Exhibit A

BOARD OF TRUSTEES FOR THE MARYLAND TEACHERS & STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS MINUTES OF THE September 8, 2014 MEETING

MSRP

Maryland
Teachers & State Employees
Supplemental Retirement Plans

William Donald Schaefer Tower
Suite 200
6 Saint Paul Street
Baltimore, Maryland
21202-1608

Telephone: 410–767–8740
Toll-Free:: 1–800–543–5605

TTY: Use 711 in Md.
Or 1–800–735–2258

Fax: 410–659–0349

Visit the MSRP Board website at
http://.MSRP.maryland.gov

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The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:40 a.m. on September 8, 2014 in Baltimore. A quorum was present.

Members Present
Ms. T. Eloise Foster
Ms. Sabrina Bass
Ms. Margaret Bury
Mr. Nathaniel Byrd
Mr. Thomas Hickey
Mr. Wilson Parran
Ms. Marcia Zercoe

Representatives and Guests
Mr. Michael Halpin, Staff
Ms. Lara L. Hjortsberg, Board Counsel
Ms. Debra Roberts, Staff
Mr. Richard Arthur, Staff
Mr. Louis Holcomb, Staff
Ms. Anna Marie Smith, Staff
Ms. Bernadette Benik (*representing Treasurer Kopp – by phone*)
Mr. David Belnick, Nationwide
Ms. Brenda Anderson, Nationwide
Mr. Dan Wrzesien, Nationwide
Mr. John DeMairo, Segal Rogerscasey
Ms. Emily Boccuzzi, Segal Rogerscasey
Ms. Wendy Carter, Segal Rogerscasey
Mr. William Weber, Galliard Capital Management
Ms. Taylor Benson, Galliard Capital Management
Mr. Claude Gregory, Financial & Reality Services, LLC
Mr. Philip Gallegos, Department of Budget and Management
Mr. Michael Rubenstein, Maryland General Assembly

I. Chairperson's Remarks

Upon motion duly made and seconded, the minutes of the regular meeting of the Board of Trustees held on May 19, 2014 (Exhibit A) were approved, subject to a clarifying change to the wording in the second to the last bullet point on page 4 ("red/wrong" changed to "underperformed").

II. Administrator's Report & Marketing Plan Update

Before beginning the Administrator's Report, Mr. David Belnick introduced Ms. Brenda Anderson, who announced to the Board that Nationwide was changing its branding and, effective September 2, 2014, aligning all of the entities under one Company name – Nationwide.

Mr. David Belnick then proceeded to deliver the Administrator's Report for the second quarter of 2014 (Exhibit B). He began the report with the administrative portion of the report, noting that total assets as of June 30, 2014 were $3.3 billion, representing nine consecutive quarters of growth in the Plans. As compared to the second quarter of 2013, deferrals increased by approximately $¼ million; rollovers out decreased significantly from $24.9 million to $18.9 million; but transfers in also decreased by almost $1 million. Mr. Belnick attributed this overall positive performance to significant financial outreach by MSRP staff and Nationwide explaining the quality of the investments in the Plans. Mr. Belnick also noted a sharp increase in the Other Withdrawals line item of the summary report. He explained the withdrawal reasons that make up the line item (including death, disability, hardship, loans, qualified domestic relations orders, required minimum distributions and service credits), directed the Board members to page 53 of the Nationwide report for an analysis of withdrawals, and reviewed the amounts associated with each reason that contributed to the increase of this line item.

Mr. Belnick noted that Nationwide was preparing an analysis of the annual leave contributions to the Plans. He noted that through August, Nationwide had processed more of these contributions than for all of 2013, with 326 such transactions processed, accounting for $3.6 million in contributions to the Plans. Mr. Belnick attributed this success to education during the Benefit Coordinator Academies, which included information regarding this option for annual leave payouts at separation from service. In response to questions, Mr. Belnick also explained to the Board the process by which participants are transitioned from retirement specialists to PRCs (personal retirement counselors). He noted that the PRCs help participants develop a plan, which includes completion of a budget, minimizing debt, completing a spend worksheet and using a gap analysis tool. He explained that one of the pieces used by the PRCs is an explanation of the option to defer annual leave into the Plans.

