



Maryland
Teachers & State Employees
Supplemental Retirement
Plans

**BOARD OF TRUSTEES OF THE
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS**

**JANUARY 23, 2023
MEETING MINUTES**

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

Hon. T. Eloise Foster
Board Chair

Thomas M. Brandt, Jr.
Hon. Dereck E. Davis
Lynne M. Durbin, Esq.
Jaclyn Hartman
Thomas P. Hickey
John D. Lewis
Johnathan R. West

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Ronda Butler Bell, MPA
*Executive Director
& Board Secretary*

Debra L. Roberts, Ph.D., CPA
*Deputy Executive Director &
Chief Financial Officer*

Tonya M. Toler, CRC® CPM
Director of Member Services

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TRUSTEES PRESENT

Hon. T. Eloise Foster, Board Chair
Hon. Dereck E. Davis
Mr. Thomas M. Brandt, Jr.
Ms. Lynne M. Durbin, Esq.
Ms. Jaclyn Hartman
Mr. Thomas P. Hickey
Mr. John D. Lewis
Mr. Johnathan R. West

REPRESENTATIVES OF MSRP

Ms. Ronda Butler Bell, Executive Director & Board Secretary
Ms. Debra L. Roberts, Deputy Executive Director & Chief Financial Officer
Ms. Tonya M. Toler, Director of Member Services
Ms. Andrea L. Hill, Assistant to the Executive Director
Ms. Nakeia Smith, Fiscal Reporting Specialist
Ms. Tamyra Cheeseboro, Finance & Compliance Administrative Assistant
Ms. Sharlene Matthews, Operations & Technology Administrator
Mr. Ronald Pringle, Member Services Administrator
Ms. Camella Davenport, Member Services Administrative Assistant
Ms. Angela Anderson, Member Services Education Specialist
Ms. Anne O'Neill, Member Services Education Specialist

REPRESENTATIVE OF THE OFFICE OF THE ATTORNEY GENERAL

Ms. Deborah A. Donohue, Assistant Attorney General

GUESTS

PLAN ADMINISTRATOR - Nationwide Retirement Solutions

Mr. Daniel Wrzesien, Executive Program Director
Ms. Brenda Anderson, AVP, Custom Large Plans
Ms. Mary Campbell, Senior Retirement Specialist
Ms. Amelia Dunlap, Vice President, Marketing
Ms. Julie Bertone, Senior Marketing Specialist
Mr. Ed Malone, Nationwide DC Specialist

INVESTMENT ADVISOR – NFP Retirement, Inc.

Mr. Kyle Olson, Senior Plan Advisor
Mr. Joel Shapiro, Senior Vice President

STABLE VALUE FUND MANAGER – T. Rowe Price

Mr. Antonio Luna, Portfolio Manager and Head of Stable Asset Management Team
Mr. Ryan Wagner, VP, Institutional Client Service Executive
Ms. Xin Zhou, Portfolio Manager
Mr. Ben Gugliotta, Portfolio Manager
Ms. Heidi Delauter, Defined Contribution Specialist

Financial Integrity Resources Management

Mr. Philip M. Harris, President & CEO
Ms. Ishwarya Parameshwaran, Analyst

Alliance Bernstein

Ms. Jennifer DeLong, Head, Defined Contribution
Mr. Andrew Stumacher, Managing Director, Custom Defined Contribution Solutions
Ms. Amanda Dunne, Director, Institutional Advisor

The Board of Trustees (the “Board”) of the Maryland Teachers & State Employees Supplemental Retirement Plans (“MSRP”) convened at 9:36 a.m. on January 23, 2023, via Zoom video conferencing link and call-in line provided for that purpose. The publicly available meeting agenda and instructions for visitors to register and obtain the call-in information were posted on the MSRP website at least 24 hours prior to the meeting. A quorum of the Board was present.

I. BOARD CHAIR’S REMARKS

Board Chair Foster called the meeting to order and welcomed everyone to the first meeting of the new year. She noted that the meeting was being recorded.

