



**BOARD OF TRUSTEES FOR THE
MARYLAND TEACHERS & STATE EMPLOYEES
SUPPLEMENTAL RETIREMENT PLANS
MINUTES OF THE REGULAR MEETING
June 1, 2020**

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

The Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans convened at 9:47 a.m. on June 1, 2020, 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.

BOARD OF TRUSTEES

T. Eloise Foster
Chairperson

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

Lara L. Hjortsberg, Esq.
*Interim Board Secretary/Interim
Executive Director*

Debra L. Roberts, MBA, CPA
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*

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. Lara L. Hjortsberg, Staff
Mr. Richard Arthur, Staff
Ms. Debra Roberts, Staff
Mr. Louis Holcomb, Staff
Ms. Anna Marie Smith, Staff
Mr. William Mandycz, Office of the Attorney General
Mr. Daniel Wrzesien, Nationwide
Mr. Jeffrey Francis, Nationwide
Mr. Tami Pearse, Galliard Capital Management
Ms. Vanessa Vargas, Segal Marco Advisors
Mr. John DeMairo, Segal Marco Advisors
Ms. Julia Zuckerman, Segal Marco Advisors
Ms. Jennifer Falcone, T. Rowe Price (*public call-in line*)
Ms. Kimberly Young, T. Rowe Price (*public call-in line*)
Mr. Christopher Lehman, SB & Company
Mr. William Seymour, SB & Company
Mr. Philip Harris, Financial Integrity Resources Management (*public call-in line*)
Ms. Ishwarya Parameshwaran, 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*)
Mr. Ronan Burke, Capital Group (*public call-in line*)

Prior to the meeting being called to order and at the request of the Chairperson, Ms. Hjortsberg took a roll call of participants on the Google Meet video link, asking participants on the public call-in line to identify themselves and their company affiliation. She also asked participants to mute their lines if they were not presenting or were not a Trustee who was asking a question of such presenter.

I. Chairperson's Remarks

Chairperson Foster called the meeting to order at 9:50 a.m. and welcomed everyone to the meeting. She asked for a moment of silence in memory of Mike Halpin before proceeding to the agenda. She then read a note received from Ms. Gracie Halpin thanking the Board for the flowers sent on its behalf by Mr. Brandt. Chairperson Foster also noted that Mr. William Mandycz was present on the line as legal counsel and welcomed him to the meeting.

Upon motion duly made and seconded, the minutes of each of the following meetings of the Board of Trustees (the "Board") were unanimously approved,

- Open Session of the Regular Meeting of the Board held on March 2, 2020 (Exhibit A), subject to a minor correction to page 5, Section IV noted by Mr. Brandt;
- Open Session of the Special Meeting of the Board held on March 31, 2020 (Exhibit A-1); and
- Open Session of the Special Meeting of the Board held of May 8, 2020 (Exhibit A-2).

Chairperson Foster 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 noted the following:

- **Time, place and purpose of Closed Session**

Time and Place: 12:35 p.m. on May 8, 2020, via teleconference number provided for Closed Session to Trustees and those invited to attend by the Board

Purpose: Appointment of an Interim Executive Director; discussion of search for permanent Executive Director; and to obtain advice of counsel

Adjourned: 1:12 p.m.

- **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 (John West not present at the meeting).

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

GP §3-305 Authority:

- **§3-305(b)(1)** *To discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or*

performance evaluation of appointees, employees, or officials over whom this public body has jurisdiction; any other personnel matter that affects one or more specific individuals

- §3-305(b)(7) *To consult with counsel to obtain legal advice on a legal matter*

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

Topics discussed:

- *Interim director appointment*
- *Regional vs. national search*
- *Use of executive search firm*
- *Formation of Search Committee*

Persons present:

- *Chairperson Foster, Thomas Brandt, Lynne Durbin, Thomas Hickey, Treasurer Nancy Kopp, and John Lewis*
- *Lara Hjortsberg, OAG (following Board vote)*

