Exhibit A

BOARD OF TRUSTEES FOR THE MARYLAND TEACHERS & STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS MINUTES OF THE March 27, 2017 MEETING

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The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:45 a.m. on March 27, 2017, in Baltimore. A quorum was present.

Members Present
Ms. T. Eloise Foster
Mr. Thomas Brandt, Jr.
Ms. Lynne Durbin
Treasurer Nancy Kopp
Mr. John Lewis
Mr. Wilson Parran
Mr. Johnathan West

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
Mr. Kevin O'Brien, Nationwide
Mr. William Weber, Galliard Capital Management
Ms. Taylor Benson, Galliard Capital Management
Mr. John DeMairo, Segal Marco Advisors
Ms. Vanessa Vargas, Segal Marco Advisors
Mr. Claude Gregory, Financial & Realty Services, LLC
Ms. Jennifer Falcone, T. Rowe Price

I. Chairperson's Remarks

Chairperson Foster opened the meeting by noting that Mr. Halpin had recently been presented with an Eddy award. Mr. Halpin explained that, in partnership, MSRP and Nationwide had received the award from *Pension & Investments* magazine in recognition of the educational outreach of MSRP and Nationwide. He also commended Nationwide on its assistance in preparing the submission for the award.

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 January 23, 2017 (Exhibit A) were unanimously approved, subject to the correction of minor typographical errors.

II. Administrator's Report & Marketing Plan Update

Mr. Dan Wrzesien updated the Board on the "ABC" investment campaign. He noted that the program began in February and that since that time there had been 2,200 one-on-one consultations, 156 participants had enrolled in ProAccount, 196 participants had moved from A (Do It Yourself) to B (Target Date Funds), and 40 employees had enrolled in the Plans. He noted that March 28 would mark the start of eight roadshows around the State, with the first stop in Snow Hill, Maryland.

Mr. Dan Wrzesien next proceeded to the presentation of the Administrator's report for the fourth quarter of 2016 (Exhibit B). He first reviewed the Executive Summary and highlighted the following:

- Current Assets: $3.5 billion
- Total Participants: 66,519
- Enrollments: 994
- Deferrals: $54 million
- Mutual Fund Savings: $2.1 million
- Rollovers-In: 156/$7 million
- Distributions: $64.6 million
- Rollovers-Out: 345/$21.3 million
- Loans: 373 active/$3.7 million
- Hardship/UE: 165

Mr. Wrzesien also highlighted the following achievements and initiatives for the fourth quarter of 2016:

- Nationwide continued to work with an outside vendor to improve the process for updating addresses for participant accounts with "bad" addresses; 2,700 participant addresses were updated in the record keeping system in November 2016.
- PIMCO Total Return Fund was suspended from new investments while TCW Core Fixed Income Fund I Share was made available for contributions and exchanges; Goldman Sachs Large Cap Value Fund was suspended from new investments while Delaware Value Fund Institutional Class was made available for contributions and exchanges.
- Changes were made to the administration of the annual $2,000 asset fee cap so that the entire fee will be taken earlier in the year rather than on a monthly, *pro rata* basis; all impacted participants received notification prior to the change, which took place starting on October 31, 2016.
- Nationwide is reviewing plan guidelines for the unforeseeable emergencies/financial hardships withdrawals process.
- Nationwide is working with Wells Fargo to change the payment process for monthly banking services, as reviewed with and reported to the Board at the end of the presentation.

Mr. Wrzesien returned to key points in the Administrator's Report from the Executive Summary. He noted that, as compared with the fourth quarter of 2015 assets had increased by $200 million, contributions/deferrals had increased by 4%, and rollovers in had increased by 10%. He also noted that enrollments for the year were 3,554, which averaged to 14 enrollments per day and that increases for the year totaled 7,088, which averaged to 28 increases per day.

