



**BOARD OF TRUSTEES FOR THE  
MARYLAND TEACHERS & STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS  
MINUTES OF THE January 27, 2020 MEETING**

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*Maryland  
Teachers & State Employees  
Supplemental Retirement Plans*

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:40 a.m. on January 27, 2020, in Baltimore. A quorum was present.

**BOARD OF TRUSTEES**

T. Eloise Foster  
*Chairperson*

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

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

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*

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*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](http://www.MarylandDC.com)*

Representatives and Guests

Ms. Lara L. Hjortsberg, Board Counsel  
Mr. Richard Arthur, Staff  
Ms. Debra Roberts, Staff  
Mr. Louis Holcomb, Staff  
Ms. Anna Marie Smith, Staff  
Mr. Daniel Wrzesien, Nationwide  
Mr. Jeffrey Francis, Nationwide  
Ms. Juliana Bertone, Nationwide  
Mr. Michael Norman, Galliard Capital Management  
Ms. Tami Pearse, Galliard Capital Management  
Ms. Vanessa Vargas, Segal Marco Advisors  
Mr. Claude Gregory, Financial & Realty Services

I. Chairperson's Remarks

Upon motion duly made and seconded, the minutes of the Regular Meeting of the Board of Trustees (the "Board") held on November 25, 2019 (Exhibit A) were unanimously approved.

II. Administrator's Report

Mr. Wrzesien introduced Julie Bertone, a senior consultant for Nationwide, for the presentation of the 2020 Communications & Education Plan (Exhibit B). Mr. Wrzesien began by noting that 2019 was a record year for the Plans in terms of enrollments (1,322) and increases (10,900). Ms. Bertone next proceeded to the presentation of the 2020 Communications and Education Plan. Ms. Bertone began with the 2019 Overview of marketing activities. Next Ms. Bertone presented the 2020 Marketing Plan. She noted the overarching plan objectives were to (a) continually update a comprehensive suite of material to promote awareness and increase education, enrollments, contributions, retention and participants' retirement readiness, (b) focus on investment education, (c) increase participation and Plan awareness; and (d) develop and use targeted communications. With respect to each objective, she presented the strategies and tactics to be employed in achieving these objectives.

There followed a discussion of targeted communications and the benefits this objective would have with respect to the Plans and Plan participants. Ms. Hjortsberg noted that there were data privacy issues, which, in addition to the contract issues she had encountered previously with Nationwide's third party contractor who provided the behavioral analytics (Merkle), were also affected by pending legislation in the General Assembly that implicated the obligations of government agencies who collect personal information, a broadly defined term. She also noted that one difficulty with respect to navigating the targeted communications issue was that she was prevented from reviewing the agreement between Nationwide and Merkle because it was deemed "confidential" so that she was essentially negotiating the issue "blind". Mr. Francis and Ms. Bertone provided an overview of the other plans for which Nationwide provides administrative and recordkeeping services and which have and have not implemented the targeted communications model. The Board members indicated that they would be interested in understanding why those plans which had decided not to use the target communications capability had gone in that direction. Mr. Francis indicated that it was his understanding that it may have been based on contractual terms specific to each jurisdiction. Mr. Francis undertook to obtain a redacted version of the Merkle contract for Ms. Hjortsberg's review so that these discussions could be revived and that this targeted feature might be implemented if these issues could be satisfactorily addressed.

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 and Exhibit C-1). She summarized the following recommended changes:

- Section II – change “International Equity” to “Non-U.S. Equity” in the event that the Committee and the Board decide to add an emerging markets fund to the investment line-up. Ms. Vargas noted that Segal would be providing an education session on emerging markets at an upcoming meeting.
- New Section IV – suggested language to address ESG considerations. Ms. Vargas noted that there would also be an upcoming follow-up education on ESG. There followed a discussion of the function of ESG in the Plans, and it was noted that the goal was to provide a diversified lineup from which participants could choose and that the proposed language reflected that the Board had not chosen to eliminate investment options based on ESG factors. It was also noted that as the education proceeded, the Committee and Board would still have the opportunity to change the language in that direction if it chose to do so. Ms. Vargas also noted that she would provide the members with a link to a Harvard University podcast discussing ESG and the ability to use ESG to become more vocal (questioning policies) rather than as a negative screen. She also explained that negative screens are more feasible with separate accounts.
- Section VI (Selection Criteria for Investment Options) – addition of investment management fees to fund expense ratio bullet to account for adding the commingled fund structure to the investment line up
- Renumbering of remaining sections as a result of addition of new Section IV

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-1 be, and they hereby are, approved.