Actions taken:

- *Vote to appoint Lara Hjortsberg as Interim Executive Director and Secretary to the Board*
- *Formation of Search Committee for Executive Director, consisting of Lynne Durbin, Thomas Brandt, Thomas Hickey, and Treasurer Nancy Kopp*

II. Comprehensive Annual Financial Report

Ms. Debra Roberts began the presentation of the *Comprehensive Annual Financial Report (CAFR) for the Calendar Year Ended December 31, 2019 (Exhibit G)*. She noted that the agency's CAFR had received this Certificate of Excellence in Financial Reporting from the Government Financial Officers Association (GFOA) for the last nine years. She proceeded to review the sections of the CAFR with the Board, noting that the disclosure in the document exceeded that required by generally accepted accounting standards and includes of a high level of quality and information geared towards end users. She noted that the 2019 CAFR would be submitted to GFOA for consideration for the Certificate of Excellence again and anticipated that it continued to meet the exacting standards for receipt of the award.

Mr. Christopher Lehman of SB & Company next led the discussion of the presentation of the audit report for the year ended December 31, 2019 (*Presentation to the Audit Committee*, which was originally presented to the Audit Committee at its meeting on May 22, 2020) (Exhibit G-1). He reviewed the scope of services with the Board. Mr. Lehman noted that the auditors intended to issue an unmodified ("clean") opinion with respect to the financial statements. He explained that the auditors did not discover any material weaknesses in internal controls or instances of fraud, and he confirmed that SB & Company had received the full cooperation of management and Nationwide during the audit. He noted no significant findings with respect to the agreed upon procedures. He

further noted that the audit was in process for testing (e.g., enrollment, fees, rebates) but that he had no significant issues to report thus far.

Mr. Lehman presented the remainder of the audit report, including the CAFR. Mr. Lehman described the risk-based audit approach; assessment of control environment; and summary of key accounts and audit results. He then reviewed the audit results with the Board, noting the following:

- \$4.390 billion Net Position Held in Trust for Deferred Compensation Benefits
- +\$643 million Change in Net Position (as compared to -\$222 million in 2018)

Mr. Lehman also noted that SB & Company expected to conclude the audit by the end of the month. Mr. Lehman closed his report by noting that his and the other SB& Company representatives' contact information was included at the end of the report of the Board members had any additional questions. Mr. William Seymour added his thanks to Ms. Roberts and Nationwide for providing the requested information to SB & Company as needed and in a timely manner. Mr. Brandt also added that the extra testing provided for in the agreed upon procedures was significant from a statistical sampling standpoint and that this extra testing provided reassurance to the Board that the testing was being done was meaningful.

Upon motion duly made and seconded, it was unanimously

RESOLVED that (a) the CAFR as presented at the meeting be, and it hereby is, approved; and (b) the submission of the CAFR to the GFOA for the Certificate of Excellence in Financial Reporting Award be, and it hereby is, approved.

III. Administrator's Report

Mr. Daniel Wrzesien presented the 1st quarter performance report for the period ended March 31, 2020 (Exhibit B), highlighting the following:

- Current Assets: \$3.7 billion
- Total Participant Accounts: 69,615 (*1.5% increase as compared to 1Q2019*)
- Contributions: \$62.7 million
- Mutual Fund Savings: \$602,295
- Rollovers-In: 175, representing \$8.6 million (*an increase of \$2 million from 1Q2019*)
- Withdrawals: \$53.37 million (*an increase of \$17 million from 1Q2019*)
- Rollovers-Out: 450, representing \$25 million (*a decrease of \$2 million from 1Q2019*)
- Enrollments: 874 (*slightly less than 1Q2019*)
- Loans: 4,824 active loans, representing \$38.5 million

- Hardships: 465 (218 with foreclosure/eviction as reason)
- MBE: \$139K spend for 2Q2020, representing 18% for the 1Q2020 on the 15% goal

