



**MINUTES
PUBLIC MEETING
November 12, 2020
9:00 a.m.
Virtual Meeting**

I. Call to Order/Roll Call

State Auditor Tera Klutz called the meeting to order at 9:00 a.m. Committee members present were Mike Frick (Appointee, Treasurer of State), Joseph Habig (Appointee, Governor), Nancy Marsh (Appointee, Board of Finance) and Deanna Oware (Appointee, Board of Finance). Staci Schneider (Chief of Staff to the Auditor of State), Kim Diller and Britton Stucker (Auditor of State); Ann Mahrtd and Jaimie Beisel (Empower Retirement, Third-Party Administrator to the Plans); Mike Paton (Barnes & Thornburg, Counsel to the Committee and the Administrator); and, Tiffany Spudich and Nathan Kinney (Capital Cities, L.L.C., Investment Consultant to the Committee) were also present.

II. Live-Streaming Disclaimer

The meeting was live-streamed. Nathan Kinney, of Capital Cities, provided the live-streaming disclaimer.

III. Approval of the Previous Minutes

State Auditor Tera Klutz asked for a motion to approve the minutes from the August 13, 2020 meeting. **Ms. Oware moved to approve the minutes. Ms. Marsh seconded. The minutes were unanimously approved.**

IV. Administrator's Report

Ms. Schneider highlighted that a Third-Party Administrator Request for Proposal was recently issued and advertised. The due date for responses is December 18, 2020. Ms. Diller noted that a Plan audit is also currently being conducted and is expected to be completed in early December. Ms. Schneider then highlighted updates to the online participant portal, participant outreach efforts and the upcoming annual strategic planning meeting with Empower.

V. Third-Party Administrator's Report

Ann Mahrtd, of Empower, gave an update, on the CARES Act, which included waiving required minimum distributions ("RMDs") for 2020. Coronavirus-related withdrawals, up to \$100,000, are also allowed, in the Plan, under the CARES Act provisions. Empower is monitoring the withdrawal activity, which included 1,068 withdrawals being made to-date. She also noted the success of recent participant webinars.

VI. Investment Consultant's Report

3Q20 Performance & Evaluation Report

Mr. Kinney presented the third quarter market review. Mr. Kinney noted that Global Markets continued their positive trajectory during the third quarter, as economies across the globe saw increased activity as a result of cautiously reopening. In equity markets, all styles generated positive returns. Large Cap outpaced Small Cap and Growth outperformed Value. Large Cap Growth (+13.2%) was the strongest performing style. International stocks generated positive results with Emerging Markets outpacing Developed. Over the one-year period, all styles are displaying positive returns, save Large Cap Value and Small Cap Value. Turning to fixed income, returns were positive across styles. Spread sectors outperformed risk-free sectors by a considerable margin. The Bloomberg Barclays Aggregate Bond Index (+0.6%) closed the quarter with a positive gain as Credit (+1.5%) outperformed Treasuries (+0.2%). Emerging Markets Debt (+0.6%) and Non-Dollar (+4.6%) were positive during the period. All fixed income styles are positive over the last one-year time period, save Emerging Markets Debt.

Ms. Spudich presented the 3Q20 Performance & Evaluation Report to the Committee. As part of the discussion, Ms. Spudich highlighted that the total Plan assets stood at \$1,523,195,411, as of September 30, 2020. A summary qualitative and quantitative review ("stoplight grid") of each of the investment options was also provided to the Committee. All of the investment options are in good/excellent standing, with the exception of the Fidelity Low-Priced Stock and Vanguard Capital Opportunity Funds. Fidelity Low-Priced Stock continues to be monitored for relative underperformance. Ms. Spudich noted that the Fund's long-term performance (last five-year time period) has fallen to the 71st percentile of peers, trailing its benchmarks. As a result, the Fund's long-term stoplight was downgraded to yellow. Fidelity Low-Priced Stock's relative underperformance is attributable to both the Fund's value style bias and international stock exposure during a period when the growth style and U.S stocks have outperformed. Vanguard Capital Opportunity's three-year performance continues to be monitored as well. Short-term underperformance is within expectations given the Fund's emphasis on high research and development sectors and long-term, low turnover approach.

The Report also included an update regarding recent share class exchanges. In particular, the Committee previously voted to exchange three funds to the least expensive share classes on a net cost basis: MFS Mid Cap Value, Fidelity Diversified International and PIMCO Total Return. The exchanges took place on October 23rd.

Investment Structure Review

Ms. Spudich noted that Capital Cities has delivered custom projects throughout the year, in addition to quarterly performance and evaluation reports, that are designed with the goal of exceeding the Committee's fiduciary obligations. A key fiduciary responsibility is to provide a diversified investment menu; thus, the Plan's investment offerings and trends in the defined contribution industry were examined.

In reviewing the Plan's investment structure, Ms. Spudich detailed that the Plan utilizes a proper default option (an age-appropriate Target Date Fund), offers a broad range of investment alternatives and allows participants to exercise control over their assets. Ms. Spudich reviewed each type of investment option with the Committee, including the "Do It For Me" (Tier I Target Date Options) and "Do It Myself" (Tier II Core Options and Tier III Specialty Options) investment offerings. As part of the discussion, Ms. Spudich noted that Capital Cities worked with MetLife (Global Wrap Manager), in 2018 and 2019, to reduce the Indiana Stable Value Fund's fees and increase investment flexibility given the improvements in the stable value environment. Capital Cities is currently investigating, with MetLife, the potential to further enhance the Fund. Lastly, defined contribution plan trends/topics were discussed, which included the response to

the coronavirus-impacted environment with the CARES Act; retirement income products; socially responsible investing (SRI)/environmental, social, and governance (ESG) investing; and, active versus passive investment management within the defined contribution space.

VII. Old Business

None.

VIII. New Business

None.

IX. Adjournment

There being no further business before the Committee, the meeting was adjourned at 9:55 a.m. **Mr. Frick motioned for adjournment. Mr. Habig seconded the motion.** The next quarterly meeting is scheduled for Thursday, February 11, 2021 at 9:00 a.m.