MSRP receives agency-by-agency information from Central Payroll, but that this information is not presented in a workable format that would allow MSRP to perform a meaningful analysis. He stated that if MSRP had access to more employee information, a geographical breakdown of participants would be possible.
- *MetLife* – Mr. Halpin noted that he had met with the MetLife representative on December 13 and that the representative had explained to Mr. Halpin that by default a blanket proposal had been presented to the State for the life insurance contract and that the default proposal had included the financial advisor services; therefore, it appeared to be an oversight on the part of MetLife. Mr. Halpin stated that MetLife was going to come back for a follow-up meeting when MSRP began planning for the next Saving\$ Expo, during which MetLife could present on annuity payouts, as it had been invited by MSRP to do in the past.
- *Legislation* – Mr. Halpin noted that the Governor's Office had accepted the draft bill exempting MSRP from the State's procurement law for investment management services and that the bill was being considered by the House Rules Committee. If approved, a sponsor would need to be found for it to be introduced as a Departmental Bill.
- *Contracts* – Mr. Halpin noted that the Board of Public Works had approved (a) the extension of the Nationwide contract for plan administration and recordkeeping services until December 31, 2019, and (b) the Board's exercise of the option to renew the Galliard contract as manager of the ICP for an additional two years.
- *Budget Analysis and Hearings* – Mr. Halpin stated that he had received the legislative budget analyst report the previous Friday (January 25) and was in the process of responding to requests for information from the analyst. He noted that he was objecting to the request to hold back part of the appropriation and that the report included a recommendation for the State to add auto-enrollment for new employees. He noted that budget hearings were scheduled for January 29 and January 31. He undertook to provide the Board with copies of the analysis and MSRP's response.

VII. Board Counsel's Report

Ms. Lara Hjortsberg noted that she would provide a report on legal matters during the closed session noted as the next agenda item.

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 (a) General Provisions Article ("GP") §3-305(b)(14) , to discuss a matter directly related to a negotiating strategy or the contents of a bid or proposal, (b) GP) §3-305(b)(7), to consult with counsel to obtain legal advice on a legal matter, and (b) GP §3-103(a)(1)(i), to perform an administrative function, specifically to review the minutes of the closed session of the Board meeting held on November 19, 2018. Ms. Hjortsberg noted that Chairperson Foster had signed the *Presiding Officer's Written Statement for Closing a Meeting* ("Statement to Close").

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 (a) GP§§ 3-305(b)(14) and (7) to (i) discuss a matter directly related to a negotiating strategy or the contents of a bid or proposal and (ii) obtain the advice of counsel with respect to a legal matter; and (c) GP §3-103(a)(1)(i), to perform an administrative function, specifically to review the minutes of the closed session of the Board meeting held on November 19, 2018

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

The Executive Session concluded and the regular session resumed at 11:41 a.m. At the Chairperson's request, Ms. Hjortsberg announced the following actions by the Board during the Executive Session:

- *Approval of Minutes* – The Board approved the draft minutes of the closed session of the Board meeting held on November 19, 2018.

IX. Adjournment

A motion to adjourn was entered at 11:42 a.m., seconded, and carried unanimously.