



Maryland
Teachers & State Employees
Supplemental Retirement Plans

**BOARD OF TRUSTEES FOR THE
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS
MINUTES OF THE January 22, 2018 MEETING**

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:30 a.m. on January 22, 2018, in Baltimore. A quorum was present.

BOARD OF TRUSTEES

T. Eloise Foster
Chairperson

Thomas M. Brandt, Jr.
Lynne M. Durbin, Esq.
Nancy K. Kopp
John D. Lewis
Johnathan R. West

Members Present

Ms. T. Eloise Foster
Mr. Thomas Brandt, Jr.
Ms. Lynne Durbin
Ms. Nancy Kopp
Mr. John Lewis
Mr. Johnathan West

Michael T. Halpin, CRC®, CRA®
Secretary/ Executive Director

Debra L. Roberts, MBA, CPA, CRC®
Director of Finance

Richard A. Arthur, MBA, CPM
Director of Operations & Technology

Louis A. Holcomb, Jr., MA, CRC®
Director of Participant Services

*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>*

*Call About the Plans
or to Enroll
1-800-545-4730
or Enroll on-line at
www.MarylandDC.com*

Representatives and Guests

Mr. Michael Halpin, Staff
Ms. Lara L. Hjortsberg, Board Counsel
Mr. Richard Arthur, Staff
Ms. Debra Roberts, Staff
Mr. Louis Holcomb, Staff
Ms. Anna Marie Smith, Staff
Mr. Jeffrey Francis, Nationwide
Mr. Daniel Wrzesien, Nationwide
Ms. Juliana Bertone, Nationwide
Ms. Taylor Benson, Galliard Capital Management
Ms. Vanessa Vargas Guijarro, Segal Marco Advisors
Mr. Bryant Burns, T. Rowe Price
Ms. Jennifer Falcone, T. Rowe Price
Mr. Joseph Martel, T. Rowe Price
Mr. Philip Harris, Financial Integrity Resources Management

I. Chairperson's Remarks

Upon motion duly made and seconded, the minutes of the following meetings of the Board of Trustees were unanimously approved:

- Regular Meeting of the Board of Trustees held on November 20, 2017 (Exhibit A); and
- Special Meeting of the Board of Trustees (Planning/Education Session) held on December 8, 2017 (Exhibit A-1)

II. Administrator's Report & Marketing Plan Update

Mr. Wrzesien introduced Julie Bertone, a senior consultant for Nationwide, for the presentation of the 2018 Communications & Education Plan (Exhibit B). Ms. Bertone began with the 2017 MSRP Communication and Education Overview. Next Mr. Wrzesien proceeded to the 2018 Education Plan. He noted the overarching plan objectives were, through education, to (a) focus on retirement readiness, (b) increase plan awareness and participation, and (c) encourage contribution increases. With respect to each objective, he presented the strategies and tactics to be employed in achieving these objectives.

III. Investment Advisors' Reports:

A. Segal Marco Advisors ("Segal")

Ms. Vanessa Vargas Guijarro first noted that Segal had not recommended any changes to the Statement of Investment Policy (Exhibit C) to the Investment Committee at its meeting immediately preceding the Board meeting.

Ms. Vargas Guijarro and Mr. John DeMairo then summarized the Investment Manager Vehicle Comparison (Exhibit C-1) presented to the Investment Committee. Ms. Vargas Guijarro noted that there were two strategies where the Plans would see savings (taking into account the mutual fund rebate savings) by switching to a commingled fund – the TCW Core Fixed Income Fund (-0.19 bps) and the T. Rowe Price Target Date Funds (range of -0.02 bps to -0.19 bps). It was noted that the assets in the 403(b) Plan were not eligible to be invested in the commingled vehicle because of the requirements of the Internal Revenue Code.

After discussion and upon motion duly made and seconded, the Board authorized Segal to request documentation on behalf of the Board for legal review from each of TCW Fixed Income Fund and T. Rowe Price Target Date Funds in order to explore the possibility of transitioning to commingled vehicles with respect to these two strategies, with all other investment options in the Plans remaining in mutual funds for the time being.

Ms. Vargas Guijarro then proceeded to the Investment Performance Summary as of December 31, 2017 (Exhibit C-2). She noted that five of the active managers underperformed for the year-to-date (YTD) period and five outperformed. She highlighted the following YTD and quarterly performance numbers:

- TCW Core Fixed Income underperformed its benchmark for the YTD period and quarter (-31bps and -2 bps, respectively).
- Fidelity Puritan Fund outperformed its benchmark for the YTD period and the quarter (+47 bps and +43 bps, respectively).
- Delaware Value Institutional underperformed its benchmark for the YTD period (-2 bps) and outperformed for the quarter (+13 bps).
- American Century Equity Growth outperformed its benchmark for the YTD period and quarter (+29 bps and +18 bps, respectively). (Noted that American Century Equity Growth is on the Watch List; status is to be reviewed at the March meeting.)
- Parnassas Core Equity Growth underperformed its benchmark for the YTD period and the quarter (-502 bps and -109 bps, respectively). (Noted that Segal is reviewing to see what is causing this underperformance and was waiting for the portfolio's holdings as of the date of the Board meeting.)
- American Funds Growth Fund of America underperformed for the YTD period and the quarter (-368 bps and -85 bps, respectively).
- The T. Rowe Price Target Date Funds all outperformed their respective benchmarks and were all ranked in the top quartile for the YTD period.

