



Maryland
Teachers & State Employees
Supplemental Retirement
Plans

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

May 23, 2022
MEETING MINUTES

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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*Executive Director
& Board Secretary*

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

Richard A. Arthur, MBA CPM
*Director of Operations &
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TRUSTEES PRESENT

Hon. T. Eloise Foster, Board Chair
Hon. Dereck E. Davis
Mr. Thomas M. Brandt, Jr.
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
Mr. Richard Arthur, Director of Operations & Technology
Ms. Andrea L. Hill, Assistant to the Executive Director
Ms. Nakeia Smith, Finance & Compliance Administrator
Ms. Tonya M. Toler, Director of Member Services

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

INVESTMENT ADVISOR - Segal Marco Advisors

Ms. Vanessa Vargas Guijarro, VP & Senior Consultant

STABLE VALUE FUND MANAGER – T. Rowe Price

Mr. Christopher Dyer, Institutional Business Development Executive
Mr. Antonio Luna, Portfolio Manager and Head of Stable Asset Management Team
Mr. Benjamin Gugliotta, Portfolio Manager
Ms. Xin Zhou, Portfolio Manager

The Board of Trustees (the “Board”) of the Maryland Teachers & State Employees Supplemental Retirement Plans (“MSRP”) convened at 9:40 a.m. on May 23, 2022, at MSRP headquarters located at 6 St. Paul Street, Suite 200, Baltimore, Maryland. The publicly available meeting agenda and instructions for registering as a visitor and

obtaining the call-in information were posted on the MSRP website prior to the meeting. A quorum of the Board was present.

I. BOARD CHAIR'S REMARKS

Board Chair Foster called the meeting to order, welcomed everyone, and extended a special welcome to MSRP's newest Board Member Jaclyn Hartman. She provided a brief biography and noted that the meeting was being recorded.

Upon motion duly made by Mr. Hickey, and seconded by Mr. West, the following Board Meeting minutes were unanimously approved:

- Open Session of the Regular Board Meeting held on February 28, 2022 (Exhibit A)

Upon motion duly made by Mr. Hickey, and seconded by Mr. West, the following Board Meeting minutes were unanimously approved:

- Open Session of the Special Board Meeting held on March 4, 2022 (Exhibit A-1)

II. PLAN ADMINISTRATOR'S REPORT

Mr. Wrzesien presented the 1st quarter performance report for the period ended March 31, 2022 (Exhibit B), which highlighted the following:

- Current Assets: \$5.26 billion (*5.29% decrease in plan assets from the prior quarter*)
- Total Participant Accounts: 68,498
- Enrollments: 668 (*the most enrollments since 2020*)
- Contributions: \$65.5 million (*9.18% increase compared to 4Q 2021*)
- Mutual Fund Savings: \$471,026 (*decreased from \$472,244 in 4Q2021*)
- Rollovers-In: 113, representing \$6.4 million
- Withdrawals: \$58.8 million (*17% decrease compared to 4Q 2021*)
- Rollovers-Out: 377, representing \$20.5 million
- Loans: 4,348 active loans, representing \$37.4 million
- Hardships/UEs: 196

Mr. Wrzesien then reported on the following operations and initiatives:

- Nationwide worked with MSRP and Wells Fargo to close existing Plan bank accounts.
- Nationwide worked with MSRP to decrease MSRP's portion of monthly asset fee by 1 basis point starting on March 31, 2022.

- Nationwide partnered with MSRP to win the Pension & Investments Eddy Award for COVID 19 Education.
- Nationwide continued discussions with MSRP about activation of online withdrawals functionality, changes to eDelivery process, and format changes to the participant quarterly statement.

Based on the conversation with the Board regarding the reasons for withdrawals, Mr. Wrzesien will provide more details on categories of reasons for withdrawals.

Mr. Wrzesien proceeded with service updates highlighting the following:

- 668 new enrollments, 307 done via the web.
- 3229 increases, 2228 done via the web.
- There continues to be an uptick in decrease and suspension activity in the 1st quarter which is common due to market corrections and conditions. Nationwide continues to educate participants on this topic.
- Nationwide has seen an increase in calls for the first quarter, but less than the previous year. Avg Speed of Answer for a live person was 00:05 with a talk time of 7:15 compared to 00:48 and 7:44 in 2021; Avg. 64 calls abandoned compared to 266 in 2021.
- 8,395 ProAccount participants enrolled; \$534,831,500 in assets.
- 8,427 enrolled in Roth accounts; \$115,913,572 in assets - an increase due to targeted education.

