



Maryland
Teachers & State Employees
Supplemental Retirement
Plans

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

February 28, 2022
MEETING MINUTES

BOARD OF TRUSTEES

Hon. T. Eloise Foster
Board Chair

Thomas M. Brandt, Jr.
Hon. Dereck E. Davis
Lynne M. Durbin, Esq.
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 &
Technology*

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

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at
<http://MSRP.maryland.gov>

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TRUSTEES PRESENT

Hon. T. Eloise Foster, Board Chair
Mr. Thomas M. Brandt, Jr.
Ms. Lynne M. Durbin, Esq.
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. Sharlene Matthews, Finance & Compliance Administrative Assistant
Ms. Anne O'Neill, Member Services Education Specialist
Ms. Andrea L. Hill, Assistant to the Executive Director
Ms. Nakeia Smith, Finance & Compliance Administrator
Mr. Ronald Pringle, Member Services Administrator
Ms. Jeannie Sutton, Member Services Education Specialist
Ms. Tonya M. Toler, Director of Member Services
Ms. Angela Anderson, 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

INVESTMENT ADVISOR - Segal Marco Advisors

Ms. Vanessa Vargas Guijarro, VP & Senior Consultant
Mr. John DeMairo, President & CEO, Segal Marco Advisors
Francois Otieno, Director Fixed Income, Segal Marco Advisors

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. Ryan Wagner, VP, Institutional Client Service Executive
Mr. Benjamin Gugliotta, Portfolio Manager

Mr. Whitney Reid, Portfolio Specialist

Ms. Xin Zhou, Portfolio Manager

Financial Integrity Resources Management

Ms. Ishwarya Parameshwaran, Analyst

Mr. Philip Harris, Financial Integrity Resources Management

The Board of Trustees (the “Board”) of the Maryland Teachers & State Employees Supplemental Retirement Plans (“MSRP”) convened at 9:33 a.m. on February 28, 2022, via a 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, welcomed everyone, and extended a special welcome to MSRP’s new Principal Counsel, Deborah Donohue, and noted that the meeting was being recorded.

Upon motion duly made by Ms. Durbin, and seconded by Mr. Brandt, the following Board Meeting minutes were unanimously approved:

- Open Session of the Regular Board Meeting held on January 24, 2022 (Exhibit A)

II. PLAN ADMINISTRATOR’S REPORT

Mr. Wrzesien presented the 4th quarter performance report for the period ended December 31, 2021 (Exhibit B), which highlighted the following:

- Current Assets: \$5.55 billion (4.55% increase in plan assets from the prior quarter & highest in plan history)
- Total Participant Accounts: 68,581
- Enrollments: 598 4Q; 2,157 YTD
- Contributions: \$60 million (9.16% decrease compared to 3Q 2021)
- Mutual Fund Savings: \$472,244 (increased from \$461,185 in 3Q2021)
- Rollovers-In: 110, representing \$7.2 million
- Withdrawals: \$70.7 million
- Rollovers-Out: 382, representing \$29 million
- Loans: 4387 active loans, representing \$36.7 million

- Hardships/UEs: 297 in the 4Q; 410 for the year

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

- Nationwide partnered with MSRP, Galliard, and T. Rowe Price to complete Investment Contract Pool which transitioned on January 1, 2022.
- Nationwide completed new round of fund additions and fund mappings in December 2021 Fund release.
- Nationwide continued working with RSM US on 2020 plan audit.
- Nationwide continued discussions with MSRP about activation of online withdrawals functionality and format changes to the participant quarterly statement.

Mr. Wrzesien thanked Ms. Roberts for the great partnership on the Wells Fargo transition that closed within 3-4 months earlier than the 9–12-month normal time frame. He highlighted the MSRP magazine with a spotlight on Gina Clay, a Compliance Officer from Maryland State Police who was used in the latest edition that focused on asset allocation. He also noted the magazine received 54 compliments.

Mr. Wrzesien proceeded with service updates highlighting the following:

- 2,157 new enrollments in 2021 compared to 2,171 in 2020.
- There has been an uptick in decrease and suspension activity in the 4th quarter which is common due to market conditions.
- Compared to other State and public sector plans, MSRP's call abandon rate is lower at 1.17%, faster call answer time 0.17 seconds, and higher talk time at 7 minutes 37 seconds.
- 8,219 ProAccount participants enrolled; \$555,387,522 in assets.
- Roth activity is slightly above average compared to other public plans. Nationwide will revamp its participant education on Roth activity.
- 541 loans totaling \$6,269,614; 108 defaulted loans totaling \$687,493 in the 4th quarter.
- 297 Unforeseeable Emergency Requests with the majority (168) for Foreclosure/Eviction.

