



Maryland  
Teachers & State Employees  
Supplemental Retirement Plans

**BOARD OF TRUSTEES FOR THE  
MARYLAND TEACHERS & STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS  
MINUTES OF THE January 23, 2017 MEETING**

---

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:30 a.m. on January 23, 2017, in Baltimore. A quorum was present.

**BOARD OF TRUSTEES**

T. Eloise Foster  
*Chairperson*

Thomas M. Brandt, Jr.  
Margaret A. Bury  
Lynne M. Durbin, Esq.  
Nancy K. Kopp  
John D. Lewis  
Wilson H. Parran  
Johnathan R. West

Members Present

Ms. T. Eloise Foster  
Mr. Thomas Brandt, Jr.  
Ms. Margaret Bury  
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  
Ms. Debra Roberts, Staff  
Mr. Louis Holcomb, Staff  
Ms. Anna Marie Smith, Staff  
Mr. Daniel Wrzesien, Nationwide  
Mr. Jeffrey Francis, Nationwide  
Ms. Julie Bertone, Nationwide  
Ms. Jeannie Henry, Nationwide  
Ms. Taylor Benson, Galliard Capital Management  
Ms. Vanessa Vargas, Segal Marco Advisors  
Ms. Kimberly Young, T. Rowe Price  
Ms. Jennifer Falcone, T. Rowe Price

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

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 November 14, 2016 (Exhibit A) were unanimously approved.

II. Administrator's Report & Marketing Plan Update

Mr. Dan Wrzesien reported to the Board on two administrative matters. First he provided a report on the process for the payment of banking fees. He noted that Nationwide was contractually obligated to pay banking fees on behalf of MSRP; however, he stated that the process by which this was reported was not transparent in the financial reporting and there was currently no line item reflecting these payments. As a result, MSRP had received invoices for the nonpayment of banking fees from Wells Fargo, which indicated that the fees had been debited from the MSRP accounts. Mr. Wrzesien noted that no participant funds were impacted, an audit was being performed, and that the process was being updated to improve transparency. It was also noted that prior to the banking services with Wells Fargo, Bank of America had been the banking services provider and had a different process in place for the payment of banking fees. Mr. Wrzesien noted that once the issue was fully corrected, he would provide the Board with a further update. The second matter Mr. Wrzesien brought to the Board's attention concerned 25 required minimum distributions (RMDs) that were issued in 2017 rather than in December 2016. He noted that if participants suffered any tax consequences, Nationwide would pay the penalties and that Nationwide would be reaching out by phone and letter to participants in order to proactively address the situation.

Mr. Wrzesien then introduced Mr. Jeffrey Francis, Regional Vice President for Nationwide, Jeannie Henry, a member of Nationwide's marketing team, and Julie Bertone, a senior consultant for Nationwide, for the presentation of the 2017 Communications & Education Plan (Exhibit B).

Ms. Bertone began with the 2016 Overview of marketing activities. In response to questions from the Board members, the Nationwide representatives undertook a review of the unclaimed property implications of the address cleaning activities, approximately 300 of which remained outstanding. Next Mr. Wrzesien proceeded to the 2017 Marketing Plan. He noted the overarching plan objectives were, through education, to (a) promote investment education, (b) increase plan participation and awareness and (b) 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 first noted that the Segal-Marco transaction had successfully closed on January 1, 2017. She then proceeded to present Segal's recommended changes to the Statement of Investment Policy (Exhibit C-1), noting the following substantive changes:

- Page 11 – Addition of annual fee review, median and versus peer universe; fees have to be reasonable for the services provided, not the lowest (Department of Labor);
- Appendix, Performance Benchmarks and Peer Groups –MSRP 403(b) changed from Vanguard Money Market Prime Fund to Vanguard Federal Money Market Fund; and
- Appendix, Fund Changes – Vanguard Federal Money Market Fund, TCW Core Fixed Income Fund I Share, and Delaware Value Fund Institutional Class.

The consensus of the Board was to defer approval of the Statement of Investment Policy until the next meeting.