Mr. Belnick then reviewed the allocation of assets and contributions in the Plans, noting a shift in asset allocation from fixed income options to equities, with both large cap options and target date funds (TDFs) increasing by 1.7% and bonds and fixed income options decreasing by 1.3% and 4%, respectively, from the second quarter of 2013 to the second quarter of 2014. He noted the same trends with respect to contributions. He stated that for the first time, ongoing contributions to the TDFs exceeded 25%. Mr. Belnick then reviewed the mutual fund reimbursements for the second quarter and year-to-date, noting that $500,032 had been returned to participants, representing an increase of $268,000 from the second quarter of 2013. He attributed the increase to asset growth in the TDFs.

Mr. Belnick continued to participant account activity, noting that there were 757 new enrollments in the second quarter of 2014, the largest number of new enrollments experienced by the Plans since 2009 and the fourth quarter of growth for ending participants. He also noted that there was a decrease in the number of accounts that are receiving deferrals as compared to the second quarter of 2013 but an increase in the number of such accounts as compared to the first quarter of 2014. He explained that the same was true with respect to the number of participants. Mr. Belnick noted a slight increase ($595,000) in distributions from the Plans in the second quarter of 2014 as compared to the same quarter in 2013. He noted that contributions were on pace to be $6 million less than in 2013 and that there was a year-to-date outflow of $29 million.

Mr. Dan Wrzesien continued with the marketing review for the Plans, stating that the overall plan participation rate was 73.92% of eligible employees, with 43.64% participants actively deferring. He noted 4,118 year-to-date increases, which represented an increase of 42% as compared to the same period for 2013. Mr. Wrzesien noted in the service summary that decrease and suspension activity had both remained relatively flat, with 327 decreases and 269 suspensions in the second quarter of 2014 as compared to 335 and 272, respectively, for the same quarter in 2013. Mr. Wrzesien then presented the loan and hardship analysis, noting 1,369 year-to-date loans totaling $13.7 million. He stated that there were 4,918 active loans which totaled $35 million. For hardship withdrawals, Mr. Wrzesien noted 1,226 year-to-date hardships, which amount was trending to 2,452 for the year, as compared to 2,647 for 2013. He stated that the largest dollar amounts for hardship withdrawals were for foreclosures and evictions.

Mr. Belnick then provided the field update and rollover report for the quarter. He stated that rollovers out of the Plans had decreased in both number (774 rollovers out during the first six months of 2014 as compared to 990 during the first six months of 2013) and dollar amounts ($39.3 million in the first six months of 2014 as compared to $44.9 in the first six months of 2013) but that rollovers into the Plans were 29 fewer in number and approximately $1.8 million less than the first six months of 2013. He closed his report by noting an MBE participation rate of 14% for the year to date, which he expected to increase to 15% in the third quarter of 2014.

III. Investment Advisors' Reports:

A. Segal Rogerscasey ("Segal")

Mr. John DeMairo introduced Ms. Wendy Carter, who had joined Segal earlier in the year. He noted that Ms. Carter had worked with MSRP in the past and would be working with Ms. Boccuzzi on the planned Board education session in October.

Ms. Boccuzzi then presented the second quarter performance report (Exhibit C). After providing an overview of the market performance for the second quarter, Ms. Boccuzzi highlighted the following points:

- There were no significant changes in asset allocation or contributions allocations from the first quarter of 2014.

- The 403(b) Plan accounted for the highest equity allocations at 56%.
- The split between active and passive options remained close to two-thirds/one-third, at 63% and 37%, respectively.
- The top five holdings in the Plans were the Investment Contract Pool ("ICP") (24%), Vanguard Institutional Index (13%), Fidelity Puritan (8%), Vanguard MidCap Index (5%) and Goldman Sachs Large Cap Value (5%); together with the TDFs, the top six Plan holdings represented 68% of total Plan assets.