Ms. Durbin asked how many loans were in default. Mr. Wrzesien said the latest figures were from calendar year 2019, in which there were 325. The default becomes a taxable event with penalties.

Mr. Wrzesien concluded his report by noting that Nationwide's MBE participation was 16% YTD. Due to a retirement, a fourth MWBE company will be hired to work as a retirement consultant.

III. INVESTMENT ADVISORS' REPORTS

A. *Segal Marco Advisors ("Segal")*

Ms. Vanessa Vargas Guijarro presented the performance report for the quarter ended December 31, 2021 (Exhibit C). She began her report with highlights on market performance and a defined

contribution legislative update, and highlighted the following:

- If SECURE 2.0 passes this year, it will allow the 403(b) Plan to use commingled funds and save on investment management fees.
- Update on Private Equity Investments - approved for custom managed account products. This does not affect the Board; it is not offered in the Plans.
- 2022 changes to Retirement Plan Limits - most indexed dollar limits increased.
- Northwestern 403(b) Fees U.S. Supreme Court case - more discussions with counsel on fees in the industry (recordkeeping vs asset based), settlements, and new litigation claims.

Ms. Vargas Guijarro proceeded to report on the Plans' 4th quarter 2021 performance, highlighting the following:

- AUM for the Plans on December 31, 2021, was \$5.55 billion.
- The allocation to each of the Plans remained similar as in prior quarters, as follows: 457 Plan – 43%, 401(k) Plan – 50%, 403(b) Plan – 2.4%, and 401(a) Plan – 4.6%.
- Top 5 holdings – with 49% in the following investment managers: ICP – 15%, State Street S&P 500 Index Non-Lending K – 16%, Fidelity Puritan – 7%, William Blair Large Cap Growth CIF 5 – 7%, State Street S&P 500 Index Non-Lending M – 5%
- Active/Passive split remained about the same at 71% / 29%.
- Asset allocation as of December 31, 2021, was Equities – 53.65%, Fixed Income – 28.34%, and target date funds (TDFs) – 18.01%.
- Underlying asset allocation of the TDFs as of December 31, 2021, was Domestic Equity – 48.6%, International Equity – 20.7%, Fixed Income – 26.5%, Real Assets – 2.1%, Cash – 2.3%.
- Allocation of contributions as of December 31, 2021, was Equities – 44.12%, TDFs – 29.33%, Fixed Income Funds – 26.55%.
- The following investment options remained on the Watch List at the end of the 4th quarter of 2021:
 - Delaware Value Institutional (DDVIX) (will remain on the watchlist – performance concerns) – outperformed Russell 1000 Value Index for 4Q (+9.0% vs. +7.8%) but underperformed YTD (+22.4% vs. +25.2%)
 - Janus Henderson Enterprise N (JDMNX) (will remain on the watchlist – performance concerns) - outperformed Russell Mid-Cap Growth Index for 4Q (+5.9% vs. +2.8%) and YTD (+17.5% vs. +12.7%)
- YTD, as compared to benchmarks:
 - 6 investment strategies outperformed relative to their respective benchmarks - TCW Core Fixed Income I, Fidelity Puritan, William Blair Large-Cap Growth CIF 5, William Blair Large-Cap Growth R6, Janus Henderson Enterprise, and T. Rowe Price Inst Small-Cap Stock.
- YTD, as compared to peers:
 - 4 funds are underperforming below median - Delaware Value Institutional, TRP MidCap Value, & American Funds EuroPacific, and T. Rowe Price Inst Small Cap Stock.
- Highlighted performance YTD:

- *Delaware Value Institutional* underperformed its benchmark (+22.4% as compared to +25.2%).
- *T. Rowe Price MidCap Value* underperformed its benchmark (+24.5% as compared to +28.3%).
- *American Funds EuroPacific Growth* underperformed its benchmark (+2.8% as compared to +8.3%).
- *Janus Henderson Enterprise* outperformed its benchmark (+17.5% as compared to +12.7%).