Mr. Wrzesien concluded his report by noting that Nationwide's MBE participation was 16% as targeted.

III. INVESTMENT ADVISORS' REPORTS

A. Segal Marco Advisors ("Segal")

Ms. Vanessa Vargas Guijarro presented the performance report for the quarter ended March 31, 2022 (Exhibit C). She began her report with highlights on market performance and a defined contribution legislative update, and highlighted the following:

- The U.S. House passed SECURE 2.0 Legislation, in the works to be enacted.
- Department of Labor (DOL) warns against cryptocurrencies in defined contribution (DC) plans noting its volatility, custodial and recordkeeping concerns, and challenges for participants to make informed investment decisions.
- DOL seeks input on climate-related financial risks for retirement plans. Requested information on actions ERISA can take to protect retirement savings from climate related risks.
- *Hughes v. Northwestern University* - 403(b) fees U.S. Supreme Court case – most decisions following the January 24, 2022 ruling have favored the plaintiffs. This success seems likely to encourage additional lawsuits, increasing plaintiffs' bargaining power in settlement negotiations.

- DC plans are becoming more cost-effective and transparent as a result of litigation to the benefit of participants and beneficiaries. Carefully documenting consideration of fees and investment performance can best position plan fiduciaries in the case of litigation.
- Fee analysis of MSRP investments is performed every other year; Exhibit C has the fees for all investment products.

In response to Mr. Brandt's recommendations for transparency with fees, Ms. Bell noted that a comprehensive document would be developed. Ms. Roberts will develop a trend report.

Ms. Vargas Guijarro proceeded to report on the Plans' 1st quarter 2022 performance, highlighting the following:

- AUM for the Plans on March 31, 2022, was \$5.26 billion.
- The allocation to each of the Plans remained similar as in prior quarters: 457 Plan – 43.3%, 401(k) Plan – 49.8%, 403(b) Plan – 2.3%, and 401(a) Plan – 4.6%.
- Top 5 holdings – with 48% in the following investment managers: ICP – 16%, State Street S&P 500 Index Non-Lending K – 15%, Fidelity Puritan – 7%, William Blair Large Cap Growth CIF 5 – 6%, State Street S&P 500 Index Non-Lending M – 5%
- Active/Passive split remained about the same at 72% / 28%.
- Asset allocation as of March 31, 2022, was Equities – 56.99%, Fixed Income – 25.22%, and target date funds (TDFs) – 17.79%.
- Underlying asset allocation of the TDFs as of March 31, 2022, was Domestic Equity – 48.2%, International Equity – 20.3%, Fixed Income – 26.9%, Real Assets – 2.4%, Cash – 2.2%.
- Allocation of contributions as of March 31, 2022, was Equities – 46.79%, TDFs – 30.95%, Fixed Income Funds – 22.24%.
- The following investment options remained on the Watch List at the end of the 1st quarter of 2022:
 - Delaware Value Institutional (DDVIX) (will remain on the watchlist – performance concerns) – outperformed Russell 1000 Value Index for 1Q (+0.2% vs. -0.7%) but underperformed 3 Years (+10.3% vs. +13.0%) and 5 Years (+9.6% vs. +10.3%)
 - Janus Enterprise N (JDMNX) (eligible to come off the watch list due to positive performance vs. benchmark) - loss less than its benchmark Russell Mid-Cap Growth Index for 1Q (-6.9% vs. -12.6%) and aligned with its benchmark 3 Years (+14.8% vs. +14.8%) and outperformed its benchmark 5 Years (+15.9% vs. +15.1%)
- For 1st quarter ending March 31, 2022, as compared to benchmarks:
 - 8 investment strategies outperformed relative to their respective benchmarks - TCW Core Fixed Income I (TGCFX), Delaware Value Institutional (DDVIX), William Blair Large-Cap Growth CIF 5 and R6 share class (LCGJX), T. Rowe Price MidCap Value (TRMCX), Janus Enterprise N (JDMNX), T. Rowe Price Inst Small-Cap Stock (TRSSX) and American Funds EuroPacific Growth R6 (RERGX).

Ms. Vargas Guijarro continued to report on the Plans' April 30, 2022 performance (Exhibit C-2), highlighting the following:

- Highlighted performance YTD:
 - *TCW Core Fixed Income I* lost more than its benchmark (-9.9% vs. -9.5%).
 - *T. Rowe Price Retirement Balanced* lost less than its benchmark (-8.7% vs. -9.2%).
 - *T. Rowe Price Retirement Balanced I* lost less than its benchmark (-8.6% vs. -9.2%).
 - *Delaware Value Institutional* lost less than its benchmark (-4.9% vs. -6.3%).
 - *T. Rowe Price U.S. Equity Research Trust D* lost more than its benchmark (-13.5% vs. -12.9%).
 - *T. Rowe Price U.S. Equity Research (Share Class I)* lost more than its benchmark (-13.5% vs. -12.9%).

