Exhibit A

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BOARD OF TRUSTEES FOR THE MARYLAND TEACHERS & STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS MINUTES OF THE August 26, 2019 MEETING

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:50 a.m. on August 26, 2019, in Baltimore. A quorum was present.

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

Representatives and Guests
Mr. Michael Halpin, Staff
Ms. Lara L. Hjortsberg, Board Counsel
Mr. Richard Arthur, Staff
Mr. Louis Holcomb, Staff
Ms. Anna Marie Smith, Staff
Mr. Daniel Wrzesien, Nationwide
Mr. Jeffrey Francis, Nationwide
Mr. Scott Ramey, Nationwide
Ms. Savannah Rath, Nationwide
Mr. Peter Schmit, Galliard Capital Management
Mr. Michael Norman, Galliard Capital Management
Ms. Vanessa Vargas, Segal Marco Advisors
Ms. Jennifer Falcone, T. Rowe Price
Mr. Bryant Burns, T. Rowe Price
Mr. Philip Harris, Financial Integrity Resources Management
Ms. Rui Zhang, Financial Integrity Resources Management

I. Chairperson's Remarks

Upon motion duly made and seconded, the minutes of the Open Session of the Regular Meeting of the Board of Trustees (the "Board") held on June 3, 2019 (Exhibit A) were unanimously approved.

II. Administrator's Report

Mr. Jeffrey Francis first thanked the Board for the award of the administrator contract to Nationwide Retirement Solutions and the Board's continuation of its relationship with Nationwide. He next introduced the Board to Mr. Scott Ramey, who would be replacing Eric Stevenson as Senior Vice President of Retirement Plans. Mr. Francis noted that Mr. Stevenson had recently been promoted to head of Nationwide Retirement Services.

Chairperson Foster thanked Ms. Durbin, Mr. West and Mr. Tom Hickey for their service on the Evaluation Panel, Mr. Halpin and Ms. Hjortsberg for their support of the panel and the contract, and Treasurer Kopp for the Board of Public Work's approval of the contract. The Board concurred with this appreciation.

Mr. Daniel Wrzesien next proceeded to a review of the Nationwide Minority Business Enterprise (MBE) Spends (Exhibit B-1). He noted that through June 30, 2019, Nationwide had partnered with vendors for $225,651 in MBE Maryland spends, representing 13% on the 15% contract goal. He explained that Nationwide had postponed a refresh and reprint of sales literature and forms, originally included in the 2nd quarter 2019 MBE plan, until the contract approval was completed so that these new materials would include the new fee structure. He also emphasized that Nationwide continues to support the MBE program and will attain its contractual obligations by continuing to work with companies in a prudent manner so as to help these Maryland MBE businesses grow.

Mr. Wrzesien then presented the 2nd quarter 2019 Administrator's report (Exhibit B), highlighting the following from the Executive Summary:

- Current Assets: $4.2 billion (*highest quarter in history of the Plans; assets were $2.24 billion at the end of the 1Q2008*)
- Total Participant Accounts: 68,943 (*12% increase as compared to 1Q2008*)
- Deferrals: $56.092 million (*last time at this level was 4Q2017*)
- Mutual Fund Savings: $693,253 (*$1.3 million for the year*)
- Rollovers-In: 156, representing $7.3 million
- Withdrawals $39.1 million (*trending $10 million less than 2018*)
- Rollovers-Out 383, representing $20.8 million
- Enrollments: 1,224 (*best quarter in history of the Plans*)
- Loans: 5,104 active loans, representing $40.179 million
- Hardships: 486 (*an increase of 53 from 1Q2019*)

Mr. Wrzesien highlighted the following achievements and initiatives from the Administrator's Report:

- Worked with MSRP to update participant welcome letter

- Completed and communicated change from Vanguard Institutional Index to Fidelity 500 Index in May 2019
- Benefit Coordinator Academies:
  - 9 events across the state with 188 attendees
  - Multiple agencies have set up visits for 1-on-1 consultations and seminars
  - Used MBE for catering
- Launching two rollover-in campaigns
  - Enrolled in Plans within last 13 months and age 40 and above
  - Age 70 ½ and older and still working and contributing
- Continued work with SB & Company 2018 audit of the Plans
- Participant education salary increases campaign impact: action rate of 6.57%, 2,401 increases, resulting in a $337 average increase per member

