



**MINUTES
PUBLIC MEETING**

February 20, 2025

9:00 a.m.

IGCS – Conference Room A

I. Call to Order/Roll Call

State Comptroller Elise Nieshalla called the meeting to order at 9:00 a.m. Committee members present were Mike Frick (Appointee, Treasurer of State) and Nancy Marsh (Appointee, Board of Finance). Staci Schneider, Britton Stucker and Emily Boesen (Comptroller of State); Mike Nader (Barnes & Thornburg, Counsel to the Committee and the Administrator) via video conference; Michael Burkhart, John Archer, Kimberley Rumble, and Sarah Carlo (Nationwide, Third-Party Administrator to the Plans); and Tiffany Spudich and Susan Somers (Capital Cities, L.L.C., Investment Consultant to the Committee) were also present.

State Comptroller Elise Nieshalla noted the resignation of Dhiann Kinsworthy-Blye (formerly an Appointee, Board of Finance) from the Committee.

II. Live-Streaming Disclaimer

The meeting was recorded. Ms. Spudich, of Capital Cities, provided the disclaimer.

III. Approval of the Previous Minutes

State Comptroller Elise Nieshalla asked for a motion to approve the minutes from the November 14, 2024 meeting. **Mr. Frick moved to approve the minutes. Ms. Marsh seconded. The minutes were unanimously approved.**

IV. Third-Party Administrator Report

Mr. Archer, of Nationwide, introduced Kimberley Rumble as the new Program Director for the Indiana Deferred Compensation Plans. Ms. Rumble has been involved with the Hoosier START Plans as a Senior Retirement Specialist for the past several years.

Mr. Burkhart, of Nationwide, discussed the J.D. Power 2024 U.S. Retirement Plan Digital Experience Study. Nationwide's Overall Satisfaction score was 739, which exceeds the industry average by 36 points and is an increase of 55 points from 2023. Nationwide received the second highest rating among peers.

Mr. Burkhart reported that Nationwide met the 2024 participant, workshop and site visit goals. Nationwide remains focused on educational efforts and the My Income & Retirement Planner interface. Education efforts will include a financial awareness campaign in April, focusing on savings and financial wellness, along with a custom campaign focused on participant retention.

Mr. Burkhart detailed that total assets were \$2.1 billion, as of December 31, 2024, including 69,647 participants, an increase of 1,183 participants. The average participant balance was \$30,713, and the median account balance was \$5,705. There were 4,237 new enrollments in the fourth quarter. The average number of investments per participant was 2.81, which was a decrease from 3.17 in the third quarter due to the recent investment menu changes. Mr. Burkhart highlighted that 8,249 participants are utilizing the Roth option with \$149 million in assets. Mr. Burkhart also noted that there are nine participants in the Self-Directed Brokerage Account option, with \$2.2 million in total assets. Mr. Burkhart stated that 48% of current salary contributions are invested in the Target Date Fund Suite.

Mr. Burkhart discussed that Nationwide continues to monitor unforeseeable emergency distributions. During the fourth quarter of 2024, there were 332 unforeseeable emergency distributions, a slight decrease from the third quarter when there were 334.

V. Investment Consultant's Report

Annual Market Review

Ms. Somers began the meeting by discussing the broad economy. Ms. Somers discussed the various investment market themes that impacted 2024 and could impact 2025. Ms. Somers noted that inflation ended the year at 2.9%, still above the Federal Reserve's 2% target. The Federal Funds Rate ended the year at 4.5%. Unemployment ended the year at 4.1%. Ms. Somers also highlighted investment returns for 2024, along with performance over the last five-year time period.

Ms. Somers noted that Capital Cities continues to recommend diversification to weather periods of market volatility. In particular, the Plans offer participants an appropriate and diversified menu of investment options. Ms. Somers stated that the Investment Policy Statement is a roadmap for the Plans. The document outlines the roles/responsibilities and guidelines for monitoring the investments. In addition, Ms. Somers highlighted the 2025 Fiduciary Calendar for the Plans, along with Capital Cities' proposed projects for each quarter.

4Q24 Performance & Evaluation Report

Ms. Spudich, of Capital Cities, presented the 4Q24 Performance and Evaluation Report. Ms. Spudich provided an update for the State Street Target Retirement Funds. Notably, the "Retirement Income" Fund will be renamed as the "Retirement" Fund; the 2020 Fund will merge into the Retirement Fund effective March 31st, and the 2070 Fund will be launched. State Street will also adjust the portfolios to reflect a more current market weight for US Equities – increasing the neutral US Large Cap allocation from 80% to 85% and reducing the neutral US SMID weight from 20% to 15%. The addition of the 2070 Fund was previously approved by the Committee at the May 16, 2024 meeting and will be added on or around April 11th.

Ms. Spudich noted that Salim Hart transitioned off the Fidelity Low-Priced Stock Fund effective January 29th. Salim's role was that of a quantitative resource most involved with quantitative model management and risk management. Morgan Peck and Sam Chamovitz remain as the co-portfolio managers.