Upon motion duly made by Mr. Lewis, and seconded by Mr. Hickey, the following Board Meeting minutes were approved by a majority of the Board members (Ms. Durbin abstained):

- Open Session of the Regular Board Meeting held on November 22, 2022

II. PLAN ADMINISTRATOR’S REPORT

Mr. Wrzesien began by introducing team members from the 2023 Strategic Marketing team who will be discussing marketing goals and initiatives. Mr. Wrzesien proceeded with the 2023 Communication and Education Plan (Exhibit B), which highlighted the following:

- Highlighted provisions from SECURE 2.0 Act of 2022 (Full provisions of SECURE 2.0 Act was provided to the Board in Exhibit B-1 for review)
 - RMD required beginning date change from 72 to 73 (affects approximately 1,000 participants. Nationwide will reach out to impacted group to educate on options).
 - Eliminate the first day of the month requirement for governmental 457(b).

- Self-certification for hardship withdrawals.
- 2023 Annual Marketing Goals, Strategies & Focus
 - Grow Plan Assets by providing education, outreach and enhance and drive digital capabilities. Focus on Participant Engagement Program and MSRP educational materials, webinars, and events.
 - Increase Retention with education, PRC financial planning, and plan advocacy. Focus on Participant Engagement Program, Lifetime Income Solutions, Financial Planners, Retention activities, and household retirement planning.

Ms. Bertone discussed the 2022 Year in Review Highlights:

- In March, MSRP was awarded the Pension & Investment (P&I) Eddy award.
- In April & September, MSRP Magazine included 4 education campaigns in each issue.
- In August, MSRP was awarded the NAGDCA Leadership Award.
- Virtual Open house was held from October through December which provided educational videos, meetings with Reps, Savings Symposium, and webinars. 6,700 unique visitors attended with 42,000 activities.

Ms. Dunlap discussed the 2023 Strategic Marketing Plan highlighting the following:

- Consumer Market Trends
 - 43% of Americans have tapped into finances that were previously set aside for retirement due to inflation.
 - 34% of Millennials and Gen Z feel a lack of financial guidance is inhibiting their ability to prepare for retirement.
 - 28% of public sector are delaying retirement.
- Participant Engagement Program (PEP)
 - Constantly looking at participant data across segments to drive increased enrollments, contribution increases, consolidation of retirement assets, asset allocation management, and asset retention.
 - PEP is in addition to custom marketing and provides a broader reach to participants.
 - In 2023, Nationwide migrated its member database previously managed by Merkle to an internal database to comply with Nationwide security standards to reach participants. Merkle will still have access to manage campaign rules, segmentation models, and business rules. Nationwide will manage data security, compliance, and will have connection to marketing database.
 - PEP delivers personalized and targeted experiences with dynamic monthly emails, event-triggering emails, targeted emails, and journey emails.
 - PEP messages are targeted to participant segments that include eligible enrollees, new enrollees, savers, transitioners, and retirees.
 - PEP drives measurable results by delivering the right message at the right time to improve retirement readiness.

Mr. Malone discussed Lifetime Income Solutions highlighting the following:

- In-Plan Guarantees
 - Offer participants new in-plan guaranteed investment options including Guaranteed Lifetime Income and Principal Protection.
- Lifetime Income Strategy
 - Customizable to best fit participant needs.

Ms. DeLong discussed Lifetime Income (Exhibit B-2) highlighting the following:

- Alliance Bernstein Overview
 - Over 15 years of glide path design for large defined contribution plans.
 - \$55.3 billion in custom target date assets under management globally.
 - \$8.3 billion in secure Lifetime Income Solutions.
 - Largest and most sophisticated DC Plans partner with Alliance Bernstein.
 - 23 US Clients, aggregate plan assets greater than \$215 billion.
 - Working with 10 different recordkeepers, more than 30 third-party managers.
- Lifetime Income Strategy Platform
 - 10 years of experience for DC plans.
 - \$3.4 billion Secured income benefits.
 - 8 plans across 5 client relationships.
 - Backed by up to 5 insurers, including Equitable, Jackson, Lincoln Financial, Nationwide, and Prudential.
 - Offered on 3 recordkeeping platforms, growing to 5 by the end of 2023.

