



**MINUTES
PUBLIC MEETING
November 18, 2021
9:00 a.m.
IGCS – Rooms 1 and 2**

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) (via phone). Staci Schneider (Chief of Staff to the Auditor of State); Emily Boesen and Kim Diller (Auditor of State); Mike Paton (Barnes & Thornburg, Counsel to the Committee and the Administrator); Ann Mahrtd (Empower Retirement, Third-Party Administrator to the Plans); Scott Nickerson (Crowe, LLP); and, Tiffany Spudich and Susan Somers (Capital Cities, L.L.C., Investment Consultant to the Committee) were also present.

II. Live-Streaming Disclaimer

The meeting was live-streamed. Ms. Somers, 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 12, 2021 meeting with an amendment to include that Nancy Marsh attended the August 12th meeting in person. **Mr. Frick moved to approve the minutes with the amendment. Ms. Marsh seconded. The minutes were unanimously approved.**

IV. Administrator's Report

Mr. Nickerson presented the 2020 Audited Financial Report conducted by Crowe. The findings included a clean audit opinion with no instances of non-compliance. No significant issues were found, and no adjustment were recommended.

Ann Mahrtd, of Empower, gave an update on Fund changes, which included the Fidelity Diversified International Fund share class exchange and the white-label removal of the State of Indiana Inflation Linked Bond Fund. Ms. Mahrtd confirmed that the changes were implemented on November 5th, as planned. Ms. Mahrtd reported that retirement plan advisors met with 3,205 participants as of October 31, 2021 (1,201 were personalized touch points, while 2,004 were retirement readiness conversations). There were nine monthly webinars for the calendar year with 2,978 participants registered and 1,659 attending. The Plans' satisfaction rate is currently 87%. Ms. Mahrtd also noted that payroll paper submissions have decreased from 81 locations at the beginning of 2021 to 15 currently. In addition, Ms. Mahrtd discussed that Silver Lake and St. Joe Public Library have recently signed adoption agreements with the Plans.

Ms. Schneider provided an update on the Third-Party Administrator Request for Proposal process. Nationwide was unanimously approved as the new Third-Party Administrator for the State of Indiana Public Employees' 457(b) and 401(a) Plans, during the June 11, 2021, meeting. Weekly meetings have been held with Nationwide's transition manager, along with education and technology contacts. Ms. Schneider reported that the contract with Nationwide has been executed and revisions to Plan documents are ongoing. The first communication to payroll contacts was mailed on November 1st.

V. Investment Consultant's Report

3Q21 Performance & Evaluation Report

Ms. Somers presented the third quarter market review. Ms. Somers noted that equity markets generally detracted from returns during the third quarter amid rising inflation fears, supply chain issues, and worries over China's real estate sector. In equity markets, all styles, except Large Cap Core and Large Cap Growth, generated negative returns, while Large and Mid-Cap stocks outperformed Small. Large Cap Growth (+1.2%) was the strongest performing style during the quarter. International stocks generated negative returns. Over the one-year period, all equity styles are displaying strong positive returns. Turning to fixed income, the Federal Reserve's likely fourth quarter taper on bond buying presented headwinds. The Bloomberg Aggregate Bond Index posted a slight positive return (+0.1%). Fixed income styles are now showing mixed results over the last one-year period.

Ms. Somers highlighted that the total Plans' assets stood at \$1,844,065,377, as of September 30, 2021.

Investment Structure Review

Ms. Spudich provided a presentation to assist the Committee in reviewing the Plans' investment menu. Ms. Spudich noted that in addition to performance and evaluation reports, Capital Cities has delivered custom projects throughout the year 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 Plans' investment menu and trends in the defined contribution industry were examined.

In reviewing the Plans' investment structure, Ms. Spudich detailed that the Plans utilize a proper default option (age-appropriate Target Date Funds), offer a broad range of investment alternatives, and allow participants to exercise control over their assets. Ms. Spudich reviewed each type of investment option with the Committee, including the Tier I Target Date Options ("Do It For Me"), Tier II Core Options and Tier III Specialty Options ("Do It For Myself") investment offerings. As part of the discussion, Ms. Spudich noted recent enhancements to the Indiana Stable Value Fund including reducing the Money Market component by five percentage points, increasing the rebalancing review frequency, and negotiating wrap provider expenses.

A summary qualitative and quantitative review ("stoplight grid") of each investment option was also provided to the Committee. The majority of the investment options are in good/excellent standing. Ms. Spudich discussed that Fidelity Low-Priced Stock's short-term performance (last three-year time period) has improved to near the median of peers, outperforming the Russell 2000 Index by over one percentage point. As a result, the short-term performance stoplight has been upgraded to green for the Fund. Capital Cities will continue monitoring Fidelity Low-Priced Stock's long-term performance (last five-year time period). In addition, Vanguard Capital Opportunity (short-term performance) and T. Rowe Price Blue Chip Growth (personnel and short-term performance) will be monitored.

Defined contribution plan trends/topics were also discussed, which included capital preservation options;

inflation hedging strategies; and environmental, social, and governance (ESG) investing. Ms. Spudich noted that Capital Cities is closely monitoring the Retirement Income space in anticipation of increased interest from plan sponsors and participants.

Money Market Analysis

Lastly, Ms. Spudich presented a Money Market Analysis for the Unallocated Plan Account. The Unallocated Plan is utilized to pay the Auditor of State Plan-related expenses. Ms. Spudich noted that the Money Market Fund will not be available to participants on a stand-alone basis, as the Indiana Stable Value Fund serves as the Plans' Capital Preservation option. Capital Cities evaluated the available Money Market Funds on Nationwide's platform and recommended the Vanguard Treasury Money Market Fund. **Mr. Frick motioned to select the Vanguard Treasury Money Market Fund for the Unallocated Plan Account. Mr. Habig seconded. The Fund was unanimously approved.**

VI. Old Business

None.

VII. New Business

Mr. Paton discussed updates to the Plan documents as part of the transition to Nationwide. Mr. Paton also noted amendments to the Plan documents due to the SECURE and CARES Acts, including suspending required distributions in 2020, increasing the age for required minimum distributions, and allowing withdrawals for birth and adoption. Mr. Paton noted that the Plans could elect to allow in-service withdrawals for participants that have reached the age of 59 ½. Plan amendments will be further addressed in 2022.

VIII. Adjournment

There being no further business before the Committee, the meeting was adjourned at 10:21 a.m. **Mr. Habig motioned for adjournment. Mr. Frick seconded the motion.** The next quarterly meeting is scheduled for Thursday, March 3, 2021, at 9:00 a.m.