In response to a question, Mr. Wrzesien noted that the reason the Mutual Fund Savings (MFS) in 2018 were so much higher than 2019 was that the Delaware Value Fund had paid back MFS arrearages, which worked to inflate the MFS number for 2018. Mr. Brandt asked whether the increase in the number of participants in the managed account service from 2Q2018 to 2Q2019 was the reason for the decrease in the percentage of contributions allocated to the target date funds (TDFs) for the quarter (32.8% in 2Q2019 as compared to 30.5% 2Q2018). Mr. Wrzesien noted that the number of participants using the ProAccount service had increased by 563 during that time frame. He stated that he would need to investigate the reason behind the increase in the allocation of contributions to Fixed/Cash from 15.7% to 18.3% from 2Q2018 to 2Q2019.

III. Investment Advisors' Reports:

A. Segal Marco Advisors ("Segal")

Ms. Vanessa Vargas began her report by directing the Committee members to the proposed changes to the Investment Policy Statement ("IPS") (Exhibit C-4). She noted that the changes were located on pages 10-16 of the IPS, plus a new Appendix B, and that Ms. Hjortsberg had drafted these changes in connection with the addition of the collective investment trusts ("CITs") to the investment line-up. Ms. Hjortsberg added that CITs generally require that retirement plans agree to adopt the provisions of their declarations of trust in their investment policy statements and that this was the reason for certain of the changes. She also noted that the legislative amendments allowing the Board to enter into investment agreements with T. Rowe Price and other investment managers outside of the State procurement process required that the Board adopt exempt procurement policies and procedures and that these policies and procedures were modeled after those of the State Retirement Agency, who shared a similar procurement exemption for investment management services.

Ms. Vargas and Ms. Hjortsberg also updated the Committee as to the timeline for the transition of the T. Rowe Price Target Date Funds ("TDFs") to the CIT vehicles. Ms. Vargas noted that if the Plans had a trade date prior to the end of a month, the assets would be transferred on the first day of the following month (e.g., a trade date of October 31 would result in an asset transfer of November 1).

Ms. Hjortsberg noted that prior to any transfer of Plan assets to the CITs, a participant communication regarding the line-up change would need to be drafted and distributed. Ms. Hjortsberg also noted that a final Board resolution approving the transfer of Plan assets was required, as the Board had only previously approved the consideration of the CITS, subject to legal review and negotiation of documents. Ms. Vargas reminded the Board that, as discussed at the earlier consideration of the CITs by the Board, the fee for the CITs was 40 basis points and that the assets in the T. Rowe Price Balanced Fund would not be transitioning to a CIT vehicle under the Segal recommendation.

After discussion, and upon motion duly made and seconded, it was unanimously

> **RESOLVED**, that the proposed changes to the MSRP Statement of Investment Policy as presented at the meeting in Exhibit C-4 be, and they hereby are, approved by the Board.
>
> **FURTHER RESOLVED**, that (a) the assets of the 457 Deferred Compensation Plan, the 401(k) Savings and Investment Plan and the 401(a) Match Plan currently invested in the T. Rowe Price Target Date mutual fund vehicles be transferred to the collective investment trust vehicles managed by T. Rowe Price Trust Company, at a fee of 40 basis points, subject to completion of the transaction documents with respect to such investment by the Plans and the drafting and distribution of necessary and appropriate participant communication with respect to the changes to the investment options in the Plans; and (b) the Executive Director is authorized, directed and empowered to execute and deliver, by and on behalf of the Board and the Plans, a Participation Agreement with T. Rowe Price Trust Company, a letter agreement in form and substance approved by Board Counsel, and such other documents and instruments deemed necessary and appropriate by the Executive Director, with the advice of Board Counsel, to implement such transfer of assets to the collective investment trust vehicles managed by T. Rowe Price Trust Company; and (c) the Executive Director and other officers of the agency are authorized, directed and empowered to take any and all necessary and appropriate action to carry out the intent and purposes of the foregoing resolutions.