The Board members discussed concerns with the sales-type marketing strategies provided by Nationwide. In response, Mr. Wrzesien noted Guaranteed Income & Lifetime Income Solutions strategies is controlled by MSRP, who will select any such providers. Ms. Anderson noted that providing either of these solutions would be an independent decision by MSRP. The goal is to provide digital resources that will engage with participant on their retirement needs.

Mr. Stumacher continued the discussion highlighting the following:

- Key Implementation Decisions
 - In Plan vs Out of Plan
 - Income Certainty
 - Integrate into Default
 - Accessibility
- Automating Lifetime Income for Participants
 - Save (Age 20-50)
 - Plan (Age 50-65)
 - Retire (Age 65+)
- AB Secure Income Portfolio delivers guaranteed income to participants while providing liquidity and growth potential.

- Key features-daily valued and liquid, wrapper of multiple Guaranteed Lifetime Withdrawal Benefits (GLWB) insurance contracts, passive balanced investment exposure and a fund traded directly with AB.
- Portfolio includes multiple identical insurance contracts, 3(38) fiduciary for insurer selection, competitive insurer rates an implementation of allocation process.
- Providing Security to Participants and Plan Sponsors
 - Key features include customizable implementation, multi-insurer competition and participant experience.

Mr. Wrzesien closed by thanking MSRP for the partnership and welcomed further discussions on PEP and In-plan income guarantees. He noted the average of \$100 million a year in participant rollouts to a guaranteed option. Mr. Wrzesien further noted that Nationwide's goal was to educate the Board on retention options and they look forward to future conversations.

III. INVESTMENT ADVISORS' REPORTS

A. NFP Retirement Inc. ("NFP")

Mr. Olson introduced Joel Shapiro, senior member of the team and ERISA counsel, and thanked the Board on the partnership.

Investment Policy Statement (IPS). Mr. Olson proceeded with presenting the Investment Policy Statement ("IPS") Review (Exhibit C-1) highlighting the following:

- A redlined version of the IPS was provided to the Board prior to the meeting with comments to review.
- Ongoing conversations were held with Board counsel to understand reasons for suggested changes.
- Suggested changes provide flexibility and remove hardwiring language for benchmarks and peer groups.
- Suggested changes recommend consolidating asset allocation categories.
- Language added and removed to allow the IPS to be forward-looking.
- Suggested changes recommend adding Target Date Fund language to the IPS. NFP has standard language that can be used.

The Board members expressed concern with removing benchmarks, inserting vague language, and providing increased flexibility and noted a need for further discussion. The Board thanked NFP for providing a redlined version of the IPS and will resume conversations in future meetings.

Financial Integrity Resources Management ("FIRM"). Mr. Olson introduced the consultants and co-fiduciaries, Financial Integrity Resources Management ("FIRM"), who have worked with MSRP in the past. Mr. Harris reviewed the Service Plan highlighting the following:

- Plan Review- Participant Demographic Analysis Data request sent to Nationwide.

- Investment Policy Statement- Review IPS for DC Plans.
- Investment Monitoring and Fiduciary Oversight.
- ACFR Investment Analysis and Commentary.
- Biennial Plan Benchmarking and Review.
- Fiduciary Compliance Analysis.
- Recordkeeper Evaluation and Selection.

Mr. Harris noted scheduled delivery dates for the services included in the Service Plan along with the delivering entities. He ended with thanking the Board for the opportunity to work with the Plans as a sub-advisor in a different capacity.