In reviewing account activity, Mr. Wrzesien noted that there were 66,519 participant accounts at the end of 2016, an increase of approximately 0.75% over the fourth quarter of 2015. For the comparison of distributions and contributions, Mr. Wrzesien noted distributions of $239 million at the end of 2016 represented $8 million less than 2015. He noted contributions for 2016 of $192 million, as compared to $201 million in 2015.

Mr. Wrzesien then proceeded to the marketing updates, stating that the overall plan participation rate was 70.40% of eligible employees (noting again that this number no longer includes participants in payout–presumed retirees), with 43.91% participants actively deferring. He then presented the loan and hardship analysis, noting that there were 2,202 loans in 2016, compared to 2,346 in 2016 and 3,079 in 2014. With respect to hardships, he noted 1,214 approved hardships in 2016, compared to 1,776 in 2015 and 2,647 in 2014. He noted that that the decreases in these numbers could be attributed to educating participants in all available options and that Nationwide was currently tracking the numbers for "repeat offenders" so that it would have hard numbers to report back to the Board.

Mr. Wrzesien reported on rollovers, noting $4.1 million less rollovers out in 2016 ($80.8 million) as compared to 2015 ($84.9 million).

Mr. Wrzesien closed his report by noting that Nationwide had finished 2016 with a Minority Business Enterprise participation rate of 16% on a 15% goal. He noted that

Nationwide expected this rate to increase for January and February with the printing of the ABC campaign materials.

In response to a question from a Board member, Mr. Wrzesien noted that he would add to the report the average deferral rate for participants. It was noted that most of the reasons given for the rollovers out in the Administrator's Report were the same but stated different ways. Mr. Wrzesien agreed and noted that he would like to do a survey to determine more accurate reasons for these rollovers out.

Messrs. Jeffrey Francis and Kevin O'Brien of Nationwide next reported to the Board with respect to the review of banking fee invoices and payments (Exhibit B-1). They noted that Nationwide had performed forensic accounting review of the MSRP bank fee process to ensure that Nationwide had complied with its contractual obligations to pay the bank fees under the Administrator's Agreement between Nationwide and the Board. It was noted that Nationwide was able to trace each monthly fee from January 2008 to the current month through one of four processes, which were outlined on Exhibit B-1 and explained to the Board, and that based on audit evidence, Nationwide was able to conclude that it had paid the bank frees to Wells Fargo and the State's prior banking services provider Bank of America. Ms. Roberts confirmed that these banking fee processes had no impact on the MSRP financials. It was noted that SB & Company, the independent auditors for the Plans, had visited Nationwide's Columbus offices and reviewed the process described in the report, concurred with the process, agreed that it was "muddy" but that SB confident that the forensic team was able to trace every bank fee and determine that every bank fee was paid. In response to questions from Board members, Mr. O'Brien noted that Nationwide was unsure why the payment process had changed during Bank of America's tenure.

III. Investment Advisors' Reports:

A. Segal Marco Advisors ("Segal")

Mr. John DeMario noted that a detailed fourth quarter performance report had been provided during the Investment Committee meeting immediately preceding the Board meeting. He provided a brief, high level comments from the same report (Exhibit C) to the full Board, highlighting the following for the fourth quarter of 2016:

- At December 31, 2016, the Plans had approximately $3.5 billion assets under management.
- The two largest Plans, the 401(k) and the 457 Plans had 48% and 44%, of those assets, respectively, with the remaining assets in the 403(b) and 401(a) Match Plan.
- The three largest holdings in the Plans are the investment contract pool (ICP) (22%); Vanguard Institutional Index (14%) and Fidelity Puritan (7%).
- The top five holdings represent 54% of the total assets of the Plans.
- The contribution pattern for over 75% of the Plans assets are represented as follows: target date funds (TDFs) – 30%; Large Cap Equities – 24%; and Stable Value – 22%.

