



Maryland
Teachers & State Employees
Supplemental Retirement Plans

Exhibit A

**BOARD OF TRUSTEES FOR THE
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS
MINUTES OF THE REGULAR MEETING
January 25, 2021**

BOARD OF TRUSTEES

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Thomas M. Brandt, Jr.
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Thomas P. Hickey
John D. Lewis
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Director of Finance

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Director of Operations & Technology

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

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The Board of Trustees (the “Board”) of the Maryland Teachers & State Employees Supplemental Retirement Plans (“MSRP”) convened at 9:30 a.m. on January 25, 2021, via a Google Meet video conferencing link and call-in line provided for that purpose. The audio-only call-in line allowing public access to the meeting was posted on the MSRP website prior to the meeting. A quorum was present.

Members Present

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

Representatives and Guests

Ms. Ronda Butler Bell, Staff
Ms. Debra Roberts, Staff
Mr. Louis Holcomb, Staff
Ms. Anna Marie Smith, Staff
Ms. Lara L. Hjortsberg, Office of the Attorney General
Mr. Daniel Wrzesien, Nationwide
Ms. Juliana Bertone, Nationwide
Mr. Tami Pearse, Galliard Capital Management
Mr. Michael Norman, Galliard Capital Management
Ms. Vanessa Vargas, Segal Marco Advisors
Mr. John DeMairo, Segal Marco Advisors
Mr. Jennifer Johnson, T. Rowe Price (*public call-in line*)
Mr. Philip Harris, Financial Integrity Resources Management (*public call-in line*)
Ms. Runya Nie, Financial Integrity Resources Management (*public call-in line*)
Ms. Rui Zhang, Financial Integrity Resources Management (*public call-in line*)
Ms. Ishwarya Parameshwaran, Financial Integrity Resources Management (*public call-in line*)

I. Chairperson's Remarks

Chairperson Foster called the meeting to order at 9:33 a.m. and welcomed everyone to the meeting.

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

- Open Session of the Regular Meeting of the Board held on November 23, 2020 (Exhibit A), subject to a correction on page 8;
- Open Session of the Special Meeting of the Board held on November 25, 2020 (Exhibit A-1); and
- Open Session of the Special Meeting of the Board held of January 14, 2021 (Exhibit A-2), subject to minor typographical change.

Chairman Foster next explained that because the last meeting of the Board had adjourned while the Board was meeting in Closed Session, the Open Meetings Act required that certain disclosure be made during this meeting and reflected in the minutes. She asked that the following be reflected in the minutes of the meeting:

Required Disclosure from Closed Session, January 14, 2021

1. Time, place and purpose of Closed Session

Time and Place: 11:20 a.m. on January 14, 2021, via Google Meet link provided for Closed Session to Trustees and those invited to attend by the Board

Meeting Adjourned in Closed Session: 11:56 a.m.

Purpose:

2. To receive recommendation for the award of the Task Order RFP for Audit Services

3. Recorded vote of each member as to closing of the Closed Session

Recorded vote: The resolution to close the meeting was adopted unanimously by all the Trustees present at the meeting (7 of 7 Trustees in office).

4. Citation of authority under General Provisions Article ("GP") §3-305 for closing the meeting

- (i) **§3-305(b)(14)** Before a contract is awarded or bids are opened, to discuss a matter directly related to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process; and
- (ii) **§3-305(b)(7)** To consult with counsel to obtain legal advice on a legal matter

5. Listing of topics discussed, persons present, and each action taken during the Closed Session

Topics:

- *Recommendation for the award of the Task Order RFP for Audit Services*

Persons present:

- *All Trustees*
- *Ronda Butler Bell, MSRP*
- *Debra Roberts, MSRP*
- *Lara Hjortsberg, OAG*

Actions taken:

- *Approval of the award of the Contract for Audit Services under the Task Order RFP to RSM, subject to approval of the Maryland Board of Public Works*

II. Administrator's Report

Mr. Wrzesien welcomed Ms. Bertone, a senior consultant for Nationwide, for the presentation of the 2021 Communications & Education Plan (Exhibit B).

Mr. Wrzesien provided the following total Plan statistics for 2020, noting that since 2016 there were:

- 17,000 new enrollments, representing over \$50 million;
- 40,000 increases, representing over \$669 million;
- 3,000 rollovers, representing \$112 million in additional assets for the Plans; and
- 7,400 participants who chose ProAccount, representing \$436 million in assets.

Ms. Bertone next proceeded to the presentation of the 2021 Communications and Education Plan. Ms. Bertone began with the 2020 Overview of communication and education activities, highlighting the shift to videos and webinars as a result of the COVID-19 pandemic and resulting State shutdown, as well as the release of the CARES Act explanation on Marylanddc.com, an MSRP-branded market volatility brochure for participants, and the MSRP Saving\$ Symposium and Virtual Benefit Fair. She noted that MSRP's participation in the Virtual Benefit Fair was the highest activity as compared to the other Nationwide-administered plans and resulted in 563 one-on-one appointments (as compared to 100-150 following prior year in-person Saving\$ Expos).