It was noted that the market was due for a correction as the market performance was at all-time high. A discussion followed as to how to communicate to participants the possibility of a correction. It was noted that the last time there was a market correction, the Plans posted materials from Segal and others as to what the industry was saying.

Ms. Vargas Guijarro closed the Segal presentation by directing the Board to the Segal Memo regarding Macquarie Investment Management (formerly Delaware Investments) (Exhibit C-3). She noted that Segal had placed Macquarie on Hold and was recommending that Delaware Value Institutional be placed on the Watch List because of a lawsuit filed by Anthony Lombardi, a terminated employee, and that the lawsuit implicated fiduciary responsibilities. Ms. Vargas Guijarro noted that the recommendation included a review of Macquarie's placement on the Watch List after 6 months. After discussion and upon motion duly made and seconded, the recommendation to place Delaware Value Institutional on the Watch List, with a review of Watch List status to follow in 6 months.

B. Galliard Capital Management ("Galliard")

Ms. Taylor Benson noted that Galliard had no recommendations for changes to the Investment Contract Pool Investment Policy and Guidelines (Exhibit D).

IV. Staff Reports

A. Finance

Ms. Debra Roberts presented the agency budget and expenditure report (Exhibit E) as of November 30, 2017. She noted revenues of \$1,023,116, which were \$253,573, or 32.95% more than budget. Ms. Roberts noted that expenditures were \$709,330, which are lower than budget with a variance of \$27,866 or 3.78%. She explained

each of the favorable and unfavorable variances for the expenditure lines. Ms. Roberts noted a reserve balance as of June 30, 2017 of \$795,640. She stated that the reserve balance as of November 30, 2017 was \$774,452.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), which included an overview of MSRP field department 2017 events, seminar ratings provided by State employees, a summary of outcomes of the seminars, a listing of the 2018 featured monthly workshops and an activity preview of 2018.

V. Board Secretary's Report

Mr. Halpin presented the Board Secretary's Report. He noted that the Board asset fee holiday approved at the November meeting had begun at the beginning of January and would cease at the end of June. He also noted that the Plans reached and remained at \$4 billion in assets 10 business days prior to the meeting. Mr. Halpin stated that there was no proposed legislation that refers to MSRP based on screening of the Maryland General Assembly website. He noted that the agency was scheduled to appear before the Senate Budget and Tax Committee on January 30 and before the House Appropriations Committee on February 2, that nothing significant had been raised by the legislative budget analyst and that there was nothing to note in the Governor's budget affecting the agency. He also noted that he had nothing to report with respect to a replacement for the Board vacancy caused by Mr. Parran's resignation.

VI. Board Counsel's Report

Ms. Hjortsberg noted that she would present her report during the Executive Session.

VII. Executive Session

Chairperson Foster noted the Executive Session on the agenda. At the Chairperson's request, Ms. Hjortsberg explained that the reasons for closing the meeting was in accordance with (a) General Provisions Article ("GP") §3-305(b)(7), to consult with counsel to obtain legal advice on a legal matter (potential litigation); (b) GP §3-305(b)(8) to consult with staff, consultants or other individuals about potential litigation; (c) GP §3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter, specifically pursuant to, GP §4-312(a) with respect to the retirement records of an individual, and (d) GP §3-103(a)(1)(i), to perform an administrative function, specifically to review the minutes of the closed session of the Board meeting held on November 20, 2017. Ms. Hjortsberg noted that Chairperson Foster had signed the *Presiding Officer's Written Statement for Closing a Meeting* ("Statement to Close") with respect to §§3-305(b)(7), (8) and (13) to this effect.

Upon motion made and seconded, it was unanimously

RESOLVED, that the Board of Trustees of the Maryland Supplemental Retirement Plans move into a closed session in accordance with §§ 3-305(b)(8), 3-305(b)(7), and 3-305(b)(13) to (a) consult with staff, consultants or other individuals

about potential litigation, (b) obtain the advice of counsel with respect to such potential litigation; (c) to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter, pursuant to GP §3-305(b)(13), specifically, GP §4-312(a), with respect to the retirement records of an individual; and (d) GP §3-103(a)(1)(i), to perform an administrative function, specifically to review the minutes of the closed session of the Board meeting held on November 20, 2017

The Board members and the following persons remained present for the Executive Session: Mr. Halpin and Ms. Hjortsberg.

The Executive Session concluded and the regular session resumed at 11:04 a.m. At the Chairperson's request, Ms. Hjortsberg announced the following actions by the Board during the Executive Session:

- Approval of Minutes of the closed session of the Board meeting hold on November 20, 2017; and
- Receipt of an update from counsel and staff regarding potential litigation (*information only*)

VIII. Adjournment

A motion to adjourn was entered at 11:05 a.m., seconded, and carried unanimously.