



Exhibit A

**BOARD OF TRUSTEES FOR THE  
MARYLAND TEACHERS & STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS  
MINUTES OF THE May 31, 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 9:40 am on May 31, 2011 in Baltimore. A quorum was present.

BOARD OF TRUSTEES

T. Eloise Foster  
*Chairperson*

Sabrina Bass  
Nathaniel H. Byrd, III  
Nancy K. Kopp  
Linda Tanton, Esq.  
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  
[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  
Mr. Nathaniel Byrd  
Treasurer Nancy Kopp  
Ms. Linda Tanton  
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  
Ms. Claudia Gulick, Nationwide Retirement Solutions  
Mr. Andrew Ness, Mercer Investment Consulting  
Mr. Jeffrey Boucek, Mercer Investment Consulting  
Mr. David Berg, DB Advisors  
Mr. John Axtell, DB Advisors  
Mr. Philip Harris, Financial Integrity Resources Mgt.  
Ms. Jeanette Hernandez Harris, Financial Integrity Resources Mgt.  
Ms. Jeanette Mora, Financial Integrity Resources Mgt.  
Mr. Dylan Baker, Dept. of Legislative Services  
Mr. William Seymour, SB & Company, LLC  
Mr. Chris Lehman, SB & Company, LLC  
Mr. Graylin Smith, SB & Company, LLC

I. Chairperson's Remarks

- A. Employee Recognition – Chairperson Foster began the meeting by noting that the Governor had designated May as recognition and appreciation month for State employees. Ms. Foster noted that Board employee Janet Wilt had recently completed 10 years of service with MSRP. Board members joined Ms. Foster in expressing thanks and appreciation for this service.
- B. The minutes of the Board meeting held on February 28, 2011 were unanimously approved (Exhibit A).

II. Comprehensive Annual Financial Report

Mr. Seymour of SB & Company presented the audit results included as part of the 2010 Comprehensive Annual Financial Report (CAFR) (Exhibit G), and distributed Exhibit G-1 as supplemental material for the report. He described the scope of services for SB & Company: audits of the financial statements for each of the Plans; assistance in production of the CAFR; and certain agreed upon procedures that test the accuracy of individual participant account records. He noted that the firm opinion on the financial statements was “clean”, i.e., was issued without exception on a material item. He also stated that the audit did not reveal any significant weakness in internal controls, and that his firm received the full cooperation of plan management during the audit.

Mr. Seymour then gave a brief summary of the statements, and described certain changes in presentation made at the suggestion of the Government Finance Officers Association. He concluded his report with a summary of certain “Generally Accepted Auditing Principals” required communications relating to the scope of auditing opinions (Exhibit G-1, pp. 6-8).

Ms. Roberts then gave a summary of the CAFR and its component parts, briefly noting the changes made from the 2009 CAFR. She also distributed certain supplementary substitute pages that had minor corrections (Exhibit G-2). She reminded the Board that MSRP will be submitting the 2010 CAFR to GFOA under their Certificate of Excellence program, and she concluded her presentation with a note that the CAFR had received full legal and staff review. She recommended that the Board adopt the report and its financial statements.

Mrs. Tanton then moved that the Board adopt the CAFR, including the Plan financial statements. The Motion carried unanimously.

III. Administrator's Report & Marketing Plan Update

Mr. David Belnick presented the Administrator's report covering plan activity for January – March, 2011 (Exhibit B). He noted the following highlights:

- A measurable increase in assets due to investment gains and a slight uptake in contributions (p. 1).
- A slight reduction of contributions allocated to the ICP.
- Retirement consultation statistics (p. 11).

- A discussion of participation rates and an update to the number of eligible employees (p. 42).
- Loan and hardship statistics (p. 45).
- Trends in rollovers into and out of the Plans, including an increase in rollover amounts from the State Police “Drop” plan.
- MBE contractor utilization.
- Statistics on actual use of the recently introduced online retirement planning tool (368 participants logged on; of this number 307 completed the program).
- Number of Roth accounts created during the first 3 pay periods (101).
- The Quarterly Statement Review (Exhibit B-1): an explanation and detailed guide to the information contained in a participant’s quarterly statement.