Ms. Vargas returned to the presentation of the Biennial Report from the Investment Committee meeting immediately preceding the Board meeting, highlighting the following:

- MSRP offers 18 core investment options including the TDFs (counted as one) and the ICP managed by Galliard; the 2017 NAGDCA Perspectives survey (the "NAGDCA Survey") reported the median number of investment options offered by plans as 24. Segal believes the number of options in the MSRP Plans is appropriate, as the industry has been reducing the number of options.

- MSRP offers 5 passively-managed options which represent the main broad asset classes within equities and fixed income, and which Segal believes is appropriate and helpful as it allows participants who desire a passive portfolio to have access to representative portfolios.
- MSRP participant assets are in line with NAGDCA Survey results:
  - Stable value: MSRP – 19%; NAGDCA survey – 22.7%
  - TDFs: MSRP – 17%; NAGDCA Survey – 18.3%
- Largest single investment option in MSRP Plans is the ICP (19%), followed by Fidelity 500 Index (14%), Fidelity Puritan Fund (7%), American Funds Growth Fund of America (6%), and Vanguard Midcap Index Fund (5%), representing 50% of participant assets as of June 30, 2019.
- MSRP line-up includes investment options across the asset class risk/return spectrum.
- The lowest utilized option in the line-up is the T. Rowe Price Balanced Fund with 0.3% of Plan assets (if excluding consideration of the Vanguard Money Market Fund, which is offered only in the 403(b) Plan); it was suggested that the Board consider including only one balanced fund in the line-up and map participant assets under one of the following scenarios:
  - Map the Fidelity Puritan Fund (6.9% of Plan assets) with participant communication explaining the different allocation of the Fidelity Puritan Fund (60% fixed income as compared to 40% in T. Rowe Price Balanced Fund)
  - Map to participant age-specific TDF
  - Map to 40% Vanguard Total Bond Fund/60% Fidelity 500 Index Fund
  - Participant communication regarding static nature of the T. Rowe Price Balanced Fund (it being noted that last communication in this regard 4 years prior)

  After discussion, the consensus of the Board was to first initiate participant communication regarding the static nature of the Balanced Fund before making any fund changes in this area.

- Asset class review
  - MSRP is essentially in line with peers in the NAGDCA Survey, with slight differences caused by plan design (e.g., MSRP Plan money market allocation is low as compared to NAGDCA Survey due to the fact that MSRP Plans only include money market in 403(b) Plan)
  - No changes recommended in managers
  - High yield and international small cap investment options are not recommended as additional investment options for the MSRP Plans
  - Education sessions recommended/requested
    - Inflation-protected bonds
    - Emerging markets equity

- TDF Education Update – Ms. Vargas provided updated education about the TDFs, including a comparison of the T. Rowe Price Funds to American Funds Target Date Retirement, JPMorgan SmartRetirement, and Vanguard Target Retirement with respect to the following:
    - *Historical enhancements* – all target date funds examined have developed enhancements to keep pace with the market, participant usage, new asset classes, better management, and one would expect these to continue.
    - *Equity allocation* – T. Rowe Price maintains a static allocation to equity except in U.S. Large Cap, which is dynamic; American Funds are dynamic; JPMorgan and Vanguard are static
    - *Fixed income allocation* – T. Rowe Price, American Funds and JPMorgan use a dynamic allocation; Vanguard uses static allocation with no allocation to high yield or TIPs 15 years prior to retirement
    - *Underlying investments*
    - *Diversification*
    - *Performance* – T. Rowe Price 2015 target date fund has performed better than all of the other 2015 funds; American Funds has performed better for the 2035 and 2055 fund by taking less risk than T. Rowe Price, but T. Rowe Price remains in the top quartile for these two funds
- Fees
    - Investment management cost is 35 basis points (bps) ($4,252,804) as compared to (1) 42 bps for the NAGDCA Survey and (2) 34 bps for respondents with assets between $2 billion and $5 billion total assets
    - Passive funds – noted that changes had been made ahead of the Biennial Report with respect to the following:
        - Vanguard Institutional Index to Fidelity 500 Index
        - Anticipated change from T. Rowe Price TDF mutual funds to CITs
            - With this change, estimated that investment management cost will decrease to 33 bps (assuming assets remain as invested on June 30, 2019)
        - Next investment line-up change to be explored is State Street and Black Rock CITs for passive assets (25% of Plan assets)
        - Galliard appears to be the most expensive investment option (36 bps); however, it was noted that this was by design as the ICP is a separate account with 5 managers (including Galliard); if the ICP were to be restructured to allow Galliard to manage more of the ICP assets, the fee would be reduced because Galliard charges its fee on the ICP assets as a whole and would not charge the fee again on the portion of the fixed income portfolio it manages