- PIMCO Total Return Fund was replaced by TCW Core Fixed Income Fund and Goldman Sachs Large Cap Value Fund was replaced by Delaware Value Fund
- American Century Equity Growth – 2016 performance was better than 2015 but recommend that it remain on Watch List.
- Passive funds all performed in line with index.
- Active funds – for the year 3 of 10 outperformed their benchmarks, with the opposite occurring when compared to their peer universe with 6 of 10 that were above median; for the trailing 3-year period, 7 of 10 were above median and for the trailing 5-year period 8 of 10 were above median.
- TDFs – for the year, ranged from 6.7% to 7.7%, with the MSCI World Index at 7.5% for 2016.

Ms. Vanessa Vargas next presented the changes to the Investment Policy Statement (<u>Exhibit C-3</u>). She reviewed the changes presented at the last meeting and also noted that, as requested, language had been added to the IPS to note that the Plans were voluntary participation plans. Upon motion duly made and seconded, the Investment Policy Statement as presented to the Board at the meeting was unanimously approved, subject to the change of "that" to "who" on page 1 of the Investment Policy Statement.

B. <u>Galliard Capital Management ("Galliard")</u>

Ms. Taylor Benson provided the fourth quarter performance report for the period ended January 31, 2016 (<u>Exhibit D</u>), noting that a more detailed report had been provided to the Investment Committee at the meeting immediately preceding the Board meeting. She highlighted the following:

- For all time periods presented, the portfolio had outperformed its benchmark (reminding the Board that the benchmark had changed to a book value benchmark).
- Assets under management (AUM) were $775 million.
- Duration was 3.03 years.
- Market-to-book ratio was 99.78.
- The monthly declared rate (net of fees) was 1.69%.
- Portfolio construction – 59.1 % short duration (Galliard and JP Morgan); 39.5% intermediate duration (Barings, Earnest and TCW); and 1.4% cash

Ms. Benson then reviewed the underlying manager performance in the ICP for the quarter, noting the following for the one year period ended December 31, 2016:

- Galliard – +0.76% above benchmark
- JP Morgan – -0.12% below benchmark
- Earnest Partners – - 0.41% below benchmark
- Barings (*f/k/a Babson*) – +0.73% above benchmark (overweight to credit)
- TCW (*replacing PIMCO in June*) + 0.30% above benchmark

Ms. Benson noted that defensively positioned managers underperformed the one year returns.

Ms. Benson noted that Galliard had reduced fees from a weighted average of 23 basis points (bps) to 10 bps during its tenure as advisor to the ICP. With respect to which she noted that it was a constant battle with the wrap fees, which currently stand at 20-21 bps but that over time Galliard thought fees could settle out in the high teens. She noted that the wrap capacity had improved, which does allow the firm to better negotiate on terms and fees with the providers.

IV. Staff Reports

A. Finance

Ms. Debra Roberts presented the agency budget and expenditure report (Exhibit E) as of February. She noted revenues of $1,496,623, which were $265,355, or 21.55% more than budget. Ms. Roberts noted that expenditures were $1,115,740, which are lower than budget with a variance of $60,658 or 5.14%. She explained each of the favorable and unfavorable variances for the expenditure lines. She noted a reserve balance as of February 28, 2017 of $702,897. It was noted that the goal for the reserve balance was 25% of the agency's appropriation, which was set forth on the last slide of Exhibit E.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), which included the following Spring seminar flyers:

- Building Wealth 101
- First Steps to Retirement Planning
- Investment Approach ABC

Mr. Holcomb also provided a list of MSRP Team visits to the various State agencies in Montgomery County.

V. Board Secretary's Report

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

- **Legislative Issues; Budget Hearings**. Mr. Halpin noted that there was no legislation directly affecting MSRP. He stated that the budget hearings had gone well.
- **Request for Proposals for Investment and Pension Consultant**. Mr. Halpin noted that the RFP had been issued on March 13, 2017, with proposals due April 27 and that a recommendation for the Board was expected in early July. He further noted that Segal's contract had been extended through August. Mr. Halpin noted that volunteers from the Board were needed to serve on the Evaluation Committee.

VI. Board Counsel's Report

No report.

VII. Adjournment

A motion to adjourn was entered at 10:55 a.m., seconded, and carried unanimously.