Lastly, Ms. Spudich stated that the Committee voted to simplify the investment menu at the August 15th Committee meeting, particularly due to the new Self-Directed Brokerage Account offering. The Vanguard FTSE Social Index Fund was eliminated, and assets were mapped to the SSGA 500 Index Fund. American Funds EuroPacific Growth was removed from the investment menu, and assets were mapped to Fidelity Diversified International. The Plans were eligible for a lower expense share class of Fidelity Diversified International given the asset mapping, which reduced the Fund's expense from 0.56% (share class A) to 0.52% (share class C). The investment menu changes occurred on November 8th.

Ms. Spudich highlighted that the total Plans' assets stood at \$2,139,059,134 as of December 31, 2024, with 23% of the assets in the Plans' default option, the State Street Target Retirement Funds. The remaining 77% of assets were in the Plans' individual options that allow participants to build their own diversified portfolios. Ms. Spudich also noted the performance of the State Street Target Retirement Funds ranged from -1.7% (Retirement Income) to -2.3% (2065 Fund) during the fourth quarter and 6.9% to 12.8% for the one-year time period, respectively.

Ms. Spudich provided a summary qualitative and quantitative review ("stoplight grid") of each of the investment options. Most of the options are in good to excellent standing. Capital Cities continues to monitor T. Rowe Price Blue Chip Growth for long-term performance, along with Fidelity Diversified International for short-term performance.

Annual Fee Analysis

Ms. Spudich provided a presentation to assist the Committee in reviewing the Plans' investment management, recordkeeper, administrative and consultant fees. The Fee Analysis documented the close monitoring and benchmarking of the Plans' expenses. Ms. Spudich noted that the Plans' investment management fees are competitively priced relative to peers.

As part of the analysis, Ms. Spudich stated that the Plans are nearing the investment minimum for PIMCO Total Return's collective investment trust vehicle, and Capital Cities will continue to monitor assets. Ms. Spudich also discussed the share class and commingled fund options available for the Fidelity Low-Priced Stock Fund. Fidelity Low-Priced Stock's Retail share class that is currently offered in the Plans remains the least expensive option on an average historical basis. Capital Cities will continue to closely monitor the fluctuating expenses among the Fund's share classes and vehicles.

Ms. Spudich also explained that the Plans' recordkeeper fee is transparent to participants. Recordkeeper fees were last benchmarked during the Third-Party Administrator Request for Proposal process that occurred in 2021 and subsequent transition to Nationwide in 2022. This process ensured fees and services are competitive. Recordkeeper fees paid to Nationwide during the 2024 calendar year totaled \$3,031,680. The total annual average fee per participant (investment management expense and recordkeeper fee) was approximately 39 basis points. In addition, Ms. Spudich noted that Nationwide received \$2,609,682 in fees for calendar year 2024 for their Managed Account Services (ProAccount).

Ms. Spudich reviewed the Comptroller's Plan-related expenses, including personnel, legal, audit and investment consultant expenses. Ms. Spudich noted that expenses totaled \$207,999 in 2024 and the administrative fee paid to the Unallocated Plan account totaled \$388,708. Effective January 1, 2024, the annual Administrative fee was increased to \$6/participant. Finally, Ms. Spudich discussed the investment consultant expense, which was benchmarked and negotiated as part of the 2020 Investment Consultant Request for Proposal process.

2024 Annual Report

Capital Cities prepared an Annual Report for the State Board of Finance. The Report provides comprehensive information regarding each investment option that is offered in the Plans. The Plans' fees are also detailed in the Annual Report. **Mr. Frick moved to approve the Annual Report. Ms. Marsh seconded. The Annual Report was unanimously approved.**

Amended Investment Policy Statement

Ms. Spudich reviewed the Amended Investment Policy Statement that was previously delivered at the November 14th Committee meeting. Additional guidelines, which specify that no weight will be given to non-financial factors, were incorporated into the “Responsibilities” section of the Investment Policy Statement. The Appendices sections were also updated. **Ms. Marsh motioned to approve the Amended Investment Policy Statement. Mr. Frick seconded. The Amended Investment Policy Statement was unanimously approved.**

State Street Investor Voting Choice Program

Ms. Spudich reviewed State Street’s Investor Voting Choice Program for the State Street Target Retirement Funds, S&P 500 Index Fund, and Russell Small Mid Cap Index Fund. The Program allows a plan sponsor to select a proxy voting policy that best meets their preferences. The Egan-Jones Wealth-Focused Policy is designed for maximizing shareholder value. It does not prioritize environmental or social goals. **Mr. Frick moved to implement the Egan-Jones Wealth Focused Policy. Ms. Marsh seconded. The motion was unanimously approved.**

VI. Old Business

None.

VII. New Business

None.

VIII. Adjournment

With no further business before the Committee, the meeting was adjourned at 9:57 a.m. **Mr. Frick motioned for adjournment. Ms. Marsh seconded the motion.** The next quarterly meeting is scheduled for Thursday, May 15th, at 9:00 a.m.