Mr. Belnick concluded the report with a summary of two recent administrative events. He noted that the 457 plan maintains a life insurance option that had been closed to new enrollment for several decades. The option has a total of 250 contributing participants. It was recently discovered that NRS had been collecting payroll contributions from 5 participants for policies that had lapsed; in other words, he explained, NRS collected the premium amounts, forwarded them to the insurance company (UNUM) and the insurance company (through its error) retained the funds. The company had recently notified NRS of this error and refunded the amounts. NRS then personally contacted all 5 participants and notified them of the refunds, which included an additional credit of 5% interest. The refunds ranged from \$715 to \$3,050.

Mr. Belnick apologized for the error but noted that the affected participants were very appreciative of the NRS refund efforts. He attributed the error to long periods of difficult administrative relationships with UNUM that made it difficult to acquire timely and accurate policy information, and concluded by noting that NRS was upgrading its systems for insurance policy data.

The second event was the temporary incorrect accrual of income for ICP participants during the month of May, due to an input error that, for several weeks, credited a higher rate of interest than was payable. This error would have been invisible to participants with no ICP transaction or balance inquiries, but persons who had made such inquiries would receive a 2<sup>nd</sup> quarter statement that showed an account value less than the previously shown amount. He reported that the amount of over-reporting was \$1.93 for each \$10,000 of ICP account value, and the largest ICP account required a \$443 adjustment. He stated that all ICP participants will receive a special explanatory notice of the event, and that rate setting procedures had been shifted within NRS to reduce the likelihood of similar errors in the future. Mr. Belnick requested permission to personally contact participants with significant ICP balances to offer explanations and answer questions. After discussion members agreed by consensus that this was appropriate for accounts with an error amount greater than \$100.00.

Ms. Jeannette Mora then reported on F.I.R.M. activities (Exhibit B-2). She noted that the second quarter marked the full introduction of F.I.R.M. performance of the retirement consultation component of Plan administrative services. She stated that F.I.R.M. personnel had attended most of the recently concluded benefit fairs, and seen close to

1,000 employees. She described training and transition activity in January and February, noted this was largely completed, and emphasized the importance of the “Team MSRP” approach and message.

IV. Investment Advisors’ Reports:

A. Mr. Boucek of Mercer presented the first quarter performance report (Exhibit C). He offered brief comments on the markets and the economy; the status of the watch list (p. 25); the recent management changes at Goldman Sachs (p. 29) and generally good performance by most plan investment options.

B. Mr. Axtell of DB Advisors presented the ICP performance report for the first quarter (Exhibit D). He noted the following highlights:

- A drop in the crediting rate from March (2.55) to April (2.24) produced by tighter guidelines from the wrapper providers and shortening of portfolio duration.
- Trends in wrapper contract requirements (p. 4) including reduction of market share from banks, and increase of market share for insurance companies.
- Some unwillingness of wrapper providers to write contracts wrapping smaller investment firms as managers. He noted that this may affect the ability to use Goode Investment Management as a manager in the program.
- The observation that most of the underperformance by the ICP over the last 5 years was due to poor performance in 2008-2009 by the two replaced managers, Aberdeen and WAMCO.

IV. Staff Reports

A. Finance Office

Ms. Roberts delivered the finance reports attached as Exhibit E & E-1. She noted that expenditures and revenue were in line with previous projections.

B. Field Staff

Mr. Holcomb presented the report attached as Exhibit F.

V. Committee Reports

A. Audit Committee

See Section I.

B. Investment Committee:

No report at this time.

VI. Board Secretary’s Report

Mr. Halpin noted the following points (Exhibit H):

- A welcome to new employee Barbara Clark.
- A suggested business plan for 2012 fiscal year.
- An upcoming, favorable share class change for the Vanguard mid-cap index fund.

- A suggested meeting schedule for 2011 and 2012
- Generally smooth introduction of the Roth account.

He suggested that an Executive Session was appropriate to discuss the status and detail of the competing proposals for Investment Manager of the ICP.

VII. Board Counsel's Report  
None.

VIII. Executive Session

The Board unanimously agreed to an Executive Session to discuss confidential procurement matters as authorized under State Government Article §10-508(a)(14). The Executive Session began at approximately 12:00 pm.

At 12:25 pm the Board concluded its Executive Session. The Chairman announced that no specific action had been taken, but that an additional Executive Session by conference call was likely.

IX. New Business

No new business considered.

X. Adjournment

A motion to adjourn was entered at 12:10 pm, seconded, and carried unanimously.