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

- Highlighted January performance:
 - *Delaware Value Institutional* underperformed its benchmark (-0.5% as compared to -2.3%).
 - *T. Rowe Price MidCap Value* underperformed its benchmark (-1.2% as compared to -4.3%).
 - *Paranassus* underperformed its benchmark (-5.0% as compared to -5.2%).
 - *Janus Henderson Enterprise* underperformed its benchmark (-6.5% as compared to -12.9%).
 - *T. Rowe Price U.S. Equity Research* underperformed its benchmark (-5.0% as compared to -5.2%).

Ms. Vargas Guijarro noted that this morning, pension plans began to consider divesting Russian holdings. With MSRP Plans, managers make these decisions. The largest exposure is in the American Funds, with less than 1.0%.

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

Mr. Tony Luna followed up with the following 4th quarter 2021 portfolio highlights:

- Declared rate 1.56%
- Yield to Maturity 1.31 %
- Effective Duration 2.94 Years
- Short Portfolio 39.3
- Intermediate Portfolio 57.6

Mr. Luna continued with January 2022 portfolio highlights:

- Declared rate 1.54%
- Yield to Maturity to 1.63%
- Effective Duration 3.07 Years
- Short Portfolio 49.1
- Intermediate Portfolio 48.3

Mr. Luna noted the number of contract issuers remained the same at 5 and the credit quality book value AA-, market value AA remained the same respectively. Net asset value of the portfolio as of January 31, 2022, was \$828,452,266.

- Investment Contract Pool Holdings Summary as of January 31, 2022:
 - Cash Buffer – 2.6%
 - Wrap Contacts % of Portfolio-
 - American General Life – 20.4%
 - Metropolitan Tower Life Insurance – 18.7%
 - Prudential Insurance Company – 18.7%
 - State Street Bank - 19.2%
 - Transamerica Life Insurance – 20.4%

Mr. Luna mentioned in the current market environment, stable value has a significant yield advantage over money market funds. He related that the Fed was poised to raise the interest rate, and that the declared rate would likely increase.

V. REPORTS OF BOARD STAFF

A. *Finance*

Ms. Roberts presented the fee projection analysis (Exhibit E), which projects the net asset values and computes estimated revenues, board expenses, and ending reserve for the 2022 calendar year. Ms. Roberts discussed the historical nature of fee restructuring and fee holidays and noted that, over the past 10 years, MSRP has attempted to become more efficient with its use of participant fees for operating expenses while maintaining a modest reserve. She provided the following two scenarios that would reduce the reserve balance:

- Scenario 1 - Asset fee remains unchanged. A three-month fee holiday from October to December annually. It is projected that revenues and cash reserves will decline slightly during the fee holiday. However, implementing a three-month fee holiday alone would not be enough to make a significant change in the reserve balance. The proposed change would reduce the reserve to \$860,773 by 6/30/2023.
- Scenario 2 - Consider John Lewis' suggestion to consider implementing an asset fee reduction. The asset fee reduction combined with a three-month fee holiday will caused the reserve to decrease faster and more significantly, from \$1,138,627 to \$931,212 by 12/31/2022.

Based on the analysis, Ms. Roberts recommended Scenario 2, the combination of an asset-based fee reduction, from 0.0425 bps to 0.0325 bps, and a three-month fee holiday to decrease the reserve faster and more efficiently. She noted that MSRP staff will monitor the reserve, look at market conditions, and revisit this issue on an annual basis.

Ms. Durbin asked if the recommendation was for the fee holiday to be implemented for this year and not every year. Ms. Roberts advised the goal is to provide both a permanent fee reduction and an annual fee holiday. She further advised that it is her regular practice to review the reserve balance and make recommendations to the Board accordingly. Ms. Foster stated that the current recommendation is only for the current year and will be revisited on an annual basis. Ms. Roberts confirmed this was correct. Ms. Durbin noted that, because it was a 2-part recommendation, she wanted to be clear that the basis point change would, in fact, be permanent and not change again

next year. Mr. Brandt commented that, with the large increase of assets under management combined with the fact that MSRP does not need to raise its spending to a level proportionate with the degree to which the assets have appreciated in the market, the reserves will not be decreased enough solely by implementing fee holidays. He further noted that the goal is to bring expenses down on a permanent basis and a little more on a temporary basis. Ms. Durbin noted that she was in full agreement with having the asset-based fee permanently reduced to 0.0325 bps and annually reviewing the need for a fee holiday. Ms. Roberts noted that was exactly what she was recommending. Ms. Foster asked if there was historical data over the last 3-4 years in terms of the asset fee. Ms. Roberts advised she did not have specific data. However, she noted the asset-based fee was increased 10 years ago to 0.0475 and reduced to 0.0425 in 2017. Additionally, the Plan Administrator fee was reduced in 2017.