Ms. Vargas then provided a summary of the 2019 year-end market and performance report (Exhibit C-2), highlighting the following:

- All investment options had positive absolute returns for the calendar year.
- Five of the eleven investment options outperformed their respective benchmarks for the 1-year period:
  - Janus Henderson Enterprise (+35.40% as compared to +35.47%)
  - Vanguard Federal Money Market (403(b) Plan only) (+2.14% as compared to 1.90%)
  - TCW Core Fixed Income (+8.75% as compared to +8.72%)
  - T. Rowe Price Small Cap Core (+33.96% as compared to +25.53%)
  - American Funds EuroPacific (+27.40% as compared to +22.13%)
- Six of the eleven investment options underperformed their respective benchmarks
  - Fidelity Puritan Fund (+21.25% as compared to +22.18%)
  - Delaware Value Institutional (+20.24% as compared to +26.54%)
  - American Century Equity Growth (+28.58% as compared to +31.49%)

- Parnassus Core Equity Institutional (+30.96% as compared to +31.49%)
- American Funds Growth Fund of America (+28.54% as compared to +36.39%)
- T. Rowe Price MidCap Value (+19.61% as compared to +27.06%)
- Five of the eleven investment options were above median as compared to peers and six were below median as compared to peers.
- T. Rowe Price Target Date Funds were all above median as compared to peers in their vintage years.

It was noted that the Investment Committee had voted to add American Funds Growth Fund of America to the Watch List. Upon motion duly made and seconded, it was unanimously,

**RESOLVED**, in accordance with the recommendations of Segal Marco Advisors, American Funds Growth Fund of America shall be placed on the Watch List.

In response to a question from Treasurer Kopp, Ms. Vargas commented on the negative interest rates experienced outside of the United States. She noted that the United States did not currently have negative interest rates but that it had them in 2018. She commented that in general fixed income should expect more volatility but the long term will provide a strong return. She noted caution attached to the asset class going forward.

C. Galliard Capital Management (“Galliard”)

Mr. Michael Norman introduced Ms. Tami Pearse. Ms. Pearse reviewed the recommended changes to the Investment Contract Pool Investment Policy and Guidelines (the “ICP IPS”) (Exhibit D) approved during the Investment Committee meeting. She noted that the recommended changes were non-substantive in nature and consisted of corrections to two cross-references (pages 3 and 7) and a clarification to the wording in Section IV regarding the requirements applied to book value Contract Issuers.

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

**RESOLVED**, that the proposed changes to the MSRP Investment Contract Pool Policy and Guidelines, as presented to the Investment Committee at this meeting in Exhibit D, be, and they hereby are, approved by the Board.

IV. Staff Reports

A. Finance

Ms. Debra Roberts presented the agency budget and expenditure report (Exhibit E) as of December 31, 2019. She reported revenues of \$1,029,053, with expenditures \$904,676, resulting in a surplus of \$124,377. She commented that the surplus increased the reserve balance to \$938,851.

Ms. Roberts noted that as of December 31, 2019, revenues continue to exceed expenditures, increasing the reserve balance. She explained that actual expenditures are not expected to deviate from the projection during the remaining six months of the fiscal year.

Ms. Roberts noted that the agency's budgets hearings would be held on February 14 (House Appropriates Committee) and February 18 (Senate Budget & Taxation Committee) and that she would be drafting a response to the budget analyst's report for the Board's review and comment in Mr. Halpin's absence.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), which included an overview of MSRP field department 2019 events, a summary of outcomes of the seminars, a listing of the 2020 featured monthly workshops and an activity preview of 2020.

V. Committee Reports

No Committee Reports were presented.

VI. Board Secretary's Report

Ms. Hjortsberg noted that the Board materials had included information with respect to the Open Meetings Act ("OMA") (Exhibit G), which was for informational purposes only. She reminded the Board that Chairperson Foster and Ms. Durbin were the Board members who had been designated by the Board to take the OMA training and that if neither of them were present during a meeting at which a closed session was to take place, the OMA required certain actions to be taken prior to going into closed session, the checklist for which was included in the materials provided.

Ms. Hjortsberg also noted that the deadline for filing Financial Disclosure Statements with the State Ethics Commission was April 30 and that the Commission likely had sent each of them a reminder email and would continue to do so until the filing was made.

VII. Adjournment

A motion to adjourn was entered at 11:30 a.m., seconded, and carried unanimously.