



**BOARD OF TRUSTEES FOR THE
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS
MINUTES OF THE January 26, 2015 MEETING**

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:30 a.m. on January 26, 2015 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
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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*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 (via phone)
Ms. Margaret Bury
Mr. Thomas Hickey
Mr. Wilson Parran (via phone)
Ms. Marcia Zercoe

Representatives and Guests

Mr. Michael Halpin, Staff
Ms. Lara L. Hjortsberg, Board Counsel (via phone)
Ms. Debra Roberts, Staff (via phone)
Mr. Louis Holcomb, Staff
Ms. Anna Marie Smith, Staff
Ms. Bernadette Benik (*representing Treasurer Kopp*) (via phone)
Mr. David Belnick, Nationwide
Ms. Rebecca King, Segal Rogerscasey
Ms. Wendy Carter, Segal Rogerscasey
Ms. Taylor Benson, Galliard Capital Management
Mr. Billy Weber, Galliard Capital Management
Mr. Claude Gregory, Financial and Realty Services (Guest)

I. Chairperson's Remarks

Ms. Bass asked to address the Board and explained that she would be stepping down from the Board effective the date of the meeting. Ms. Foster thanked Ms. Bass for her service, after which Ms. Bass signed off from the meeting.

Upon motion duly made and seconded, the minutes of the meetings held on October 14, 2014 (education session) and November 17, 2014 (Exhibits A and A-1) were unanimously approved.

II. Administrator's Report & Marketing Plan Update

Mr. David Belnick discussed the Scorecard & 2015 Marketing & Communication Plan (Exhibit B). He began by noting that 2014 was one of the busiest and most successful years for the Plans. He then reviewed the MSRP initiatives for each of the four quarters of 2014, noting three major themes that appeared in all four quarters – MSRP quarterly emails, Personal Retirement Consultant events and monthly social media messaging. Mr. Belnick highlighted the following other events during 2014 from the Scorecard:

- Q1 – State Police and Corrections New Employee Orientation resulted in 91 new State Police enrollments and 150 new Corrections enrollments;
- Q2 – Benefit Coordinators' Academy, consisting of half day sessions held at seven locations throughout the State;
- Q2 – MSRP Mini Spring Expos resulted in 9 enrollments, 16 increases, and 4 transfers;
- Q3 – NAGDCA 2014 Leadership Award for MSRP Benefit Coordinators' Academy Campaign;
- Q4 – Launch of the new My Interactive Retirement Planner on the Nationwide website; and
- Q4 – Fall SAVING\$ EXPOs in Baltimore and Annapolis resulted in 38 enrollments, 30 increases and 3 transfers.

Mr. Belnick then reviewed the Marketing and Communication Plan for 2015 with the Board. He noted the overarching plan goals: (1) to make it easy for MSRP participants to make decisions and take actions and (2) to retain and grow assets in the MSRP plans. He then discussed the three objectives associated with meeting those two goals: (a) increasing plan participation, (b) promoting plan participation/enrollments, and (c) 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 2014.

III. Investment Advisors' Reports:

A. Segal Rogerscasey ("Segal")

Ms. Rebecca King provided the summary fourth quarter 2014 performance update (Exhibit C). After providing the market update, Ms. King highlighted the following:

- PIMCO Total Return Fund underperformed its benchmark for the quarter and 1-year period but continued to post long term positive returns; Segal's long range recommendation was to retain the fund on the Watch List.
- Morgan Stanley Institutional Trust, which was placed on the Watch List in 2013 and was removed from the Watch List in 2014, underperformed its benchmark and was in the bottom decile for performance, primarily due to the fund's focus on information technology and consumer technology (with Twitter representing a large loss).
- T. Rowe Price Small Cap Stock Fund was in the top quartile for the quarter with positive performance primarily attributable to large positions in industrials, healthcare and financials.
- American Fund EuroPacific Growth Fund outperformed its benchmark for the quarter and continued to post positive long term results.
- The T. Rowe Price Target Date Funds generally underperformed for the quarter but, because non-U.S. exposure also negatively affected other market participants, the funds remained in the top quartile.

Ms. Zercoe noted that with respect to Morgan Stanley Institution Trust, standard Board practice would be for Segal to present any recommended change with respect to that fund to the Investment Committee first so that it could consider the issue prior to making a recommendation to the full Board.

In closing, Ms. King noted that Segal would be meeting with T. Rowe Price after the MSRP Board meeting to discuss the sudden resignation of Mike Gitlin, who was Head of Fixed Income prior to his resignation the previous week. Ms. King stated that Mr. Gitlin held more of an oversight role rather than portfolio management role.