- Re-examine potential for TCW Core Fixed Income fee reduction via a transition to CIT vehicle following completion T. Rowe Price CIT transition
- Other MSRP investment options are below median as to fees once fee rebates are taken into consideration

Ms. Vargas next provided a summary of the 2nd quarter performance for the quarter ended June 30, 2019 (Exhibit C):

- AUM for the Plans at March 31, 2019 was \$4.1 billion, with \$122 million of investment earnings; it was noted that net outflows from the Plans has continued.
- The allocation to each of the Plans remained about the same, as follows: 457 Plan – 44%, 401(k) Plan – 49.0%, 403(b) Plan – 2.4%, and 401(a) Plan – 5%.
- Active/Passive breakdown was 75%/ 25%.
- Top 5 holdings – 50% with the following allocations: ICP – 19%, Fidelity 500 Index – 14%, Fidelity Puritan – 7%, American Funds Growth Fund – 6%, Vanguard MidCap Index Institutional – 5%
- Equities represented almost 50% of total Plan assets, TDFs represented 18%, and Fixed Income represented 32%.
- TDF allocation as of June 30, 2019 was as follows: Domestic Equity – 44.1%, International Equity – 10.5%, International Fixed – 10.5%, and Domestic Fixed – 20.98%.
- Contributions have remained the same as compared to the 1st quarter of 2019, as follows: TDFs – 30.65%, Fixed Income 27.66%, and Equities – 41.65%.
- "Traffic Light" Analysis of investment manager performance:
    - 2nd quarter – 6 of 11 active managers outperformed their respective benchmarks; all of the TDFs underperformed their respective benchmarks
    - 1-year period – 5 of 11 active managers outperformed their respective benchmarks; 1 underperformed, its benchmark; and 1 matched its benchmark; all of the TDFs underperformed their respective benchmarks
    - 5-year period – 6 of 11 active managers underperformed their respective benchmarks; all of the TDFs underperformed their respective benchmarks
    - 10-year period – 6 of 10 active managers outperformed their respective benchmarks; all of the TDFs outperformed their respective benchmarks
    - Peer Ranking Analysis:
        - 4 of the 11 active managers below median for the quarter and 5 of the 11 were below for the year-to-date (YTD) period.
        - TCW Core Fixed Income has improved for the quarter and July and now does not have 3- and 5-year performance below peer and benchmark; therefore, the recommendation

is to remove TCW Core Fixed Income from the Watch List pursuant to the IPS

- Performance for the quarter ended June 30, 2019 and one-month ended July 31, 2019:
  - *TCW Core Fixed Income* – outperformed its index for the 2nd quarter (+3.12% as compared to +3.08%) and YTD period (+6.22% as compared to +6.11%), and underperformed for the 1-month period ended July 30, 2019 (+0.18% as compared to +0.22%)
  - *Fidelity Puritan Fund* – underperformed its index for the 2nd quarter (+3.34% as compared to +3.96%) and YTD period (+13.19% as compared to +13.64%) and for the 1-month period ended July 30, 2019 (+0.72% as compared to +0.95%)
  - *Delaware Value Institutional* (Macquarie) – underperformed its index for the 2nd quarter (+0.61% as compared to +3.84%) and the YTD period (+10.89% as compared to +16.24%) and outperformed for the 1-month period ended July 30, 2019 (+1.44% as compared to +0.83%)
  - *American Century Equity Growth* – underperformed its index for the 2nd quarter (+3.61% as compared to +4.30%) and the YTD period (+18.37% as compared to +18.54%) and outperformed for the 1-month period ended July 30, 2019 (+1.70 as compared to +1.44%)
  - *Parnassas Core Equity Institutional* – outperformed its index for the 2nd quarter (+6.13% as compared to +4.30%), the YTD period (+20.31 as compared to +18.54), and the 1-month period ended July 30, 2019 (+1.90% as compared to +1.44%)
  - *American Funds Growth Fund of America* – underperformed its index for the 2nd quarter (+3.53% as compared to +4.64%), the YTD period (+17.89% as compared to +21.49%), and the 1-month period ended July 30, 2019 (+0.52% as compared to +2.26%); noted that this fund was recommended to be placed on the Watch List pursuant to the IPS
  - *T. Rowe Price MidCap Value* – underperformed its index for the 2nd quarter (+1.22% as compared to +3.19%), the YTD period (+12.17% as compared to +18.02%), and the 1-month period ended July 30, 2019 (+0.62% as compared to +0.83%); noted that although this fund was below index for quarter, the YTD period and July it remained above median for the 5-year period so that if the fund did not improve for the next quarter it would likely be recommended to be placed on the Watch List in accordance with the IPS
  - *Janus Henderson Enterprise* – outperformed its index for the 2nd quarter (+7.23% as compared to +5.40%) and the YTD period (+26.39% as compared to +26.08%) and underperformed for the 1-month period ended July 30, 2019 (+1.73% as compared to +2.33%)