Ms. Boccuzzi reviewed the red light/green light analysis and individual fund performance for the investment options. The Board members received a corrected version of the performance report following the meeting, as a production error caused the complete information to be left out of the report presented at the meeting. During the presentation, Ms. Boccuzzi noted risk/return both in the "red" for the Goldman Large Cap Value, American Funds Growth Fund of American and Morgan Stanley Institutional Trust but stated that Segal was not concerned at this point and would continue to monitor performance for these funds. She noted changes to the investment professional teams for the value funds at Goldman and T. Rowe Price but stated that these changes did not warrant fund changes or watch list designation. In closing, she noted the T. Rowe Price had added a 2060 Fund to the TDF platform.

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

Ms. Taylor Benson updated the Board regarding Galliard's management of the ICP. She noted that Galliard had been managing the ICP for six months. She reviewed Galliard's near- and longer- term goals with the Board:

- Add a sleeve (20%) that is managed by Galliard and wrapped by Reinsurance Group of America; (anticipated end of 2014); an additional BNY Mellon custody account opening is in process.
- Revise ICP Investment Policy and Guidelines to conform to current market conditions; suggestions provided to MSRP and Segal
- Continue discussions regarding floating NAV, which also includes discussions with Nationwide regarding transfer of valuation responsibilities to Galliard

Ms. Benson then proceeded to review the ICP portfolio structure. She noted that the proposed structure would involve (a) reducing the duration of the portfolio so that it is more responsive when interest rates rise, (b) reducing some exposures and further diversify, and (c) talking to some of the managers to identify securities that will move in-kind to Galliard's investment management. She explained that there was no additional fee for the Galliard-managed portfolio.

Mr. William (Billy) Weber then provided a review of the performance of the ICP for the periods ended June 30, 2014. He highlighted the following:

- The one month portfolio performance was 16 bps (before investment management fees) and 14 bps (net investment management fees), as compared to - 1bps for the blended benchmark and 7 bps for the 3-year constant maturity Treasury yield.

- Assets under management were relatively flat at $782.7 million, noting that decreasing assets were currently a common theme in stable value.
- The monthly declared rate was 1.6% for August, with the September monthly declared rate expected to be about the same.
- Market-to-book ratio was 101.91%, representing a slight increase.
- The portfolio duration is 2.83 years.
- The portfolio remains fully invested.

Mr. Weber noted that the market-to-book ratio for the ICP was a pure reflection of rates and that it was likely that in the coming quarter that the portfolio may experience a market-to-book ratio below 100. He explained that the ICP had experienced a healthy premium post-crisis and that the participants continued to benefit from that build-up, noting that if the ICP were liquidated today, the Plans would be left with a 1.9% premium, which was incorporated into the declared rate for the ICP. He also noted that participants were earning a higher yield than if they had direct exposure to the fixed income market. Mr. Weber than reviewed the key characteristics for the ICP, noting the following:

- In February 2010, the market-to-book ratio was 99.7%; the low point for market-to-book was in November 2008 when it dipped to 92%; these ratios were consistent with the peer universe.
- Historical cash flow for the portfolio was in line with the peer universe, with a 2-3% outflow on average

In response to questions regarding money market reform, Mr. Weber noted that the current proposal included liquidity gates and a floating net asset value. He noted, however, that government STIFs are not money market funds and are regulated by the OCC (Office of the Comptroller of the Currency) rather than the Securities and Exchange Commission. As a result, he anticipated no impact on the ICP for the time being but that Galliard would continue to monitor the reforms, which included a two-year implementation period.

