



**BOARD OF TRUSTEES FOR THE
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS
MINUTES OF THE January 27, 2014 MEETING**

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:43 a.m. on January 27, 2014 in Baltimore. A quorum was present.

BOARD OF TRUSTEES

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Members Present

Ms. T. Eloise Foster
Ms. Margaret Bury
Mr. Nathaniel Byrd
Mr. Thomas Hickey
Treasurer Nancy Kopp
Mr. Wilson Parran
Ms. Christina Wyskiel
Ms. Marcia Zercoe

Representatives and Guests

Mr. Michael Halpin, Staff
Ms. Lara L. Hjortsberg, Board Counsel
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
Ms. Emily Boccuzzi, Segal Rogerscasey
Mr. John DeMairo, Segal Rogerscasey

I. Chairperson's Remarks

Upon motion duly made and seconded, the minutes of the open session and the Executive Session of the regular meeting of the Board of Trustees held on November 18, 2013 and the open session and the Executive Session of the meeting held by conference call on December 2, 2013 were unanimously approved. (The minutes of the November 18, 2013 meeting and the open session of the December 2, 2013 telephonic meeting are attached hereto as Exhibits A & A-1, respectively. The minutes of the Executive Sessions are confidential and filed separately.)

II. Administrator's Report & Marketing Plan Update

Mr. David Belnick provided an overview of Nationwide Retirement Solutions' Scorecard and 2014 Marketing and Communication Plan (Exhibit B). He first reviewed the MSRP initiatives for each of the four quarters of 2013. Mr. Belnick then reviewed the Marketing and Communication Plan for 2014 with the Board. He noted the overarching plan goals of making it easy for MSRP participants to make decisions and take actions and to retain and grow assets in the MSRP plans and discussed the three objectives associated with meeting those two goals: increasing plan participation, reengaging current participants to restart contributions, and encouraging participants to increase contributions. With respect to each objective, he presented the strategies and tactics to be employed in achieving these objectives. In closing, Mr. Belnick highlighted several customer service comments received by NRS during 2013.

III. Investment Advisors' Reports:

A. Segal Rogerscasey

Mr. John DeMairo provided the fourth quarter performance update (Exhibit C), noting that prior to the Board meeting he had met with the Investment Committee to review the report in detail. Mr. DeMairo highlighted the following:

- In the active core space, the 10 investment options offered by MSRP outperformed their peers, with the American Funds Growth Fund of America returning over 34% for the year ended December 31, 2013, and the Morgan Stanley Institutional Trust returning over 38% for that same period.
- The T. Rowe Price Target Date Funds exhibited very strong results in 2013, with those funds with more equity exposure having better performance, all of the Target Date Funds outperforming the benchmark for the one, three and five year periods and placing in the top decile with respect to their peers.

Mr. DeMairo closed his report by noting that he would provide more performance information to the Board upon completion of the full report, due for the next Board meeting.

IV. Staff Reports

A. Finance

Ms. Foster noted that MSRP had received from the Government Finance Officers Association (GFOA) another Certificate of Excellence for the 2012 Comprehensive Annual Finance Report (CAFR) and thanked Ms. Roberts for her efforts. Ms. Roberts then delivered the agency Budget Analysis and Variance Report (Exhibit D) for the six months ended December 31, 2013. She noted that fiscal year-to-date revenues were \$180,107, which was \$516,258, or 74.14%, less than budget. She explained that this significant variance was attributable to the fee holiday, which ended on December 31, 2013. Ms. Roberts noted that year-to-date expenditures were \$758,590, which was \$13,820, or 1.79%, less than budget. She explained each of the favorable and unfavorable variances for the expenditure line. She noted expenditures over revenues of \$578,483 as of December 31, 2013 and an ending reserve balance of \$264,642. She explained that revenues should increase, as should the reserve balance, as the fiscal year continues.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit E), which included an overview of MSRP field department 2013 events, seminar ratings provided by State employees, a summary of outcomes of the seminars, a listing of the 2014 featured monthly workshops and an activity preview for 2014.

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 F). He noted that the fee holiday had been very successful, resulting with only 17% of annual appropriations held in reserve. He noted that as soon as the next asset fee is assessed, the reserve balance should increase to 25%, which is the goal. He then provided an update on procurement and contract activity, noting that the transfer of MSRP's banking services to Wells Fargo was complete and that the agency had completed the procurement for a stable value manager, with Galliard having been approved by the Board of Public Works on January 8 and scheduled to commence services on February 1. Mr. Halpin stated that the agency's budget hearings were scheduled for the following day and January 30. He closed his report by explaining MSRP's Step-by-Step initiative to enroll new hires.

VII. Board Counsel's Report

Ms. Hjortsberg reviewed with the Board the allowance under the American Taxpayer Relief Act of 2012 ("ATRA"), which expanded the ability of participants in defined contribution plans to make in-plan Roth rollovers. She noted that this in-plan Roth rollover feature was previously authorized by the Small Business Jobs Act of 2010 ("SBJA"), and that MSRP had adopted this feature for the 457 and 401(k) Plans. She explained that under SBJA these rollovers were limited to amounts that were otherwise eligible for distribution from the plans (age of 59 ½ or above, severance from employment, death or disability). She explained that ATRA expanded the permissible in-plan Roth rollover to all participants without the need for a distributable event. She noted that this was an optional amendment for plans, such that the general rule is that the amendment must be adopted by December 31 of the year in which the amendment is effective. She explained, however, that the IRS had not issued guidance until the end of 2013. She further explained that part of this guidance extended the amendment deadline to December 31, 2014. She noted that although MSRP had begun educating plan participants about in-plan Roth rollovers in anticipating of implementing the change but that the Board needed to approve the commencement of actual rollovers. She explained that the industry anticipated that the IRS would issue further guidance regarding the contents of the plan amendments necessary to authorize the in-plan Roth rollovers under ATRA but that in the meantime, MSRP had indicated a desire to start allowing participants to initiate the rollovers. It was the consensus of the Board that MSRP begin to allow the in-plan Roth rollovers to the extent permitted by ATRA and that an amendment would be presented to the Board for approval prior to the December 31, 2014 plan amendment deadline. Ms. Hjortsberg noted that she would work with Mr. Halpin and Mr. Belnick, as well as Nationwide's compliance department, to implement this process.

VIII. New Business

No new business was presented for discussion.

IX. Adjournment

There being no further business, a motion to adjourn was entered at 11:00 a.m., seconded and carried unanimously.