



**Exhibit A**

**BOARD OF TRUSTEES FOR THE  
MARYLAND TEACHERS & STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS  
MINUTES OF THE August 23, 2010 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 August 23, 2010 in Baltimore. A quorum was present.

**BOARD OF TRUSTEES**

T. Eloise Foster  
*Chairperson*

Sabrina Bass  
Robert W. Black, Jr., CPA  
Nancy K. Kopp  
Linda Tanton, Esq.  
William W. Whitescarver  
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. Robert Black  
Ms. Linda Tanton  
Mr. William Whitescarver  
Ms. Marcia Zercoe  
Dr. A. Melissa Moye (Representing Treasurer Nancy Kopp)

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. James Rabenstine, Nationwide Retirement Solutions  
Mr. Andrew Ness, Mercer Investment Consulting  
Mr. Craig Metrick, Mercer Investment Consulting  
Mr. Jeffrey Boucek, Mercer Investment Consulting  
Mr. John Axtell, DB Advisors  
Mr. David Berg, DB Advisors  
Ms. Lucille Douglas, DB Advisors  
Mr. Philip Harris, Financial Integrity Resources Mgt.  
Ms. Theda Jackson, Financial Integrity Resources Mgt.  
Mr. Dylan Baker, Department of Legislative Services

I. Chairperson's Remarks

The minutes of the Board meeting held on May 24, 2010 were unanimously approved (Exhibit A).

II. Administrator's Report & Marketing Plan Update

Mr. Belnick of NRS delivered a summary of the Administrators Report for the 2<sup>nd</sup> Quarter (Exhibit B) and emphasized the following items:

- Assets, while down in the quarter, are up compared to last year. Contributions are up slightly from 2009.
- There has been a significant increase in roll-ins, i.e., transfers into the plan from other plans or from I.R.A.s.
- Asset Allocation trends are similar to previous reports – assets in the target date funds continue to increase.
- The new E-Z enrollment form is working well; benefit coordinators are particularly enthusiastic about the form because it simplifies their explanation of MSRP to new employees.
- Retirement meetings continue with a strong increase in retirement consultations – over 1,700 in the second quarter.
- Pages 44 and 45 of the report, with statistics on loans, hardships, suspensions and reductions of contributions.
- Subcontracting plans for the “Personal Retirement Counselors” function of NRS’ administrative responsibility. Mr. Belnick reported that NRS had decided to move this function – including employees – to Financial Integrity Resources Management (“FIRM”) an MBE contractor, effective, January 2011. Under this program the individuals performing this aspect of participant service will be employees of FIRM and will be jointly trained and supervised by both companies. Members questioned Mr. Belnick on whether this transition will be accomplished without reductions in the quality of service to participants; Mr. Belnick expressed personal and company confidence in the relationship between NRS and FIRM. The Chairperson concluded the discussion of this item by stressing the importance of MBE goals for all State agencies, including MSRP.

Ms. Theda Jackson of FIRM concluded the Administrator’s report with a brief summary of company activity (Exhibit B-1). She indicated that survey results from recent field activity were similar to previous reports.

III. Investment Advisor's Report:

A. Mr. Axtell of DB Advisors delivered the report for the 2<sup>nd</sup> quarter (Exhibit D) and discussed the following points:

- Wrapper fees were trending upward to a range of 20 to 25 basis points.
- Performance was reasonable to good, with the market value to book ratio exceeding 100%.
- The percentage of the pool allocated to U.S. treasury securities had increased.

- The Whitescarver memo of 6/28/10 (Exhibit D-1) discussing ongoing trends and changes in the wrapper contracts.
- A brief summary of recent legislation (Dodd-Frank) relating to wrapper contracts and derivative regulation. Mr. Axtell was hopeful that the legislation would not have negative effects on the wrapper market.

The report concluded with a brief discussion among the members on the effect of interest rate changes and rising fees on the ICP.

- B. Mr. Metrick of Mercer Investment Consulting began the presentation with a search report on socially responsible funds (Exhibit C-1). He gave a summary of the presentation made earlier that morning to the Investment Committee and emphasized a number of points comparing index and active management. Members engaged in a brief discussion of these matters following his report.

Mr. Boucek of Mercer Investment Consulting then delivered the regular 2<sup>nd</sup> quarter investment performance report. He emphasized the following points:

- General uncertainty across markets and an economy that showed continuing weakness.
- A recent Mercer review of PIMCO (appendix, Exhibit C); this review affirmed PIMCO's quality rating.
- Recent performance for the Neuberger Berman fund is poor compared to the benchmark, but Mercer was not recommending that the fund be put on the watch list.
- Mercer recommended (Exhibit C, p 22) that the two funds on the watch list (Goldman Sachs Large Cap Value fund and Invesco Van Kampen Mid Cap Growth fund) be taken off the watch list, because (as discussed with the Investment Committee that morning) conditions that caused their inclusion were satisfied.
- Overall performance by most MSRP funds was less than benchmark for the quarter, but above benchmark when measured against longer periods. He offered the view that analysis of the longer term performance was most appropriate in light of the high recent market volatility.

#### IV. Staff Reports

##### A. Finance Office

Ms. Roberts reviewed the budget analysis for the second quarter (Exhibit E) and distributed Exhibit E-1, the proposed fiscal 2012 MSRP budget. There was a brief discussion of miscellaneous items in the budget, and Ms. Roberts assured the Members that expenditures were being controlled to priority needs. Ms. Roberts also noted that the recent 50¢ a month fee was assisting the Board goal of increasing the level of the reserve for unexpected expenditures. She commented that staff does not anticipate the reserve balance to grow sufficiently during FY2011 to meet the 25% reserve target.

B. Field Staff. Mr. Holcomb delivered the report attached as Exhibit F.

V. Committee Reports

A. Audit Committee

No report at this time.

B. Investment Committee:

Mr. Whitescarver reported on the Committee activity at its meeting that morning. On behalf of the Committee he recommended that the Board add the Parnassus Equity Income Fund (Exhibit C-1, p 31-33) to the menu of investment options. He described the Committee consensus behind the recommendation and Committee preference for active management for this type of investment. On motion of Mr. Whitescarver, Dr. Moye second, the recommendation was unanimously approved.

Mr. Whitescarver next affirmed that the Committee agreed with the Mercer report, and recommended that the Goldman Sachs Large Cap Value fund and the Invesco Van Kampen Mid-Cap Growth fund be removed from the watch list. On Motion of Mr. Whitescarver, Ms. Bass second, this action was unanimously approved.

VI. Board Secretary's Report

Mr. Halpin offered the report attached as Exhibit G. There was a brief discussion of the upcoming Saving\$ Expo and recent revisions of participant communication materials. Mr. Foster noted the ongoing legislative interest in social choice funds, and requested that Mr. Halpin reach out to delegates that had expressed an interest in this type of investment.

VII. Board Counsel's Report

Mr. Barry reported that the Invesco distribution plan was proceeding smoothly.

VIII. Executive Session

None.

XI. New Business

No new business considered.

IX. Adjournment

A motion to adjourn was entered at 12:01 pm, seconded, and carried unanimously.