Next Ms. Bertone presented the 2021 Marketing Plan. She noted the overarching plan objective was to increase employee, member and retiree engagement by providing holistic retirement planning experience. She explained the plan goals for achieving this objective: (a) increase membership and plan awareness, (b) focus on retirement readiness, (c) provide education and material support; and (d) potentially add the participant engagement program (i.e., targeted communications). With respect to each goal, she presented the underlying initiatives to be employed in achieving these goals.

Ms. Hjortsberg noted that data privacy legislation applicable to MSRP and Nationwide, similar to that which had been introduced last year, had been introduced in the General Assembly in the past several weeks and that she would be following these bills and discussing their impact on the Plans' ability to implement the proposed participant engagement program.

III. Investment Advisors' Reports:

A. Segal Marco Advisors ("Segal")

Ms. Vanessa Vargas noted that during the Investment Committee meeting immediately preceding the Board meeting, Segal had recommended certain changes to the Statement of Investment Policy (the "IPS") (Exhibit C). She summarized the following recommended changes:

- Introduction (Page 1) – Addition of "strategy(ies)" where only "fund(s)" had been used previously;
- Section I, Investment Categories (Page 3) – Removal of "Funds" and "Options" in the investment category listing at the beginning of Section I;
- Section II, Investment Objectives (Pages 6-11) – Change "Fund" to "Option";
- Section V, Investment Option Evaluation (Page 12) – Correct "options" to "options" in first paragraph of Section V.
- Section VI, Selection Criteria for Investment Options (Page 15) – Change "fund's" to "strategy";
- Appendix A – Change "Life Cycle" to "Life/Cycle/Target Date" to T. Rowe Price Retirement Series "Asset Class" Column;
- Appendix B – Updated to reflect addition of T. Rowe Price Structured Research Trust C Declaration of Trust in August, as required by MSRP Participation Agreement with T. Rowe Price (noted that typographical error on this Appendix required correction in the final version of the IPS); and
- Historical Notes – Updated to reflect addition of T. Rowe Price Retirement Trust B (1Q20) and T. Rowe Price Structured Research Trust B/T. Rowe Price U.S. Equity Research Fund (3Q20) (noted that typographical error in these Notes required correction in the final version of the IPS).

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 be, and they hereby are, approved.

Ms. Vargas provided an overview of the *Performance Summary* (Exhibit C) for the quarter ended December 31, 2020, highlighting the following:

- The passive options performed in line with their respective benchmarks, as would be expected.

- 8 of the 11 active managers outperformed their respective benchmarks for the year-to-date (YTD) period ended December 31, 2020 and 3 underperformed (two of which are on the Watch List and one of which is scheduled to be replaced):
 - *Delaware Value Institutional* (Watch List) underperformed its benchmark for the YTD by 265 bps (+0.15% as compared to +2.80%).
 - *American Funds Growth Fund of America* is scheduled to be replaced with the William Blair Collective Investment Trust; American Funds Growth Fund underperformed its benchmark for the YTD period by 21 bps (+38.28% as compared to +38.49%).
 - *Janus Henderson Enterprise* (Watch List) underperformed for the YTD period by 15% (+20.44% as compared to +35.59%).
- For the Target Date Funds (TDFs), the shorter-dated funds (Balanced, 2005, 2010, 2015, and 2020) underperformed their benchmarks but were in the top quartile as compared to peers; the longer-dated funds (2025, 2030, 2035, 2040, 2045, 2050, 2055, and 2060) outperformed their benchmarks and were in the top quartile as compared to peers.

Ms. Vargas next reviewed *Executive Order 1359* relating to prohibited transactions by U.S. persons in publicly traded securities of certain Chinese companies (Exhibit C-2). She explained the compliance of the MSRP investment managers impacted by the Executive Order, noting that:

- Vanguard had divested securities covered by the Executive Order.
- American Funds had one security to divest from the EuroPacific Fund (0.06% exposure).
- T. Rowe Price confirmed that none of the products in which MSRP is invested held any of the companies on prohibited lists.

Ms. Vargas completed her report by noting reviewing the *Manager Ratings Action, January 11, 2021* (Exhibit C-3). She explained that Segal had placed the T. Rowe Price Emerging Markets Strategy on hold following the announcement that the lead portfolio manager for the strategy would be retiring at the end of this year, noting that Segal was unfamiliar with the named successor.

B. Galliard Capital Management (“Galliard”)

Ms. Tami Pearse first noted that the Board meeting minutes for November 23rd (and also the Investment Committee minutes for that date) required correction to the last paragraph of the Galliard section, noting that the paragraph should indicate that the *lower* allocation to the STIF resulted in the slightly higher fees for the portfolio. She then explained that Galliard had no recommendations to change the Investment Contract Pool Investment Policy and Guidelines.

Ms. Pearse provided an update as to Earnest Partners, noting that Galliard had placed the underlying manager on watch. She noted that Earnest Partners had continued to improve quarterly performance, with positive performance outperforming its benchmark for the last three quarters of 2020 and that as a result

its year-to-date underperformance had been reduced to half of what it previously had been earlier in the year.

