



**MINUTES
PUBLIC MEETING
February 22, 2024
9:00 a.m.**

IGCS – Conference Rooms 4 & 5, Wabash Hall

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), Joseph Habig (Appointee, Governor), Nancy Marsh (Appointee, Board of Finance), and Dhiann Kinsworthy-Blye (Appointee, Board of Finance). Emily Boesen and Britton Stucker (Comptroller of State); Mike Nader (Barnes & Thornburg, Counsel to the Committee and the Administrator); Michael Burkhart 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.

II. Live-Streaming Disclaimer

The meeting was live-streamed. Ms. Spudich, of Capital Cities, provided the live-streaming disclaimer.

III. Approval of the Previous Minutes

State Comptroller Elise Nieshalla asked for a motion to approve the minutes from the November 9, 2023 meeting. **Mr. Frick moved to approve the minutes. Mr. Habig seconded. The minutes were unanimously approved.**

IV. Administrator's Report

State Comptroller Nieshalla welcomed the Committee and recognized former State Comptroller Tera Klutz for her service. State Comptroller Nieshalla also notified the Committee that Staci Schneider will be returning to the Comptroller's Office effective March 11, 2024. In addition, Michael Nader assumed the role of Counsel to the Committee and the Administrator at the beginning of 2024.

V. Third-Party Administrator Report

Mr. Burkhart, of Nationwide, reported that Nationwide continues to conduct in person and virtual meetings with participants. Nationwide performed 1,304 site visits, exceeding the 2023 goal of 1,300. 51 educational webinars were completed last year. Ten new employers adopted the Plan. There were also 6,500 new enrollments during 2023. Nationwide remains focused on encouraging participants to update their

beneficiary information, promoting personalization for existing ProAccount users, and assisting with the State Leaders Guide.

Mr. Burkhart also detailed that total assets were \$1.9 billion, as of December 31, 2023. Mr. Burkhart noted that contributions for the quarter totaled \$32.2 million. There were 3,057 new enrollments. The average participant balance was \$28,503.

Ms. Carlo discussed that there has been an uptick in unforeseeable emergency distributions since self-certification was adopted. During the fourth quarter of 2022, there were 93 unforeseeable emergency distributions. During the fourth quarter of 2023, there were 178 unforeseeable emergency distributions. Nationwide will continue to monitor the distribution requests.

VI. Investment Consultant's Report

Annual Market Review

Ms. Somers began the meeting by discussing the broad economy. Ms. Somers discussed the various investment market headwinds in 2023. Ms. Somers noted that the Federal Funds rate ended the year at 5.3%, still above the 2% target. Unemployment ended the year at 3.3%. Ms. Somers also highlighted investment returns for 2023 which rebounded from the significant negative returns in 2022.

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. In addition, Ms. Somers highlighted the 2024 Fiduciary Calendar for the Plans, along with Capital Cities' proposed projects for each quarter.

4Q23 Performance & Evaluation Report

Ms. Spudich, of Capital Cities, presented the Considerations/Observations' pages of the 4Q23 Performance and Evaluation Report. In particular, Ms. Spudich noted that the T. Rowe Price Blue Chip Growth Fund was placed on Watchlist status at the November 2022 meeting given short- and long-term performance (last three- and five-year time periods). The Strategy has remained a solid Large Cap Growth Strategy, with a consistent process and deep team, since being placed on Watchlist. Over the one-year period, the Strategy outperformed the benchmark by over seven percentage points and ranked in the 11th percentile of peers. Capital Cities will continue to closely monitor the Fund.

Ms. Spudich also discussed that the Self-Directed Brokerage Account (SDBA) feature was added to the Plans effective January 1, 2024. Additionally, Ms. Spudich noted that the Fidelity Diversified International mutual fund transitioned to the commingled vehicle on December 8, 2023, reducing the Fund's expense by 4 basis points.

Turning to the Plan Summary page, Ms. Spudich highlighted that the total Plans' assets stood at \$1,898,814,875, as of December 31, 2023, with 22% of the assets in the Plans' default option, the State Street Target Retirement Funds. The remaining assets were in the Plans' individual options that allow participants to build their own diversified portfolio. Ms. Spudich also noted that most of the investment options are in good/excellent standing, per the Investment Policy Statement guidelines. T. Rowe Price Blue Chip Growth is on Watchlist status. The Fidelity Diversified International and American Funds EuroPacific Growth Funds also continue to be monitored for short-term performance (three-year period).

2023 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. Nader requested that 2023 Plan provision changes be detailed in the Report. **Mr. Frick moved to approve the Annual Report with the suggested updates. Ms. Marsh seconded. The Annual Report was unanimously approved.**

Annual Fee Analysis

Ms. Somers 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. Somers noted that the Plans' investment management fees are competitively priced relative to peers.

As part of the analysis, Ms. Somers 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. Somers also explained that the Plans' recordkeeper fee is transparent and equitable for 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 2023 calendar year totaled \$2,934,288. The total annual average fee per participant (investment management expense and recordkeeper fee) was approximately 42 basis points. In addition, Ms. Somers noted that Nationwide collected \$2,307,013 in calendar year 2023 for their Managed Account Services (ProAccount).

Ms. Somers reviewed the Comptroller's Plan-related expenses, including personnel, legal, audit and investment consultant expenses. Ms. Somers noted that expenses (\$239,443) in 2023 exceeded the administrative fee (\$187,157) paid to the Unallocated Plan account. Effective January 1, 2024, the annual Administrative fee was increased to \$6/participant to better reflect anticipated expenses. Finally, Ms. Somers discussed the investment consultant expense, which was benchmarked and negotiated as part of the 2020 Investment Consultant Request for Proposal process.

VII. Old Business

None.

VIII. New Business

None.

IX. Adjournment

With no further business before the Committee, the meeting was adjourned at 9:48 a.m. **Ms. Kinsworthy-Blye motioned for adjournment. Mr. Frick seconded the motion.** The next quarterly meeting is scheduled for Thursday, May 16th, at 9:00 a.m.