2023 Overview and Scorecard. Mr. Olson presented the MSRP 2023 Overview, (Exhibit C) highlighting the following:

- 2023 Meeting Topics (Topics will be prioritized in cadence with past advisors)
 - Target Date Fund Fit Analysis
 - Managed Accounts Review
 - Cybersecurity Questionnaire
 - Fiduciary Fitness Program
 - Efficient Menu Design
 - Fund Due Diligence Questionnaire
 - Participant Surveys
 - Fee Structure Review
 - Retirement Income
 - February – SECURE 2.0, ESG
 - August- Benchmarking of Nationwide’s services
- NFP Scorecard System Objectives
 - Identify skillful managers
 - Enhance investment opportunities
 - Manage and control risk
 - Minimum exposure to fiduciary liability
 - The Scorecard System Methodology is a monitoring tool for advisors and fiduciaries. Funds are scored based on a 10-point numerical scoring system. Funds receiving a score between 7-10 are acceptable, between 5-6 would be considered for the watchlist, and 4 or below would trigger consideration of an action to keep or replace. The scores are starting points and other quantitative criteria will be reviewed based on asset class. Funds are scored on a quarterly basis. Actively managed funds are evaluated on a rolling 5-year window.

Following discussions on the scorecard methodology, the Board requested that NFP provide a comparison to the current benchmarks versus the scoring system and to be kept aware of fees and compensation to investment managers. Mr. Shapiro noted NFP will be monitoring funds to look at pricing to make sure participants are receiving the lowest cost possible and make recommendations as needed.

Collective Investment Trusts (CITs)

- CITs
 - NFP has been able to negotiate a lower fee of 43 basis points for Janus Henderson Collective Investment Trust resulting in approximately \$50,000 a year in savings to participants. All negotiated transaction documents with Wilmington Trust, including the participant application and side letter agreement, shall remain intact, with this one change.
 - NFP has negotiated a lower fee for the T. Rowe Price Target date funds. Currently the Plans use Class B, at 36 basis points. NFP has negotiated a lower fee of 33 basis points resulting in approximately \$250,000 a year in savings to participants. As Wilmington Trust is also the trustee for this transaction, the participant application and side letter agreement terms will also remain intact.

Following recommendations of Mr. Olson, upon motion made by Ms. Durbin and seconded by Mr. Lewis, it was unanimously,

RESOLVED, to amend the resolution from the November 21, 2022 meeting to include the lower fee of 43 basis points from 50 basis points for the Janus Henderson Collective Investment Trust.

RESOLVED, to authorize MSRP counsel and NFP to effect the change to the lower fee of 33 basis points from 36 basis points for the T. Rowe Price Target Date Funds.

IV. INVESTMENT CONTRACT POOL-STABLE VALUE FUND MANAGER'S REPORT

Board Chair Foster noted a discussion was held in the Investment Committee meeting on the proposed updates to the ICP Investment Policy & Guidelines, (Exhibit D) with T. Rowe Price. There was no decision to make recommendations to the Board to adopt any changes, conversations will continue in the February meeting.

V. REPORTS OF BOARD STAFF

A. Finance

Ms. Roberts presented the Cash Reserve Update (Exhibit E) highlighting the following:

- As of December 31, 2022, the reserve balance is \$592,404 or 27% of the FY 2023 appropriation.
- At the end of January concluding the fee holiday, the reserve balance is expected to be \$473,988 or 22.3% of the FY 2023 appropriation. Ms. Roberts noted the balance has historically not been under the 25% reserve target.

- The Fee holiday combined with market conditions successfully decreased the reserve balance to slightly lower than of 25% projection. The balance will be monitored to determine whether the end of the CY 2023 fee holiday is appropriate.
- The asset-based fees will resume beginning February 2023, covering January 2023.