Mr. Hickey asked what the budget reserve requirement is. Ms. Roberts noted that the guideline is 25% of the appropriation for the MSRP, with approximately \$500,000 as a floor.

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

RESOLVED, to approve an asset-based fee reduction to 0.0325 bps permanently and a three-month fee holiday for the last three months of this calendar year.

B. Member Services

Ms. Toler presented the February 2022 Member Services Report (Exhibit F), which provided a Spring 2022 Pre-Retirement planning schedule. She noted that the schedule was approved and that they would continue to offer mostly webinars this spring with limited in-person seminars. She provided highlights from the 2022 Benefit Coordinator's Newsletter noting 14,000 State employees attended webinars in 2021. Continued efforts in 2022 will include New Employee Orientations, The Basics of MSRP (a monthly webinar), Guest Speaker webinars, and information for contractual employees about how to enroll in the Plans. She ended with the Enrollment Campaign throughout 2022, mentioning Maryland Saves Week (April 25 – 28, 2022) and other employee education opportunities. Ms. Toler noted no dates have been selected yet for the Annual Virtual Symposium, usually held in October of each year.

VI. COMMITTEE REPORTS

Audit Committee Chair Mr. Brandt noted he is continuing to work with Ms. Roberts and the outside audit firm and is unaware of any exception conditions to report to the Board.

Investment Committee Chair Mr. Lewis noted no updates from the Investment Committee.

VII. BOARD SECRETARY'S REPORT

Ms. Bell presented (Exhibit G), highlighting the following:

- a. **Mask Mandate.** Ms. Bell noted that, as of February 22, the mask mandate in State buildings was lifted by Governor Hogan.

- b. **Legislative Update.** Ms. Bell reported that she attended the hearing for Senate Bill 458 (MBE Reporting Revisions) and testified before the Pensions Subcommittee of the Senate Budget and Taxation Committee on February 10, 2022. She noted there were no questions or concerns raised and that the bill was cross-filed as House Bill 909. If passed, the legislation would clarify and simplify the requirements for MSRP’s annual MBE reporting.
- c. **Budget Hearings.** Ms. Bell reported that she and Deputy Executive Director & CFO Ms. Roberts testified before the Senate Budget and Taxation Committee on February 8, 2022. There were no concerns and the Committee provided positive feedback regarding MSRP’s operating budget. They also testified before the House Appropriations Committee on February 18, 2022 with no noted concerns.
- d. **Managed Website Project.** Ms. Bell noted Towson University provided MSRP staff with a status update on February 17, 2022, and the staff will conduct a final review in the upcoming weeks. The final project is expected to launch in mid-March.

VIII. CLOSED SESSION

1. Recorded vote to close the meeting:

Date: February 28, 2022
Time: 11:25 a.m.

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

Motion to close meeting made by: Ms. Durbin; 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	[√]	[]	[]	[]
VACANCY (Agency)	[]	[]	[]	[]
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 necessary changes in response to IRS requirements related to unforeseeable hardship and emergency withdrawals from Nationwide accounts.

§ 3-305(b)(13): The Board will review and vote to approve the minutes of the Closed Session of the Board Meeting of January 24, 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 January 24, 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.
Ms. Lynne M. Durbin, Esq.
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

Guests - Plan Administrator - Nationwide Retirement Solutions (11:32 a.m. – 12:07 p.m.):

Mr. Daniel Wrzesien, Executive Program Director
Mr. Joe Burke, Managing Counsel

6. Actions taken:

- a) Upon motion by Mr. Brandt, and seconded by Ms. Durbin, the Board unanimously approved the Closed Session minutes of the January 24, 2022 Board Meeting.

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

At 12:15 p.m., upon motion by Ms. Durbin, and seconded by Ms. Foster, the Board unanimously approved adjournment of the Closed Session and returning to the Open Session.

IX. OPEN SESSION/ADJOURNMENT

At 12:15 p.m., the Open Session resumed.

At 12:16 p.m., upon motion by Mr. Hickey , and seconded by Ms. Durbin, the Board unanimously approved adjournment of the Open Session.