Mr. Weber then discussed the addition of the Galliard sleeve that Ms. Benson had mentioned during her portion of the presentation. He noted that the Galliard sleeve would comprise 20% of the portfolio. With respect to PIMCO’s performance, Mr. Weber noted that the drop in the declared rate from 1.86 to 1.6 in September could largely be attributed to the positioning of a trade made by PIMCO, which was put in the books in July and taken off the books in September. He noted that Galliard had talked to PIMCO regarding the performance, and Galliard believed that PIMCO was a good diversifier to the Galliard sleeve. He noted that PIMCO’s allocation would be reduced by adding the Galliard sleeve but that Galliard had no material changes to its current outlook with respect to PIMCO.

IV. Staff Reports

A. Finance

Ms. Debra Roberts provided a comparative overview of the Fiscal Years 2014/2015 budget (Exhibit E-1). She noted that the budget had been submitted to the Department of Budget and Management on Friday, September 5, 2014.

Ms. Roberts then delivered agency budget and expenditure report (Exhibit E) as of June 30, 2014. She noted that year to date revenues were $978,051, which was $414,680, or 29.77%, less than budget. She explained that this represented a variance as expected due to the end of the Board fee holiday at the beginning of 2014 following the eight-month Board fee holiday. Ms. Roberts noted expenditures of $1,524,084, which were $20,736, or 1.34%, 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 June 30, 2014 was approximately $609,723, as compared to a reserve balance of approximately $851,487 at June 30, 2014.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), including a review of the 2014 field activity from January 1, 2014 to June 30, 2014; results of the 2014 MSRP Regional SAVING$ EXPOs (including the flyer); and the agency's receipt of the NAGDCA leadership award for the Benefit Coordinator Academies.

V. Committee Reports

A. Audit Committee

Mr. Halpin noted that the legislative auditors were currently on-site at the MSRP offices and anticipated that they would remain for between four and six weeks.

B. Investment Committee

Ms. Zercoe explained that the Investment Committee, which had met immediately prior to the Board meeting, had approved the recommendation from Segal to (a) close the Vanguard Large Cap Value Fund and transfer assets and allocations to the Vanguard Institutional Index Fund; and (b) close the Vanguard Small Cap Growth Fund and Vanguard Small Cap Value Fund and transfer all assets and allocations for these two funds to the Vanguard Small Cap Core Index Fund. She noted that the Committee was recommending adoption of the recommendations by the Board. After discussion, and upon motion duly made and seconded, the Board approved the index fund recommendations as presented.

C. Executive Committee

No report at this time.

VI. Board Secretary's Report

Mr. Halpin highlighted the following points during his report to the Board:

- The proposed Board of Trustees (Exhibit H) meeting schedule was included in the Board packets; the Board was asked to review the proposed dates and provide feedback.
- He revisited the $610,000 reserve balance discussed during Ms. Roberts' report, noting that he was working to project when the Board could consider implementing another fee holiday for participants.
- A Board education session was being planning for October 14, starting at 8:30 a.m. and ending at approximately 2 p.m.

VII. Board Counsel's Report

Ms. Lara Hjortsberg reviewed the proposed resolution (Exhibit G) to amend the 457 Plan and 401(k) Plan to expand Article XVI (Roth Accounts) of the 457 Plan and Article XVII (Roth Accounts) of the 401(k) Plan to allow the conversion of pre-tax amounts that are not otherwise distributable under the Plans, consistent with the authority provided by the American Taxpayer Relief Act of 2012. She noted that (a) the Board had previously approved this amendment in concept so that MSRP could being participant communication and education on the conversion option; and (b) the amendments needed to be adopted by the end of the Plan year for each Plan (December 31, 2014) in order for participants to make conversions of not otherwise distributable amounts in 2014. She directed the Board to the text of the amendments included with the proposed resolution. After discussion, and upon motion duly made and seconded, the Board approved the amendments to the 457 Plan and the 401(k) Plan as presented

VIII. Executive Session

None.

IX. New Business

No new business was presented for discussion.

X. Adjournment

A motion to adjourn was entered at 11:20 a.m., seconded, and carried unanimously.