B. Member Services

Ms. Toler presented the January 2023 Member Services Report (Exhibit F), highlighting the following:

- Member Services 2022 vs 2021 Activity Recap
 - In 2022, 302 Events were conducted with 21,304 attendees compared to 272 with 13,589 attendees in 2021. Ms. Toler noted that in 2021, MSRP did not participate in the Department of Budget Management’s Virtual Benefit Fairs and the Benefit Coordinator Academy and the Maryland State Employees \$ave week events were not held.
 - The objectives of the campaigns were to increase contributions into the Plans.
- MSRP Q1 Webinar Topics and Schedule was provided highlighting trending topics:
 - Inflation
 - Women, Wealth, and Wellness
 - It’s Your Future- Take Control! Series

VI. COMMITTEE REPORTS

Audit Committee Chair Mr. Brandt presented the following (Exhibits G, G-1 & G-2) highlighting the following:

- No significant exceptions to report on FY 2021 audit of financial statements conducted by RSM.
- On September 30, 2022, The Federal Securities and Exchange Commission (“SEC”) sanctioned RSM-US and senior level RSM employees with failure to properly conduct a client audit.
 - MSRP requested an official comment from RSM on the sanction. In response, RMS confirmed the sanctions related to a former RSM client, the matter does not involve staff assigned to MSRP, RSM no longer employs the employees involved and sanction covers the years 2014-207, which predates the Maryland and MSRP contract.
 - Maryland Department of General Services was comfortable with RSM’s legal response to the sanction. There is no impact on MSRP, and no further actions are needed.

Investment Committee Chair Mr. Lewis noted there was nothing additional to report.

VII. BOARD SECRETARY’S REPORT

Ms. Bell presented the Board Secretary’s Report (Exhibit H), highlighting the following:

- **Department of Legislative Services (“DLS”) Office of Legislative Audits (“OLA”) Fiscal Compliance Audit.** On January 10th, the DLS OLA publicly issued its report of the audit of MSRP for the period February 12, 2018 - May 15, 2022. There was one repeat finding that has been resolved (payroll reconciliations) and one new finding. The new finding for separation of duties has been resolved with newly hired, internal staff auditor.
- **Participant Hardship Withdrawal Approval.** Nationwide contacted MSRP regarding a participant’s need for a hardship request. Per the plan documents, Nationwide denied the request and the participant appealed the denial. After consultation with Board Counsel and Board Chair, Ms. Bell advised Nationwide to approve the participant’s request.
- **Board of Trustees Standard Operating Procedures.** Ms. Bell provided a draft of the MSRP Board of Trustees Standard Operating Procedures (“SOPs”) that has been reviewed by the Board Chair and Principal Counsel. The Board is asked to review the draft in preparation for the February meeting for a vote to adopt.
- **Legislative Hearing – Senate Bill 6.** On January 19th, Board Chair Ms. Foster, Ms. Bell, and Ms. Roberts testified before the Senate Pensions Subcommittee in support of Senate Bill 6 - Maryland Teachers & State Employees Supplemental Retirement Plans - Auto Enrollment. The bill was sponsored by Senator Cory McCray, and Delegate Tony Bridges agreed to sponsor a House version of the bill. There was some opposition; however, Ms. Bell is hopeful for a favorable report and will keep the Board updated on the progress.
- **Budget Hearings.** Ms. Bell and Ms. Roberts will be testifying in budget hearings on February 7, 2023 in the Senate and February 10, 2023 in the House. Board Chair Ms. Foster may choose to attend.

Ms. Roberts presented the Solicitation Cancellation – Investment Contract Pool Custodial Contract (Exhibit I) highlighting the following:

- On November 22, 2022, the Board approved the contract for custodial banking services to be awarded to BNY/Mellon contingent upon successful contract negotiations and BNY accepted the award. However, after consultation with Principal Counsel regarding the negotiation process, it was evident that contract negotiations would fail.
- Ms. Roberts requested the Board’s approval to cancel the solicitation. Upon approval, a cancellation notice would be sent to vendors with reasons for rejection and whether future opportunities will be available.
- The existing custodial banking services contract will remain in effect.