With respect to achievements, Mr. Wrzesien reported

- The T. Rowe Price Target Date Collective Investment Trusts (CITs) had been added to the 457(b), 401(k) and 401(a) Match Plan and that the net asset value tracker had been added to MarylandDC.com.
- Nationwide had implemented a comprehensive work from home strategy for the Home Office and Local Office and that Nationwide was instituting a partial return to work plan.
- The MSRP-Nationwide Administration Manual had been updated to reflect current Nationwide Home Office procedures.
- Nationwide had worked with MSRP staff to issue the Banking Services RFP in coordination with the State Treasurer's Office.
- Website enhancements for MarylandDC.com were being launched in June.
- New technology and features for Plan Sponsor Dashboard was being tested.

Mr. Wrzesien provided the following summary updates for the Plans as of April 30, 2020:

- Current Assets: \$4.024 billion
- Total Participant Accounts: 69,565 (*a decrease of 50 members*)
- Contributions: \$21.6 million
- Mutual Fund Savings (1 Month): \$346,078
- Rollovers-In (1 Month): 38, representing \$512,853
- Rollovers-Out: 91, representing \$3.4 million
- Enrollments: 74 with average deduction/pay of \$229.74
- Loans:
 - 4,805 active loans, representing \$38.89 million
 - 53 new, representing \$947,280
 - 20 defaulted, representing \$237,989
 - 14 refinanced representing \$96,578
 - 92 paid in full
- Hardships:
 - 48 hardships, representing \$324,874
 - 102 U/Es, representing \$927,310
- Corona Related Distributions (CRD) (4/9-5/22) 341, representing \$3,257,318

Chairperson Foster noted that the CRD numbers indicated that there was a participant need for that Plan feature and thanked Nationwide for implementing it quickly following the Board's approval at the end of March.

IV. Investment Advisors' Reports:

A. Segal Marco Advisors ("Segal")

Ms. Vanessa Vargas directed the Board to the Executive Summary of Segal's meeting materials (Exhibit C), which included the summary of the 1st quarter performance report. After providing a summary of market performance in light of the coronavirus pandemic and the resulting global economic downturn, she highlighted the following with respect to the Plans and the MSRP line-up:

- AUM for the Plans at March 31, 2020 was \$3.7 billion.
- The allocation to each of the Plans remained about the same as in prior quarters, as follows: 457 Plan – 43.8%, 401(k) Plan – 49.3%, 403(b) Plan – 2.3%, and 401(a) Plan – 4.6%.
- Top 5 holdings – relatively unchanged from prior quarters, with 51% in the following: ICP – 21%, Fidelity 500 Index – 14%, Fidelity Puritan – 7%, American Funds Growth Fund – 5%, Vanguard MidCap Index Institutional – 4%
- Active/Passive split remained about the same at 76%/24%.
- Investment categories also remained about the same, with Stable Value representing 23% of total Plan assets, TDFs representing 17%; Passive Options representing 24%; and Active Options representing 35%.
- “Traffic Light” Analysis of investment manager performance:
 - 4 of 11 active managers outperformed their respective benchmarks for the quarter; all other managers and the TDFs underperformed their respective benchmarks
 - As compared to peers, only a few managers were below median for the quarter (Delaware Value Institutional, American Funds Growth Fund of America, and Janus Henderson Enterprise), as well as all but four of the later vintage TDFs
- Performance for the quarter ended March 31, 2020:
 - *Parnassas Core Equity Institutional* – outperformed its benchmark (-16.82% as compared to -19.60%)
 - *American Funds Growth Fund of America* (Watch List) – underperformed its benchmark (-15.04% as compared to -14.10%)
 - *T. Rowe Price Mid Cap Value* (Watch List) – outperformed its benchmark (-28.67% as compared to -31.71%)
 - *Janus Henderson Enterprise* – underperformed its benchmark (-24.03% as compared to -20.04%)
 - *T. Rowe Price Small Cap Core* – outperformed its benchmark (-26.24% as compared to -30.61%)
 - *Target Date Funds (TDFs)* – noted that longer term have held up and continue to hold up, particularly the 5- and 10-year periods

