



Exhibit A

**BOARD OF TRUSTEES FOR THE  
MARYLAND TEACHERS & STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS  
MINUTES OF THE November 21, 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 9:45 am on November 21, 2011 in Baltimore. A quorum was present.

BOARD OF TRUSTEES

T. Eloise Foster  
*Chairperson*

Sabrina I. Bass  
Nathaniel H. Byrd, III  
Thomas P. Hickey  
Nancy K. Kopp  
Wilson H. Parran  
Linda L. Tanton, Esq.  
Christina W. Wyskiel  
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  
Mr. Thomas Hickey  
Treasurer Nancy Kopp  
Mr. Wilson Parran  
Ms. Linda Tanton  
Christina Wyskiel

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. Brenda Anderson, Nationwide Retirement Solutions  
Mr. David Myers, Nationwide Retirement Solutions  
Mr. Paul Pfeiffer, Nationwide Retirement Solutions  
Mr. David Berg, DB Advisors  
Mr. John Axtell, DB Advisors  
Ms. Lucille Douglas, DB Advisors  
Mr. John DeMairo, Segal Advisors  
Ms. Emily Boccuzzi, Segal Advisors  
Mr. Cathie Eitelberg, Segal Company  
Mr. Philip Harris, Financial Integrity Resources Mgt.  
Ms. Jeanette Hernandez-Harris Financial Integrity Resources Mgt.  
Ms. Avella Collins, Financial Integrity Resources Mgt.

I. Chairperson's Remarks

The Chairman called the meeting to order and introduced new Board member, Christy Wyskiel. The minutes of the conference call meetings and regular meeting of the Board of Trustees held on September 7, 2011, August 22, 2011, and June 17, 2011 were unanimously approved (Exhibits A, A-1 & A-2, respectively).

II. Administrator's Report & Marketing Plan Update

Mr. Belnick introduced David Myers of Nationwide Retirement Solutions, Columbus. Mr. Myers is assuming the responsibilities of Claudia Gulick (retired) for Maryland plan administration, Columbus.

Ms. Brenda Anderson of NRS gave a brief presentation on the overall financial health of the Nationwide Companies (Exhibit B-2 & B-3), followed by a brief discussion among the members. The Treasurer asked for more information on property and casualty coverage (including possible limitation of coverage) in coastal areas; Ms. Anderson agreed to supply additional detail.

Mr. Belnick then delivered the 3<sup>rd</sup> quarter Administrator's (Exhibit B). He began the report by noting the generally poor investment returns for the quarter. This decline in equity market values (\$258 million for the quarter), coupled with some transfer activity, had increased the percentage of plan assets allocated to the ICP, even though payroll deduction contributions to the ICP had declined. Mr. Belnick continued his discussion of general trends with notes on:

- Call volume was up 80% in the quarter, due to the volatile and declining market.
- The 2<sup>nd</sup> and 3<sup>rd</sup> quarter had shown some increase in new enrollments.
- A decline in total contributions, largely due to the suspension of the match contributions. Distributions are running slightly ahead of contributions on a yearly basis.
- A very slight increase in the participation rate, produced by an increase in new enrollments, and a decrease in "decrease/suspension" activity.
- Continued strong activity in loans, with an estimate of 2,600 loans for the year.
- Continued reduction in hardship distributions – e.g., 1,200 in 2010, estimated 400 in 2011. He also noted that an express hardship procedure had been used for hurricane damage attributable to Hurricane Irene.
- Continuing increases in contribution allocations to the target date funds.
- The 3<sup>rd</sup> quarter rollover report (Exhibit B, p. 46) shows an increase for both rollovers out and in compared to 2010.

Mr. Harris of Financial Integrity Resources Management (F.I.R.M.) continued the report and noted two ongoing F.I.R.M. initiatives: a study of participant rollover activity to improve understanding of the factors that drive such activity; and improved communication to participants on the various roles and responsibilities of the retirement counselors, MSRP field representatives and NRS field representatives.

Ms. Arvella Collins then presented the F.I.R.M. activity report (Exhibit B-1) describing the rate and tenor of participant contact with the retirement counselors during the 3<sup>rd</sup> quarter.

III. Investment Advisors' Reports:

B. Mr. John Axtell of DB Advisors presented the 3<sup>rd</sup> quarter report for the ICP (Exhibit C). He noted the following points:

- Both the crediting rate and the market-to-book ratio are trending slightly upward, driven by the rally in fixed income investments.
- Sub-manager performance in the 3<sup>rd</sup> quarter is slightly down compared to benchmark (JP Morgan -0.15%, Goode -0.29%, HIMCO -0.56%), with some outperformance by PIMCO (0.43%).
- Net participant cash flow (transfers in, less transfers out) for the quarter was plus \$15.5 million; Mr. Axtell attributed this to increased volatility in the equity markets.
- The joint Commodity Futures Trading Commission and Securities and Exchange Commission (CFTC/SEC) study on wrapper contracts as derivative contracts was still ongoing.
- The ICP had acquired a new \$9 million GIC with the Principal Life insurance company during the 4<sup>th</sup> quarter.
- Work continued on the restructuring of the ICP to deal with the constrained capacity of the industry, continued push for changes in wrapper terms/structure, and the potential withdrawal from the market of certain existing Maryland ICP wrap providers. He noted the likely shift to a more insurance-based product and exploratory talks with Mass Mutual, Prudential, and Metropolitan. He also noted that the current wrap provider for Goode Investment Management (Goode), Royal Bank of Canada, was a likely candidate for termination, and that DB Advisors has been unable to find a wrapper provider who will consent to wrap Goode as an underlying manager. He attributed this to the ongoing tightening of standards by internal risk management departments, and a disinclination to use small management companies. Several members urged Mr. Axtell to make every effort for continued MBE participation in ICP management. In response to inquiries by Ms. Foster he noted that there was no explicit deadline imposed by the existing wrapper issues and that he expected the transition to go smoothly. The discussion concluded with a question from Mr. Byrd on whether DB had explored contracts with Transamerica. Mr. Axtell noted that Transamerica participated in the wrapper market through affiliates Aegon/Monumental, and the ICP had a contract with Monumental and expected the relationship to continue.