B. Galliard Capital Management ("Galliard") Update

Ms. Taylor Benson provided a brief overview of the investment contract pool ("ICP") for the fourth quarter (Exhibit D), noting that a quarterly full report would be provided to the Board at its next meeting. She highlighted the following:

- The new Galliard short mandate wrapped by Reinsurance Group of America ("RGA") was funded on December 1, 2014, representing approximately 18% of the portfolio.
- With the addition of RGA, the ICP was further diversified with five wrap providers.
- Duration of the portfolio had been shortened by ½ year, with overall duration of the portfolio at 2.52 years.

Mr. Billy Weber proceeded to present Galliard's recommended changes to the ICP Investment Policy and Guidelines ("Guidelines") (Exhibit D-1), which he summarized as follows:

- Administrative clean-up, consisting of replacing references to the prior ICP manager;
- Proposing a book value benchmark (3 year constant maturity treasury yield) to replace the current market value benchmark;
- Changing the minimum quality for contract issuers to A-; and
- Removing the provision regarding the plan's right to discontinue the contract with extended book value settlement.

With respect to change of the minimum quality standard, Mr. Weber noted that A and A- were still investment grade ratings. He also noted that Galliard would present revised Guidelines to the Investment Committee and the Board at their February meetings as a result of the Investment Committee's consideration and discussion of the revised Guidelines at its meeting immediately preceding this Board meeting. He explained that the Investment Committee had tabled the last listed recommendation regarding book value settlement on contract termination in order to obtain additional background information.

IV. Staff Reports

A. Finance

Ms. Debra Roberts presented the agency budget and expenditure report (Exhibit E) as of December 31, 2014. She noted that revenues were \$1,007,937, which was \$34,374, or 3.53%, more than budget. Ms. Roberts noted expenditures of \$773,095, which were \$40,295, or 4.95%, less than budget. She explained each of the favorable and unfavorable variances for the expenditure line. Ms. Roberts stated that the reserve balance as of December 31, 2014 was approximately \$602,045, as compared to a reserve balance of approximately \$609,723 at December 31, 2014. She noted that beginning January 31, 2015, MSRP will temporarily suspend asset fees to reduce the reserve balance to/or near 25% of the FY15 budget appropriation.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), which included (1) Field Department 2014 Activity Report, (2) 2014 Seminar Rating, (3) Field Department Activity History, (4) a sample 2015 New Year's letter for benefit coordinators, (5) samples of several flyers, and (6) a description of the new financial fitness days.

V. Committee Reports

A. Audit Committee

No report at this time.

B. Investment Committee

Ms. Zercoe reported that at its meeting immediately preceding this Board meeting the Investment Committee has approved Segal's proposed revisions to the MSRP Statement of Investment Policy ("IPS"). She noted that the changes to the IPS were intended to incorporate the changes to the investment lineup previously approved by the Board. She noted that the Investment Committee recommended adoption of the revised IPS by the Board. After discussion and upon motion duly made and seconded, the revised IPS was approved.

C. Executive Committee

No report at this time.

VI. Board Secretary's Report

Mr. Halpin noted that the Legislative budget hearings for MSRP were scheduled for February 5 (Senate Budget and Taxation) and February 10 (House Appropriations Subcommittee on Public Safety and Administration). He also noted that the new budget allowance for the agency was complete and that the approved three month Board asset fee holiday would begin with February 2015.

VII. Board Counsel's Report

Ms. Hjortsberg began her report by reviewing the composition of the Board with the members. She noted that the statute provided for a Board comprised of the following: (1) three agency representatives from the Department of Budget and Management, the State Treasurer's Office, the Maryland Higher Education Commission, the Comptroller's Office, the State Retirement Agency, and the Department of Education; (2) three eligible participants from the Plans, including one participant eligible to participate in the 403(b) Plan; and (3) three public members. She noted that the statute provided for the Governor's appointment of each of the Board members such that even the first category was not truly *ex officio*. She also noted that (1) the Chair was also appointed by the Governor from one of the first two categories; (2) the terms of office for all of the Board members was four years; and (3) Board members with expired terms serve until their successors are appointed and qualified. Mr. Halpin noted that the terms for Messrs. Hickey and Wilson were set to expire on July 1, 2015 and that Ms. Foster's term will expire in 2017.

Ms. Hjortsberg next explained that the Maryland Open Meetings Act ("OMA") was amended in 2014 to require each public body to designate an employee, officer or member of the public body to receive training on the requirements of the OMA. After discussion and upon motion duly made and seconded, the Board designated Mr. Halpin to take the training on the requirements of the OMA. Ms. Hjortsberg added that she would submit the required notice of the designation of Mr. Halpin to the Open Meetings Act Compliance Board and that Mr. Halpin would be required to complete the online training within 90 days of the Board meeting.

Ms. Hjortsberg closed her report by noting that she was working with Mr. Halpin to prepare a proof of claim for the Bank of America RMBS Settlement announced by the Maryland Office of the Attorney General.

VIII. Executive Session

None.

IX. New Business

No new business was presented for discussion.

X. Adjournment

A motion to adjourn was entered at 11:00 a.m., seconded, and carried unanimously.