Ms. Vargas also provided a performance update for the month ended April 30, 2020 (Exhibit C-2), noting that the U.S. equities markets had rallied as Europe emerged from its lock-up:

- 6 of the 11 managers outperformed their respective benchmarks for the 1-month period.
 - *American Century Equity Growth Fund* (scheduled to be replaced in the line-up in August) – underperformed its benchmark (+12.14% as compared to +12.82%)
 - *Parnassus Core Equity Institutional* – underperformed its benchmark (+10.14% as compared to +12.82%)
 - *American Funds Growth Fund of America* – underperformed its benchmark (+14.34% as compared to +14.80%)
 - *Janus Henderson Enterprise* – underperformed its benchmark (+14.20 as compared to +15.66); noted that this fund was not a candidate for the Watch List because it was above median for the 3- and 5-year periods and outperformed its benchmark for the 5-year period
- All of the TDFs outperformed their respective benchmarks for the 1-month period and most had performed better than their peer groups; noted that what did not work in the 1st quarter for the TDFs worked in April but that the recovery lessened the relative performance in the year-to-date column for the TDFs and that T. Rowe Price will have work to do to improve the shorter term numbers.

With respect to the performance of the TDFs, there was a discussion of the appropriateness of the underlying benchmarks, it being noted that these are custom benchmarks created by T. Rowe Price. Ms. Vargas explained that within the target date allocation in the series there are small ranges where the portfolio managers can tactically trade and, whereas sometimes the overweighting to equity securities helps the performance of the TDFs, it was a disadvantage in the 1st quarter. She also noted that the fixed income for T. Rowe Price did not consist solely of fixed income core bond but includes more drivers, including emerging debt, high yield debt, non-U.S. fixed income, and commodities, and that these additional drivers did not help returns for the 1st quarter either. Ms. Vargas offered to provide the Investment Committee with a supplemental report comparing the TDF performance against the S&P as well as the customized indexes so that the Investment Committee could see the differences, as well as the risk versus return analysis. Mr. DeMairo added that the target date funds consist of two components: (1) allocation and (2) manager selection. He noted that Segal could request specific information from T. Rowe Price as to what portion of its performance is attributable to asset allocation and what portion is attributable to manager selection. There was also a discussion defined contribution plans with dual track target date fund structures – a passive track and an active track; however, Mr. DeMairo noted that it had been Segal’s experience that participants do not tend to move a lot of assets into the passive track. Mr. Wrzesien also noted that there were no dual track target date structures like this in the Nationwide “mega cases” (plans with \$1 billion+ in AUM), noting that these

sized plans were tending to reduce the number of investment options available in their menus. Ms. Vargas added that across the board during the 1st quarter, securities selection was the attributable factor for the underperformance of the TDFs, the performance numbers reversed in April and became “green” relative to their respective benchmarks, and as compared to peers in April, the TDFs were in the top decile in many cases.

Ms. Vargas next provided a report regarding the *Large Cap Core Search* presented to the Investment Committee at its March 2, 2020 meeting, based upon which Board approved the replacement of American Century Equity Growth Fund with the T. Rowe Price U.S. Equity Research Fund. Ms. Vargas explained that she wanted to provide some additional disclosure to the Board with respect to the manager search and recommendation. She noted that Ann Holcomb is the portfolio manager of the T. Rowe Price U.S. Equity Research Fund and its collective investment trust counterpart, the T. Rowe Price Strategic Research Trust, into which the assets of the 457, 401(k) and 401(a) Match Funds would be transitioned (based on Segal’s determination following the March 2, 2020 Board approval that this CIT vehicle offered the lowest fee available for participants in these three plans) the fund, and that Ms. Holcomb is the wife of Mr. Louis Holcomb, MSRP’s Director of Communications. Ms. Vargas explained that she and Mr. DeMairo were aware of this TRP-MSRP relationship before the search and recommendation were presented but explained that based on the following, Segal concluded that (a) there was no conflict of interest which would prohibit inclusion of the T. Rowe Price U.S. Structured Equity Research Fund/Structured Research Trust in the MSRP investment line-up, (b) the fund was included in the Segal manager search based on its merits, and (c) the recommendation for selection was based on it being the best candidate in the manager search:

- Mr. Holcomb exerts no decision making authority with respect to investment selection;
- Segal’s research team was not aware of the relationship during the search process; and
- T. Rowe Price was not aware that its fund was a candidate in the search.

Chairperson Foster thanked Ms. Vargas for the additional disclosure, and the consensus was that no change to the decision made at the March 2, 2020 Board meeting was necessary.

Ms. Vargas proceeded with the presentation of the *Large Cap Growth Equity Search (Exhibit C-5)*, noting that this would be for an investment option to replace the American Funds Growth Fund of America, summarizing the report as follows:

- Candidates
 - ClearBridge Large Cap Growth Fund (firm AUM – \$154 billion)
 - Harbor Capital Appreciation Fund (firm AUM – \$155 billion)
 - William Blair Large Cap Growth Fund (firm AUM – \$47 billion)
- Net Expense Ratio (noting that Segal would gather information regarding applicable revenue share if the Board decides to switch investment options)

and also that American Funds Growth Fund of America was included in the analysis for comparison purposes)

- American Funds Growth Fund of America – 0.31%
- ClearBridge Large Cap Growth Fund – 0.64%
- Harbor Capital Appreciation Fund – 0.59%
- William Blair Large Cap Growth Fund – 0.65%
- Characteristics
 - American Funds Growth Fund of America – 336 stocks (most diversified);
 - ClearBridge Large Cap Growth Fund – 47 stocks;
 - Harbor Capital Appreciation Fund – 55 stocks
 - William Blair Large Cap Growth Fund – 35 stocks (most concentrated)
- Excess Return Correlation Matrix (as compared to Delaware Value Institutional, the other Large Cap Growth Equity fund in the line-up)
 - Harbor Capital and William Blair – lowest correlation as compared to Delaware Value Institutional (i.e., best pairing with existing investment option)
- Overview of Candidates
 - All three candidates have multiple portfolio managers, are sector specific and employ a bottom-up stock selection process.
 - As compared to American Funds Growth Fund, all three candidates are more concentrated (200+ stocks compared to 30-70 stocks).
 - All three candidates have diversified capabilities.
 - Shorter-term performance (trailing quarter and 1-year periods) – American Funds and ClearBridge returned about the same and Harbor Capital and William Blair returned about the same
 - Longer-term performance (trailing 3-, 5-, 7-, and 10-year periods) – American Funds exhibits lower relative and absolute performance
 - All three candidates in the top quartile as compared to peers.
 - William Blair was the only manager which exhibited both downside protection and participated in the upside
- Segal recommended terminating the American Funds Growth Fund and replacing it with the William Blair Large Cap Growth Fund based on the following:
 - Performance
 - Upside participation and protection on the downside
 - Low correlation to Delaware Value Institutional

Ms. Vargas also noted that although the fee was higher than that of the American Funds offering, the performance of the William Blair fund was better. She also noted that if the Board approves the Segal recommendation, Segal would determine which share class or collective investment trust (CIT) would offer the lowest fee for participants and bring that back to Ms. Hjortsberg with details and, if a CIT, provide her with the necessary transaction documents for review and negotiation.