Ms. Vargas then presented the third quarter performance report (Exhibit C), highlighting the following:

- Passive options – strong year to date (YTD) returns for Vanguard Institutional Index (12%); Vanguard MidCap Index (11%); and Vanguard Small Cap Index Institutional (18%).
- Active options – American Century Equity Growth (+2%); T. Rowe Price MidCap Value (+4.3%); Janus Enterprise N (+5%); T. Rowe Price Institutional Small Cap Stock (-2%); American Funds EuroPacific Growth R6 (-4%).

In response to questions from Board members regarding the frequency of Board review of investment options, it was noted that there is a biennial review of fund offerings and that the Board also distributes surveys to participants occasionally.

Ms. Vargas closed her report by noting that a full investment performance report would be presented to the Board at the next meeting.

#### B. Galliard Capital Management (“Galliard”)

Ms. Taylor Benson noted that Galliard had no recommendations to change the Investment Contract Pool Investment Policy and Guidelines (Exhibit D). She provided an overview of the ICP and provided background on the previously recommended changes to the Board. After discussion and upon motion duly made and seconded, the Board unanimously approved the recommendation to accept the ICP Investment Policy and Guidelines as presented.

### IV. Staff Reports

#### A. Finance

Ms. Debra Roberts presented the agency budget and expenditure report (Exhibit E) as of November. She noted revenues of \$957,132, which were \$187,590, or 24.38% more than budget. Ms. Roberts noted that expenditures were \$722,714, which are lower than budget with a variance of \$14,411 or 1.95%. She explained each of the favorable and unfavorable variances for the expenditure lines. She noted a reserve balance as of November 30, 2016 of \$344,450.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit E), which included an overview of MSRP field department 2016 events, seminar ratings provided by State employees, a summary of outcomes of the seminars, a listing of the 2017 featured monthly workshops and an activity preview of 2017.

V. Board Secretary's Report

Mr. Halpin presented the Board Secretary's Report (Exhibit G), highlighting the following:

- **Personnel Changes** – Mr. Halpin noted that a new receptionist had been hired – Carmella Davenport – and that Sharlene Matthews had taken responsibility for the reservations responsibilities.
- **Eddy Award** – Mr. Halpin reported that MSRP staff and Nationwide were in the running for a 1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup> place award for educational outreach and that the placement would be announced in March.
- **Managed Account Program** – The contract modification to implement the ProAccount program approved at the November meeting was on the January 25 Board of Public Works agenda.
- **Legislative Issues; Budget Hearings.** Mr. Halpin noted that there were no bills proposed that specifically dealt with the Board's defined contribution plans. He noted that the budget analyst at Department of Legislative Services had recently published a study reviewing auto enrollment and match programs in other states and the positive effect these programs could have in Maryland. Mr. Halpin noted that the MSRP budget would be discussed during the Senate hearing scheduled for January 31<sup>st</sup> and the House hearing scheduled for February 2<sup>nd</sup>.

VI. Board Counsel's Report

Ms. Hjortsberg noted that the Hurley litigation previously discussed with the Board in closed session (*Hurley et al. v. MSRP et al.*) had been voluntarily dismissed by the plaintiffs in that case with prejudice, that MSRP had incurred no legal liability in the matter and that the case was officially closed.

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 §3-103(a)(1)(i), the exercise of an administrative function (review the minutes of the closed session of the Board meeting held on November 14, 2016).

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 §1-103(a)(1)(i) to exercise an administrative function.

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 11:25 a.m. At the Chairperson's request, Ms. Hjortsberg announced the following actions by the Board during the Executive Session:

- Approval of Minutes of Executive Session of the Board, November 14, 2016.

VIII. New Business – Committee Assignments

Ms. Foster introduced the structure of the committees of the Board. After discussion of the committee descriptions previously distributed by email, she indicated the following committee assignments:

Investment Committee

John Lewis, Chair  
Thomas Brandt  
Lynne Durbin  
Nancy Kopp

Executive Committee

Eloise Foster, Chair  
Lynne Durbin  
Wilson Parran  
John West

Audit Committee

Tom Brandt, Chair  
Marge Bury  
John Lewis  
John West

IX. Adjournment

A motion to adjourn was entered at 11:40 a.m., seconded, and carried unanimously.