- *T. Rowe Price Institutional Small Cap* – outperformed its index for the 2nd quarter (+5.82% as compared to +2.10%), the YTD period (+24.43% as compared to +16.98), and the 1-month period ended July 30, 2019 (+1.74% as compared to +0.58%)
- *American Funds EuroPacific Growth* – outperformed its index for the 2nd quarter (+3.87% as compared to +3.22%), the YTD period (+17.59% as compared to +14.00%), and the 1-month period ended July 30, 2019 (-0.83% as compared to -1.18%); noted that the fund outperformed its peers for the 2nd quarter and the 1-month period ended July 30, 2019
- *Target Date Funds (TDFs)* – noted that although all the TDFs had positive performance they underperformed their respective indices by 9-17 bps, but that the TDFs were in the top quartile across all time periods; for the July update, it was noted that the TDFs returns were between 24-49 bps, behind their respective indices except for the YTD period

Following the recommendations incorporated in the discussion above, upon motion duly made and seconded, it was unanimously

> **RESOLVED**, in accordance with the recommendations of Segal Marco Advisors, (a) TCW Core Fixed Income Fund shall be removed from the Watch List; and (b) American Funds Growth Fund of America shall be placed on the Watch List.

There followed a discussion of the underperformance of the T. Rowe Price MidCap Value Fund. Ms. Vargas noted that the fund tended to take more risk than its benchmark so that the tracking error was higher such that the underperformance was a matter of style as opposed to something wrong with the fund itself. It was also noted that the portfolio manager of the fund held a long-term, contrarian view of the midcap space. Ms. Vargas noted that in 2008 and 2015, the fund was ahead of its index (e.g., it lost less). It was also noted that the fund held Tera Pharmaceutical, which had failed to obtain an FDA approval and that pharmaceuticals were not performing well.

Upon a request from the Chairperson, the following information from Segal's report to the Investment Committee during the meeting immediately preceding this meeting was incorporated into these minutes regarding Galliard and the *Manager Ratings Action* (Exhibit C-2):

> Ms. Vanessa Vargas expanded on the discussion of the organization changes at Galliard and presented the Segal memo entitled *Manager Ratings Action* (Exhibit C-2). She explained that Segal had placed all Galliard products, including the Wells Fargo Stable Value Fund, on "Hold." She noted that Segal was watching Galliard closely and that Segal felt that the organizational changes posed some key man risks. She noted that two of the main founders who are retiring are members of the investment committee and that the remaining investment committee member had worked with these two founders. She also explained that

Segal wants to make sure that the organizational changes do not result in cultural changes at Galliard and that the only way to do that is with the passage of time. She noted that some Galliard employees have three-year retention contracts so that Segal will need to see if personnel changes occur following the expiration of those contracts. She also noted that Segal did not expect the investment process to change and that Segal was not concerned with the organizational changes having an effect on participant assets at this time. She stated that the plan would be to discuss this manager action on a quarterly basis just as the Board does with other Hold/Watch List investments. She also noted that the Plans would not transfer more assets to Galliard while its products were on Hold status. She also noted that while Galliard was on Hold, Segal would be monitoring Galliard to determine how much of their assets under management were leaving the firm and would also be comparing notes with other consultants.