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

RESOLVED, that the upon the recommendation of Segal Marco Advisors (“Segal”), as more fully set forth in Exhibit C-1 (*Executive Summary*) and Exhibit C-5 (*Large Cap Growth Equity Search*) to the meeting materials for the Maryland Supplemental Retirement Plans (“MSRP”) of the Board of Trustees (the “Board”), hereby approves the replacement of the American Funds Growth Fund of America with the William Blair Growth Equity Fund, and that Segal, Nationwide Retirement Solutions, as the plan administrator and recordkeeper of the Plans, and management of MSRP be, and each of them hereby is, authorized, directed, and empowered to take any and all further actions necessary and desirable to carry out the purpose and intent of the foregoing resolution.

FURTHER RESOLVED, that to the extent Segal determines that the collective investment trust version of the William Blair Growth Equity Fund offers the lowest fee option for the participants in the 457 Deferred Compensation Plan, the 401(k) Savings and Investment Plan, and the 401(a) Match Plan (collectively, the “Participating Plans”), the Interim Executive Director and Secretary of the Board be, and she hereby is, authorized, directed, and empowered to negotiate and execute by and on behalf of the Board the transaction documents necessary and appropriate for the Plans to participate for such CIT vehicle (the “William Blair Growth Equity CIT”), including, without limitation a trust participation agreement with William Blair, a letter agreement in form and substance previously approved by Board Counsel, and such other documents and instruments deemed necessary and appropriate by the Interim Executive Director and Secretary of the Board, to implement such transfer of assets to the William Blair Growth Equity CIT.

FURTHER RESOLVED, that subject to the foregoing resolution regarding the Plans’ participation in the William Blair Growth Equity CIT, the Board hereby approves the adoption of the provisions of the trust documents for the William Blair Growth Equity CIT by the Participating Plans and the inclusion of such trust documents in the MSRP Investment Policy Statement (the “IPS”) pursuant to Section IX of the IPS; and that the Interim Executive Director and Secretary of the Board and other appropriate officers and employees of MSRP shall be, and each of them hereby is, authorized, directed and empowered to execute and deliver any and all such further documents, agreements, and instruments and to take any and all such further actions deemed necessary and appropriate to carry out the intents and purposes of the foregoing resolutions, the execution and delivery of such documents, agreements and instruments and the taking of such further actions to be conclusive evidence of such determination.

Ms. Vargas proceeded with the discussion of the *Mid Cap Value Search* (Exhibit C-6), noting that this would be for an investment option to replace the T. Rowe Price Mid Cap Value Fund. Mr. Lewis noted that he would recuse himself from the discussion and consideration of this manager search and left the meeting at

this time. Ms. Vargas noted that with the recent performance of the T. Rowe Price Mid Cap Value Fund, the performance of this fund looks much better than the three candidates included in the search report, and that Segal recommended that the Board stay the course with the T. Rowe Price Mid Cap Value Fund. She also noted that the fund would be an official candidate for removal from the Watch List based on its April 30, 2020 performance. Following discussion, and upon motion duly made and seconded, it was

RESOLVED, that in accordance with the recommendation of Segal Marco Advisors, as more fully set forth in Exhibit C-3 (April Performance Flash Summary), the T. Rowe Price Mid Cap Value Fund shall be removed from the Watch List.¹

Mr. Lewis rejoined the meeting at this time.

C. Galliard Capital Management (“Galliard”)

Ms. Tami Pearse provided Galliard’s report during the Investment Committee meeting immediately preceding the Board Meeting. It is repeated here for purposes of disclosure in the public record:

Ms. Tami Pearse presented the performance report for the 1st quarter ended March 31, 2020 (Exhibit D). She noted that the report would also cover the period ended April 30, 2020. With respect to Galliard and the stable value market, she highlighted the following:

- *The firm would be celebrating its 25th anniversary in July.*
- *Employees were working 100% remotely, with in-office permission granted occasionally, and that this state of operations was expected to last through at least the end of June but may be extended.*
- *Galliard’s assets under management (AUM) had grown significantly (+\$5.4 million) to \$91.6 billion, with most increases occurring in stable value AUM*
- *All approved wrap providers have proactively confirmed their commitment to the market and documented commitment to the CARES Act provisions and that treatment of furloughs will not be treated as a market value event; Galliard remains comfortable with wrap providers, that they are well capitalized*
- *Galliard is holding liquidity higher than usual in case of a reversal of cash flows in, noting that cash flows have slowed and were flat to modestly positive from April to May.*