He concluded the report by noting that the head of fixed income for HIMCO had left the firm for personal reasons. Mr. Axtell did not expect adverse difficulties for the ICP from this change but a due diligence session with HIMCO was on the schedule, and appropriate inquiries would be made.

B. Mr. John DeMairo of Segal Advisors presented the 3<sup>rd</sup> quarter report (Exhibit D)—the first report by Segal under their contract effective November 1, 2011. He thanked the Board for their selection of Segal and introduced two other members of the Segal team on the contract: Ms. Cathie Eitelberg, the head of Segal's government practice and Ms. Emily Boccuzzi, a senior associate in the New York office.

After brief comments on trends in the economy, he noted the following points on markets in general and Maryland funds in particular:

- Cash flow trends were out of equities and into fixed income (p. 5).
- A brief explanation of the underperformance of Growth Fund of America and Goldman Sachs Large Cap Value fund (p. 6) - (Both funds tend to track countercyclical to their benchmark).
- PIMCO Total Return underperformed in the quarter but remained a high performance fund over long periods.
- Fidelity Puritan underperformed in the quarter, due to overweight in equities and some high yield exposure.
- The Plan activity report (p. 16) showed a net decline of \$260 million for the quarter with only the ICP producing positive returns. The asset distribution between fixed and equities was about 50-50, which he described as typical for a plan of this size.
- The plans show significant use of index funds, if the ICP and frozen Nationwide annuity are removed from the equation.
- A stable value index benchmark will be added to future reports.
- The Goldman Sachs Large Cap Value fund was graded C by Segal because of the combination of fees and performance.
- The Parnassus Equity Income fund has done very well in recent years.
- Detail on the Growth Fund of America is provided in the supplementary focus report (Exhibit D-1).
- He offered the general conclusion that the Growth Fund of America fund has tended to outperform its benchmark during value cycles even through it is a large cap growth fund. Current underperformance was therefore less of an immediate concern. Monitoring should continue but Segal was not recommending removal of the fund at this time.
- Favorable comments on the Neuberger Berman Partners fund, noting that analysis should take into consideration longer term positive results, even if this positive performance occurs during periods different from the benchmark;
- He concluded his remarks with brief and favorable comments on the T. Rowe Price target date funds.

#### IV. Staff Reports

##### A. Finance

Ms. Roberts distributed Exhibit E, the budget report for the 4 month period ending October 31<sup>st</sup>. She offered brief comments on trends and noted that expenditures for the period were less than the budget.

##### B. Field Services

Mr. Holcomb presented the report on 3<sup>rd</sup> quarter field activity (Exhibit F). He noted the recent successful Savings Expo programs in Baltimore and Annapolis and thanked the Chairman and the Treasurer for appearing and speaking at these events.

C. Operations & Technology

Mr. Arthur spoke briefly on the computer server replacement project which had been in the works for the same time. He noted with regret that the successful bid was \$20,000 over budget, but that otherwise the project was proceeding on schedule and as planned. The State IT department had approved the proposal. He offered the view that the excess amount was within reason and did not justify cancelling the replacement or making a significant modification to the long range procurement. A budget amendment was pending on the necessary excess expenditure and actual purchases would make use of the State's Master Contracts for such equipment.

V. Committee Reports

A. Audit Committee

No report at this time.

B. Investment Committee

No report at this time.

VI. Board Secretary's Report

Mr. Halpin noted the two recent awards received at the NAGDCA convention: an award for Plan Design – Implementation of Roth accounts; and an award of distinction for activity related to National Save for Retirement Week (2010 Savings Expo). He distributed a fee/revenue projection report that projected reserve fund balance over several different asset growth and contribution projections. He noted that even with the negative quarter and various conservative projections, the Board was still projected under these forecasts to meet reserve targets by the end of 2013. He was therefore not recommending a fee adjustment at this time (Exhibit G).

VII. Board Counsel's Report

Mr. Barry presented a resolution adopting the restated plan documents previously distributed to members (Exhibit H). He gave a description of the drafting and review process, and described the amendments as largely technical in nature.

A brief discussion ensued and the Chairman suggested that some members might appreciate a brief additional review period for the lengthy documents. Members agreed by consensus to schedule a telephone meeting in mid-December to vote on the resolution of adoption.

VIII. Executive Session

Mr. Halpin suggested that a brief Executive Session was appropriate to discuss the status of the pending procurement for audit/accounting services. The vote to conduct such a session passed unanimously.

At 12:18 pm the Board resumed open session. Chairperson Foster noted that no action had been taken during the Executive Session.

IX. New Business

No new business considered.

X. Adjournment

A motion to adjourn was entered at 12:20 pm, seconded, and carried unanimously.