In response to questions from Board members as to whether Segal had considered Wells Fargo as an asset manager, Ms. Vargas noted that with respect to Wells Faro products rated individually, most are not rated as Recommended. She also noted that in this instance, Wells Fargo would be taking over Galliard's compliance function and that Wells Fargo had recently been the subject to enforcement actions with respect to its compliance, so that this would be something for Segal to monitor during the Hold period. She closed the discussion by noting that the Hold status was not a downgrade but would give Galliard the opportunity to show clients how it can manage all of the changes.

After discussion, and upon motion duly made and seconded, it was unanimously

RESOLVED, that in accordance with the recommendation of Segal Marco Advisors, as more fully set forth in Exhibit C-2 to the materials for the meeting of the Board of Trustees of the Maryland Supplemental Retirement Plans on August 26, 2019, Galliard Capital Management, Inc., the manager of the Investment Contract Pool, shall be placed on the Watch List.

C. Galliard Capital Management ("Galliard")

Mr. Peter Schmit noted that he had nothing additional to report to the Board beyond what was noted during the Investment Committee meeting immediately preceding the Board meeting. Chairperson Foster asked that his comments as to the 2nd quarter performance report for the period ended June 30, 2019 (Exhibit D) provided during the Investment Committee be incorporated into the minutes of the meeting.

Such report was as follows:

Mr. Peter Schmit introduced Mr. Michael Norman, Galliard's Chief Administrative Officer. Noting that there had not been any material changes to the portfolio, he proceeded with the 2nd quarter performance report, highlighting the following:

- Assets under management (AUM) were $772 million (+$4 million as compared to the 1st quarter of 2019 and +$17 million as compared to the 2nd quarter of 2018).
- No. of contract issuers: 5, with allocation of 20% to each manager

- Duration was 2.83 years.
- Market-to-book ratio was 101.05%, an increase of 3% as compared to the 2nd quarter of 2018.
- Quality was AA- (Book Value) and AA (Market Value), consistent with previous quarters.
- The monthly declared rate (MDR) (net of fees) was 2.30% (+6 bps as compared to the 1st quarter of 2019 and +25 bps as compared to the 2nd quarter of 2018).
- Portfolio performance for the quarter ended June 30, 2019 was +0.57% (both net of fees) (as compared to +0.52% for the 3-year Constant Maturity Treasury (CMT) benchmark).

Mr. Schmit next reviewed the underlying manager performance in the ICP for the quarter and one year periods ended June 30, 2019, noting that total manager performance was strong from an absolute return perspective; he highlighted the following performance numbers (net of fees):

- Galliard
  - *2Q2019*: +1.61% (as compared to benchmark of +1.46%); value added: +15 bps
  - *1-Year*: +4.69% (as compared to benchmark of +4.02%); value added: +67 bps
- IR+M
  - *2Q2019*: +1.48% (as compared to benchmark of +1.48%); value added: 0 bps
  - *1-Year*: +4.45% (as compared to benchmark of +4.27%); value added: +18 bps
- Dodge & Cox
  - *2Q2019*: +2.35% (as compared to benchmark of +2.39%); value added: -4 bps
  - *1-Year*: +6.66% (as compared to benchmark of +6.73%); value added: -7 bps
- Earnest Partners
  - 2Q2019: +2.58% (as compared to benchmark of +2.59%); value added: -1 bps
  - *1-Year*: +6.70% (as compared to benchmark of +6.93%); value added: -23 bps
- TCW
  - *2Q2019*: +2.56% (as compared to benchmark of +2.59%); value added: -3 bps
  - *1-Year*: +7.02% (as compared to benchmark of +6.93%); value added: +9 bps

The Board then asked Mr. Schmit and Mr. Norman to speak to the organizational changes announced at the previous meeting. Mr. Norman reviewed the organization changes, noting that

- Richard Merriam (Founder and Managing Partner) and Carrie Callahan (Head of Client Service and Consultant Relations and Managing Partner) are scheduled to retire in December 2019.
- Karl Tourville (Founder and Managing Partner) are scheduled to retire in June 2020.