Ms. Pearse next proceeded to the MSRP ICP performance for the quarter ended March 31, 2020, highlighting the following:

- *AUM were \$795.2 million.*
- *No. of contract issuers: 5, with allocation of approximately 20% to each manager (no changes), with American General, Prudential, and Mass Mutual all having recently agreed to reduced wrap fees as reviewed in prior meetings.*

¹ John Lewis recused himself from the discussion of the Mid Cap Value Search and the vote and was not present during this portion of the meeting.

- Duration was 2.70 years.
- Market-to-book ratio was 101.80%, an increase of 0.44% from the 4th quarter of 2019.
- Quality was AA- (Book Value) and AA (Market Value), consistent with previous quarters.
- The monthly declared rate (MDR) (net of fees) was 2.33% (-2 bps as compared to the 4th quarter of 2019).
- Portfolio performance for the quarter ended March 31, 2020 was +0.57% (as compared to +0.28% for the 3-year Constant Maturity Treasury (CMT) benchmark) and +2.52% for the 1-year period (as compared to +1.60% for the CMT); performance for the 1-month, 3-month and 1-year period ended April 30, 2020 was +0.19%, +0.57% and +0.76% (as compared to +0.02%, +0.17%, and +0.30% for the CMT).
- Cash flows for the portfolio increased almost 2% (as compared to 5% to 6% in the Galliard stable value book as a whole), most of which (almost \$16 million) occurred in March as participants moved to a “safe haven”; cash flows in April were flat and increased \$7 million in May.
- Underlying manager allocation was relatively unchanged from prior periods except that the STIF (liquidity buffer) accounted for 4.5% of the portfolio.

Ms. Pearse next reviewed the underlying manager performance in the ICP for the quarter ended March 31, 2020, highlighting the following performance numbers (net of fees):

- Galliard
 - 1Q2020: +0.65% (as compared to benchmark of +2.73%); value added: -208 bps
 - 3-Month ended 4/30/20: +1.34% (as compared to benchmark of +2.31%); value added: -96 bps
- IR+M
 - 1Q2020: +0.32% (as compared to benchmark of +1.69%); value added: -137 bps
 - 3-Month ended 4/30/20: +1.05% (as compared to benchmark of +1.77%); value added: -72 bps
- Earnest Partners
 - 1Q2020: +1.11% (as compared to benchmark of +2.40%); value added: -129 bps
 - 3-Month ended 4/30/20: +1.23% (as compared to benchmark of +2.39%); value added: -116 bps
- Dodge & Cox
 - 1Q2020: +1.24% (as compared to benchmark of +2.49%); value added: -125 bps
 - 3-Month ended 4/30/20: +1.92% (as compared to benchmark of +2.43%); value added: -51 bps
- TCW
 - 1Q2020: +2.18% (as compared to benchmark of +2.40%); value added: -22 bps
 - 3-Month ended 4/30/20: +1.59% (as compared to benchmark of +2%); value added: -39 bps

Ms. Pearse noted that the COVID-19 situation continues to unfold and that Galliard's view is that the focus of the stable value portfolio should continue to be on high quality and diversification and assets with relative liquidity.

V. Staff Reports

A. Finance

Ms. Debra Roberts presented the agency budget and expenditure report (Exhibit E) as of March 31, 2020. She reported revenues of \$1,712,049, with expenditures \$1,285,022, resulting in a surplus of \$427,027. She commented that the surplus increased the reserve balance to \$1,100,240.

Ms. Roberts noted that as of March 31, 2020, revenues continue to exceed expenditures increasing the reserve balance. She explained that although revenue has decreased by 15%, reduced spending has allowed the reserve balance to adequately cover expenditures through the end of the fiscal year. She also noted that April and May showed some decrease in the reserve balance but that she did not view this as concerning.