IV. Staff Reports

A. Finance

Ms. Roberts presented the agency budget and financial projection report (Exhibit E) as of December 31, 2020. She reported that the actual year to date revenue earned was \$1,195,572 with year to date expenditures of \$822,826 resulting in a spending surplus of \$372,746. She noted that the ending reserve balance was \$1,443,070. Ms. Roberts commented that the reserve will continue to be monitored and that she anticipated that she would be able to provide a fee analysis and fee holiday recommendation at the March Board meeting.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), which included an overview of MSRP field department 2020 events. It also included a 2021 Benefit Coordinator New Year's email, first quarter webinar schedule and a list of the Pre-Retirement Planning seminars.

V. Committee Reports

Audit Committee

Mr. Brandt thanked Mr. Hickey, Mr. Lewis, Mr. West, and Ms. Roberts for their work on the Task Order Request for Proposals (“TORFP”) for Audit Services. He noted that the Audit Committee had functioned as the evaluation committee on the procurement and that Ms. Roberts had performed the role of the Procurement officer. He noted that the actions of the Audit Committee with respect to the procurement were detailed in the minutes of the Audit Committee for its meetings held on December 10, 2020, December 17, 2020, and January 5, 2021, copies of which had been provided to the Board members with the meeting materials. He reported that the Audit Committee had selected RSM US, LLC and that it was expected that the contract award would be presented to the Maryland Board of Public Works in February for approval. He also noted that the procurement and evaluation placed an emphasis on internal controls and procedures.

VI. Board Secretary’s Report

Ms. Bell provided the Secretary’s Report, noting that she had met with each of Nationwide, Segal and T. Rowe Price since joining MSRP and that she had also begun work with the Department of Information Technology (DoIT) as to an assessment of the agency’s technology needs. She explained that she had received a draft budget from DoIT and would provide the Board with additional information as things progressed.

VII. Board Counsel Report

Ms. Lara Hjortsberg reported on the following items:

- Open Meetings Act – requested that the Board designate Ms. Bell as a staff member to receive training under the Open Meetings Act, pursuant to General Provisions Article (“GP”) §3-213(b).

After discussion, and upon motion duly made and seconded, the Board approved the designation of Ms. Ronda Butler Bell as a staff member to receive training under the Open Meetings Act, pursuant to GP §3-213(b).

- Contract Monitor and Notice Provisions – requested permission to provide formal notices under the Nationwide Plan Administrator, Nationwide ProAccount, and Segal contracts to change the applicable Contract Manager and Notice provisions thereunder to Ms. Bell; and the Board granted such permission.
- Biden Administration Rule Freeze – explained that the President’s Chief of Staff had issued a memo on January 20, 2021 indicating that all new or pending regulatory initiatives will be paused and that the Department of Labor ESG rule. The DOL ESG rule, which became effective 1/12/2021, is one of the rules designated under review by new Administration.
- 2021 Maryland Legislative Session – explained that several bills involving changes to the Maryland Data Privacy Act, the Open Meetings Act, and the Public Information Act require monitoring and that she will keep the agency and the Board apprised of changes and also work with Nationwide as to the Data Privacy Act changes.

Following up with respect to the discussion of the protection of personal information under the pending Data Privacy Act legislation, Ms. Durbin requested a report at the next meeting regarding the cybersecurity policies and procedures at the agency and Nationwide level with respect to the Plans. Ms. Bell noted that cybersecurity was also part of the conversation with DOIT regarding MSRP’s technology needs.

VIII. Closed Session

Chairperson Foster noted that as indicated on the Agenda for the Meeting, a vote was required to close the meeting for the reasons under the Open Meetings Act set forth on the Agenda. She asked that these reasons be reflected in the minutes of the meetings, those reasons being: that the Board move into a closed session in accordance with (1) GP §3-103(a)(1)(i), specifically under GP §3-104 to review the minutes of the minutes of the closed sessions of the Board meetings held on (a) November 23, 2020, (b) November 25, 2020, and (b) January 14, 2021; and (2) to consult with counsel to obtain legal advice on a legal matter, pursuant to GP §3-305(b)(7).

She requested a motion from a Board member to close the meeting in accordance with the Act. (A *Presiding Officer’s Written Officer’s Statement for Closing a Meeting under the Open Meetings Act* was prepared and was signed by Chairperson Foster prior to the Special Meeting, with the votes of the Trustees recorded thereon, to be filed with

minutes of the Board.)

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 (1) GP §3-103(a)(1)(i), specifically under GP §3-104 to review the minutes of the minutes of the closed sessions of the Board meetings held on (a) November 23, 2020, (b) November 25, 2020, and (c) January 14, 2021; and (2) to consult with counsel to obtain legal advice on a legal matter, pursuant to GP §3-305(b)(7).

Everyone left the Open Session at 10:57 a.m. The members of the Board present at the meeting logged/dialed into a separate Google Meet video link/phone line arranged for the Closed Session. Ms. Bell and Ms. Hjortsberg joined the Closed Session at the Board's request. The meeting adjourned during the Closed Session at 11:03 a.m.