- Leela Scattum (Chief Stable Value Strategist) is scheduled to retire December 2020.
- Mr. Norman and Mr. Ajay Mizra will each be assuming the role of Senior Managing Principals. Mr. Norman will also become a Co-President, together with Andrew Owen, who is transitioning from his position at Wells Fargo Asset Management (Head of Short Duration Distribution). Mr. Owen will also assume the same title of Senior Managing Principal when he officially joins the firm on January 1, 2020.

Mr. Norman noted that effective January 1, 2020, the Operational Risk Management, technology, and compliance functions would report directly into Wells Fargo's centralized risk management and technology groups, primarily for regulatory purposes, but that these functions would remain on-site at Galliard. He noted that this change was intended to allow Galliard employees to work more efficiently with their counterparts at Wells Fargo.

At the request of the Board, Mr. Norman then proceeded to speak as to how the organizational changes were affecting Galliard culturally. He noted that Wells Fargo had made commitments to Galliard that it would continue to have the same autonomous investment process as it has had historically. Mr. Norman also noted that this was an input that the Board, as a client, would need to monitor going forward. The question was posed as to what indicators there would be as to a change in this regard. Mr. Norman explained that the Board would want to see the Galliard investment process remain the same. There was also a discussion of retention of the Galliard staff. It was noted that of the 102 employees, the average tenure is 8 years and that retention bonuses had been put into place for approximately 50% of the firm and that there was a thoughtful compensation plan in place. It was noted that one indicator would, therefore, be turnover of the Galliard staff. Mr. Norman noted that there had been no issues with contract issuers and that all had expressed comfort with the organizational changes so far.

IV. Staff Reports

A. Finance

Mr. Michael Halpin presented the agency budget and expenditure report (Exhibit E) as of June 30, 2019. He reported revenues of $2,349,007, with expenditures $1,835,615, resulting in a surplus of $513,392. He commented that the surplus increased the reserve balance to $814,474. Mr. Halpin noted that as of June 30, 2019, the legislative restrictions were removed and the fiscal period closed with a $2,400 remaining unexpended balance. He stated that the fiscal office was able to cover all expenditures and close out the year with a balanced budget.

Mr. Halpin then discussed the Board Fee and Reserve Estimates memo (Exhibit E-1). He stated that due to current projections for FY20, the proposed recommendation is to reduce the asset fee by 15% so that the Board fee would be reduced from 5 bps to 4.25 bps. He noted that the recommendation was to implement the fee reduction effective

October 1, 2019, the effective date of the new Nationwide contract, such that the total asset fee with the adoption of this proposed change would be 12 bps (7.75 bps to Nationwide and 4.25 bps to the Board).

After discussion, and upon motion duly made and seconded, it was unanimously,

RESOLVED, that the recommendation of the Board staff, as more fully set forth in Exhibit E-1 to the materials for the meeting of the Board of Trustees of the Maryland Supplemental Retirement Plans on August 26, 2019, be, and it hereby is approved, such that the Board fee shall be reduced by 75 bps, or 15%, from 5 bps to 4.25 bps, and that the Executive Director and other appropriate officers of the agency shall take any and all actions deemed necessary and appropriate by such officers to implement such fee reduction, effective October 1, 2019.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), which included a field activity recap from January 1- June 30, 2019. He provided flyers on the *"First Steps to Retirement Planning"* and "*Financial Physical Seminar*" beginning in September. Mr. Holcomb also provided a list of State Pre-Retirement Seminars for the fall. He then read an email from a Benefit Coordinator thanking Ms. Tonya Toler for her excellent presentation at the Benefit Coordinator Academy in Frederick Md.

V. Board Secretary's Report

Mr. Halpin noted that he had nothing further to report.

VI. Board Counsel's Report

Ms. Hjortsberg noted that she had nothing to report.

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 General Provisions Article ("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 June 4, 2019.

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 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 June 4, 2019.

Mr. Halpin and Ms. Hjortsberg remained during the closed session. The Executive Session concluded and the regular session resumed at 11:45 a.m.

VIII. Adjournment

A motion to adjourn was entered at 11:45 a.m., seconded, and carried unanimously.