B. Field Services

Mr. Holcomb presented the field staff report (Exhibit F), which included (1) an MSRP Webinar Field summary, (2) a summary of MSRP's NAGDCA award entry, and (3) results of a Benefit Coordinator survey sent via email in February.

VI. Committee Reports

Audit Committee

Mr. Brandt had nothing further to report.

Investment Committee

Mr. Lewis had nothing further to report.

Search Committee

Ms. Durbin provided a report of the status of the search for a permanent Executive Director for MSRP, noting the following:

- The Search Committee consisted of herself, Mr. Brandt and Mr. Hickey, and Treasurer Kopp, with Bernadette Benik from the Treasurer's Office providing assistance as necessary.
- A Hiring Freeze Exception had been filed and approved in order to allow for the hiring of a permanent Executive Director.
- The Search Committee met within the past two weeks regarding a position description and had discussed using the Department of Budget and Management to post the position versus an outside search firm, the latter of which would require a procurement under Maryland procurement law, with the Committee

determining that an outside search firm would allow for fairness and transparency in the process with one party reviewing all applicants and resumes.

- Ms. Hjortsberg would be drafting a solicitation document for the Search Committee's review.

VII. Board Secretary's Report

Ms. Hjortsberg presented the Board Secretary's report, noting the following:

- *CAFR* – The Trustee page of the CAFR includes photos of only two of the Trustees. To the extent a Trustee has a picture he or she would like to include in the CAFR, he or she should email it to Ms. Anna Marie Smith.
- *T. Rowe Price Structured Research Trust* – The transaction documents for this collective investment trust which is to replace the American Century Equity Growth Fund (other than the 403(b) Plan, which will be replaced with the mutual fund version of the Structured Research Trust) are close to completion, with the mapping scheduled to occur in mid-August.
- *State Street Passive Trusts* – The transaction documents for this collective investment trust to replace the passive sleeve in the investment line-up for the Plans (other than the 403(b) Plan) remain pending and are early in the drafting process, with no mapping date yet scheduled because of uncertainty as to the level of difficulty with respect to this new investment partner.

VIII. Executive Session

Chairperson Foster noted the Executive Session on the agenda, stating that the reasons for closing the meeting were in accordance with General Provisions Article ("GP") §3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures, (specifically to discuss a participant issue, and, as such, disclosure of retirement records of an individual are prohibited disclosures under the Maryland Public Information Act (GP §4-312(a)); GP §3-305(b)(7), to consult with counsel to obtain legal advice on a legal matter; GP §3-305(b)(8), to consult with staff, consultants, or other individuals about pending or potential litigation; and GP §3-101(b), the exercise of an administrative function, to review the minutes of the closed session of the Board meeting held on May 8, 2020, pursuant to GP §3-104.

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 GP §3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures, (specifically to discuss a participant issue, and, as such, disclosure of retirement records of an individual are prohibited disclosures under the Maryland Public Information Act (GP §4-312(a)); GP §3-305(b)(7), to consult with

counsel to obtain legal advice on a legal matter; GP §3-305(b)(8), to consult with staff, consultants, or other individuals about pending or potential litigation, pursuant to; and GP §3-101(b), the exercise of an administrative function, to review the minutes of the closed session of the Board meeting held on May 8, 2020, pursuant to GP §3-104.

Everyone left the Open Session at 11:47 a.m. The members of the Board of Trustees present at the meeting logged/dialed into a separate Google Meet video link/phone line arranged for the Closed Session. The following individuals invited by the Board to attend the Closed Session also joined the Closed Session via the Google Meet video link/phone line: Ms. Hjortsberg, Mr. Wrzesien and Mr. Jeffrey Francis and Mr. Joseph Burke, Managing Counsel with Nationwide Office of General Counsel. The meeting adjourned during the Closed Session at 12:14 p.m.