Ms. Roberts suggested issuing to vendors a Request for Information (“RFI”) in the future.

Following recommendations of Ms. Roberts, upon motion made by Ms. Durbin and seconded by Mr. Hickey, it was, unanimously

RESOLVED, to authorize Ms. Roberts to proceed with canceling the solicitation for custodial banking

services.

VIII. CLOSED SESSION

1. Recorded vote to close the meeting:

Date: January 23, 2023

Time: 11:45 a.m.

Location: Zoom video conferencing link and call-in line provided for that purpose

Motion to close meeting made by: Thomas Hickey;

2nd Motion made by: Jonathan West

Vote to Close Session:

| | AYE | NAY | ABSTAIN | ABSENT |
|-------------------------|------|-----|---------|--------|
| T. Eloise Foster, Chair | [X] | [] | [] | [] |
| Thomas M. Brandt, Jr. | [X] | [] | [] | [] |
| Dereck E. Davis | [X] | [] | [] | [] |
| Lynne M. Durbin | [X] | [] | [] | [] |
| Jaclyn Hartman | [X] | [] | [] | [] |
| Thomas P. Hickey | [X] | [] | [] | [] |
| John D. Lewis | [X] | [] | [] | [] |
| Jonathan R. West | [X] | [] | [] | [] |
| VACANCY (Participant) | [] | [] | [] | [] |

2. Citation of statutory authority to close session (check all that apply): This meeting is being closed under General Provisions Article § 3-305(b), only:

X (7) To consult with counsel to obtain legal advice on a legal matter;

X (13) To comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter.

3. Disclosure of the topics to be discussed, for each citation checked above:

§3-305(b)(7): *Board counsel will provide legal advice on procedures related to participant Plan loans.*

§3-305(b)(13): *The Board will review and vote to approve the minutes of the Closed Session*

Board Meeting of 11/22/2022.

4. For each topic listed in #2, disclosure of the reason for discussing it in closed session rather than in open session:

§3-305(b)(7): Protection of the attorney-client privilege with respect to any legal advice provided to the Board as noted above.

§ 3-305(b)(13): To review and approve the minutes of the Closed Session Board Meeting of 11/22/2022 (GP§ 3-306(c)(3)(ii)).

5. Persons present in the Closed Session:

Trustees:

Hon. T. Eloise Foster, Board Chair

Hon. Dereck E. Davis

Ms. Lynne M. Durbin, Esq.

Ms. Jaclyn Hartman

Mr. Thomas P. Hickey

Mr. John D. Lewis

Mr. Johnathan R. West

Representatives of MSRP:

Ms. Ronda Butler Bell, Executive Director & Board Secretary

Ms. Debra L. Roberts, Deputy Executive Director & Chief Financial Officer

Ms. Nakeia Smith, Finance & Compliance Administrator

Representative of the Office of the Attorney General:

Deborah Donohue, Assistant Attorney General

6. Actions Taken:

a) On motion by Mr. Hickey, and seconded by Mr. Lewis, the following Board Meeting minutes were approved by a majority of the Board members (Ms. Durbin abstained):

- Closed Session of the Regular Board Meeting held on November 22, 2022

b) On motion by Ms. Durbin, and seconded by Treasurer Davis, the Board unanimously

RESOLVED, to approve the clarification of provisions of loans and default in the loan administration manual and loan agreement form.

7. Adjournment of Closed Session and Return to Open Session:

At 12:32 p.m., upon motion by Ms. Durbin, and seconded by Mr. Brandt, the Board unanimously approved adjournment of the Closed Session and returning to the Open Session.

IX. OPEN SESSION/ADJOURNMENT

At 12:35 p.m., the Open Session resumed.

Upon motion by Treasurer Davis, and seconded by Ms. Durbin, the Board unanimously ratified the actions taken during the closed session.

At 12:36 p.m., upon motion by Treasurer Davis, and seconded by Ms. Durbin, the Board unanimously approved adjournment of the Open Session.