Ms. Vargas Guijarro noted U.S. stocks declined in April, as recession risk, inflation and rising interest rates weighed on sentiment. Communication services was down the most at -15.6%. Commodities continued to be a strong performance, outperforming other assets.

Ms. Vargas Guijarro proceeded with a Review of the Investment Lineup (Exhibit C-3), highlighting the following:

- Defined Contribution Trends:
 - Lowering the number of investment options to participants (*align plan objectives and role of asset class to determine answer*)
 - Targeted communication (*saving more, the use of recordkeeping tools, keeping assets in the plan, and all in fees*)
 - Focus on total fees for plan
 - Target Date awareness and monitoring
 - ESG integration
 - Solutions for decumulation and accumulation
- Compared to other public plans, MSRP offers 18 core investment options- lower than NAGDCA median of 24.
- MSRP offers two competing balanced funds, Fidelity Puritan & TRP Balanced Fund.
 - Segal Marco recommends considering terminating TRP Balanced Fund due to low participant usage and moving participant assets to the age-appropriate TDF. There are 765 participants investing of which 14 are actively contributing through payroll deduction. 9394 participants are investing in the Fidelity Puritan Fund.
- MSRP offers an ESG option, Parnassus Core Equity.

Mr. Hickey asked why the recommendation would be to roll participants into the age-appropriate TDF instead of the Fidelity Puritan Fund. Ms. Vargas Guijarro advised that the Fidelity Puritan Fund has more risk. She noted the DOL guidance states assets should be mapped into another fund that has similar risk and return characteristics. The TDF is the better option unless the participant opts to choose another investment.

Following recommendations of Ms. Vargas Guijarro, upon motion made by Mr. Brandt and seconded by Mr. Hickey, it was unanimously

RESOLVED, to approve removing Janus Henderson Enterprise N from the watchlist.

Following recommendations of Ms. Vargas Guijarro, upon motion made by Mr. Brandt and seconded by Mr. Lewis, it was unanimously

RESOLVED, to approve terminating the TRP Balanced Fund and mapping participant assets into the age-appropriate TDF as soon as administratively feasible.

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

Mr. Tony Luna presented the T. Rowe Price ("TRP") Stable Asset Overview (Exhibit D) noting the following 1st quarter 2022 portfolio highlights:

Account Summary

- Portfolio Assets - \$820.0 million
- Declared rate - 1.73% representing an increase of 0.17% from Q4 2021
- Yield to Maturity - 3.01%
- Effective Duration - 3.11 Years
- Market/Book Value Ratio - 97.27% a decrease of 4.08% from Q4 2021

Portfolio Distribution

- Liquidity Buffer- Cash & Equivalents - 2.8%
- Short Portfolio - 47.4%
- Intermediate Portfolio - 49.7%

Mr. Luna noted the ICP returned 0.33% during the quarter. Relative to the 3-Year Constant Maturity Treasury benchmark, the ICP moderately underperformed by 0.13% as the declared rate tracks the interest rate movements with a lag.

V. REPORTS OF BOARD STAFF

A. Finance

Ms. Roberts presented the Budget and Variance Report (Exhibit E), highlighting that the finance office is overseeing two solicitations-

- The Custodial Banking Contract
 - Solicitation published 3/31/2022, submissions due 5/31/2022
 - 2 volunteers needed to evaluate the proposal
 - This solicitation is an exempt procurement and will not need approval from the Board of Public Works
- The Investment Advisory Services Contract
 - Solicitation published 5/31/2022, submissions due 7/10/2022
 - 3 volunteers needed to evaluate the proposal
 - This solicitation is not exempt and will follow the DGS process including Board of Public Works approval.
- Audits

- Fiscal and Compliance Audit by the Office of Legislative Audits is expected to be completed in late July
- RSM FY/CY 2021 Plan audit is expected to be completed in early August 2022
- Financial Projection FY 2022
 - The fee reduction was fully implemented on March 31, 2022 and generated a \$56k average monthly savings to participants.
 - The asset fee reduction resulted in a decrease in revenues to \$130,174 (from a monthly average of \$186,333)
 - As of March 31, 2022, YTD revenue was \$1,609,562 with YTD expenditures of \$1,493,789 resulting in slight surplus of \$135,773.
 - As of March 31, 2022, the reserve balance was \$1,198,272.
- The Fiscal office expects projected spending for the remainder of the year to be consistent with the budget, with minimal unspent funds at year-end.

Ms. Roberts discussed the CY/FY 2021 Annual Comprehensive Report noting changes to the report from the prior year. MSRP has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for ten consecutive years. As in previous years, the report will be submitted to the GFOA for review. Ms. Roberts noted optimism in receiving the reward again this year. RSM is in process of auditing the report with an expected report of their review in August.

B. Member Services

Ms. Toler presented the May 2022 Member Services Report (Exhibit F), which provided a 2Q 2022 webinar schedule highlighting a collaboration in June with State Retirement Agency, “Introduction to Retirement and Pension Benefits.” She thanked Ms. Bell, Ms. Roberts, and Mr. Brandt for their partnership in meetings to bring the collaboration to life. Ms. Toler noted new and important topics that are upcoming on the 2Q Webinar schedule. Ms. Toler highlighted an MSRP article in the State Retirement Agency Spring Mentor Newsletter and is looking forward to ongoing efforts in educating participants on the different options available from each agency.

VI. COMMITTEE REPORTS

Audit Committee Chair Mr. Brandt and Investment Committee Chair Mr. Lewis noted no updates.

VII. BOARD SECRETARY’S REPORT

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

- ***DLS Fiscal Compliance Audit.*** Audit began May 9, 2022, and will cover the period February 12, 2018 through May 15, 2022. The audit is being conducted by Department of Legislative Services Office of Legislative Audits and is expected to last 45 days.

- **NAGDCA.** Ms. Bell will be participating in the “DC Fly-In” on June 7th and 8th. This is a first-time event that highlight legislative issues that are impacting public plans. The Legislative Committee will present its legislative positions book to the NAGDCA Executive Board on June 8th for approval. Updates will be provided at the August 22nd Board meeting. The NAGDCA 2022 Annual Conference will be September 18 – 21 in Baltimore.
- **Collaboration With State Retirement Agency.** For the first time ever, MSRP was featured in the spring 2022 edition of the Maryland State Retirement Agency Mentor newsletter. Ms. Bell thanked the Member Services Team and a special thanks to Mr. Brandt who is a member of both Boards for the collaboration between agencies.

VIII. CLOSED SESSION

1. Recorded vote to close the meeting:

Date: May 23, 2022
Time: 11:54 a.m.

Location: 6 St. Paul Street, Baltimore, MD 21202 and call-in line provided for that purpose

Motion to close meeting made by: Mr. Brandt; seconded by Mr. Hickey

Vote to Close Session:

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

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

- X** (13) To comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter;
- X** (7) To consult with counsel to obtain legal advice on a legal 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 loans and excess contributions.

§ 3-305(b)(13): The Board will review and vote to approve the minutes of the Closed Session of the Board Meeting of February 28,2022.

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 February 28, 2022 (GP§ 3-306(c)(3)(ii)).

5. Persons present in the Closed Session:

Trustees:

Hon. T. Eloise Foster, Board Chair
Mr. Thomas M. Brandt, Jr.
Hon. Dereck E. Davis.
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) Upon motion by Mr. Hickey, and seconded by Mr. Davis, the Board unanimously approved the Closed Session minutes of the February 28, 2022 Board Meeting.
- b) Upon motion by Mr. Brandt, and seconded by Mr. Lewis, it was unanimously

RESOLVED, to approve amendments to the 457(b) Deferred Compensation Plan and Trust, 401(k) Savings and Investment Plan and Trust, and 403(b) Tax Deferred Annuity Plan to standardize the provisions regarding distribution of excess deferrals across the Plans, to be effective on January 1, 2023.

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

At 1:04 p.m., Mr. Hickey left the meeting.

At 1:10 p.m., upon motion by Mr. Brandt, and seconded by Mr. Davis, the Board unanimously approved adjournment of the Closed Session and returning to the Open Session.

IX. OPEN SESSION/ADJOURNMENT

At 1:10 p.m., the Open Session resumed.

Upon motion by Mr. Brandt, and seconded by Mr. Davis, the Board unanimously ratified the action taken in the Closed Session:

RESOLVED, to approve amendments to the 457(b) Deferred Compensation Plan and Trust, 401(k) Savings and Investment Plan and Trust, and 403(b) Tax Deferred Annuity Plan to standardize the provisions regarding distribution of excess deferrals across the Plans, to be effective on January 1, 2023.

At 1:10 p.m., upon motion by Mr. Lewis, and seconded by Mr. Davis, the Board unanimously approved adjournment of the Open Session.