



**MINUTES
PUBLIC MEETING
August 13, 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), Jared Bond, 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, Joe Bill Wiley and Tiffany Spudich (Capital Cities, L.L.C., Investment Consultant to the Committee) were also present.

II. Live-Streaming Disclaimer

The meeting was live-streamed. Joe Bill Wiley, 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 May 21, 2020 meeting. **Mr. Frick moved to approve the minutes. Ms. Oware seconded. The minutes were unanimously approved.**

IV. Administrator's Report

Staci Schneider highlighted that a new Committee member orientation was conducted on August 3rd. In addition, Clear Creek Township of Monroe County was added to the Plan. Ms. Schneider also discussed that a Third-Party Administrator Request for Proposal is likely to be issued in mid-November. Lastly, she noted that Dan Bastin resigned from the Committee and Nancy Marsh was appointed to a three-year term.

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 423 participants having made withdrawals to-date. She also noted that Wells Fargo was recently replaced with Great West as the Plan’s Trustee/Custodian. In addition, Ms. Mahrtd indicated that the Hoosier S.T.A.R.T. website was refreshed.

VI. Investment Consultant's Report

2Q20 Performance & Evaluation Report

Mr. Wiley presented the second quarter market review. Mr. Wiley noted that global markets rebounded during the second quarter, as central banks and treasury departments responded to the global pandemic with unprecedented fiscal and monetary stimulus. In equity markets, all styles generated positive double-digit returns. Small Cap outpaced Large Cap and Growth outperformed Value. International and Emerging Market Stocks lagged their domestic peers on a relative basis. 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 (+2.9%) closed the quarter with a positive gain, as Credit (+8.2%) outperformed Treasuries (+0.5%).

Ms. Spudich presented the 2Q20 Performance & Evaluation Report to the Committee. As part of the discussion, Ms. Spudich highlighted that the total Plan assets stood at \$1,434,035,739, as of June 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, over the last three-year time period, which was largely due to the Fund holding out-of-benchmark international stocks. Vanguard Capital Opportunity's three-year performance has fallen to the bottom quartile of peers, trailing its benchmark, which resulted in the Fund's short-term stoplight being downgraded to yellow this quarter. Short-term underperformance is within expectations given the Fund's emphasis on high research and development sectors and long-term, low turnover approach. In particular, holdings in large pharmaceutical companies, an underweight position to big tech companies in favor of cyclical semiconductor and chip stocks, and an overweight to airlines, have impacted relative performance. Ms. Spudich also explained that the Fund remains in good standing from an organization, people, philosophy/process, product dynamics and fee standpoints.

The Report also included an update regarding the State Street Target Retirement Funds. Specifically, Stephen Yeats has been named Head of Fixed Income Index Strategies, at State Street, effective September 30th. Yeats is currently the Head of Fixed Income, Cash and Currency for Europe, the Middle East and Africa (EMEA) and serves as State Street Global Advisors' Head of Investments in the U.K. Yeats will replace Venky Venkataramani, the current Head of Fixed Income Index Strategies, who is retiring on September 30th.

Annual Fee Analysis

Ms. Spudich provided a presentation to assist the Committee in reviewing the Plans' investment management, recordkeeper and consultant fees. The Fee Analysis documented the close monitoring and benchmarking of the Plans' fees. Ms. Spudich noted that the Plans' investment management fees are competitively priced relative to peers. However, less expensive share classes now exist, for MFS Mid Cap Value and Fidelity Diversified International, on a net cost basis, given revenue-sharing will be rebated to the participants who generate it. **Mr. Habig motioned to replace MFS Mid Cap Value's R6 share class with the R3 share class and to transition to the Retail share class of Fidelity Diversified International to reduce participants' net investment management expenses. Ms. Oware seconded. The share class exchanges were unanimously approved.**

Ms. Spudich also explained that the Plans' recordkeeper/administrative fees are transparent and equitable for participants. The upcoming Third-Party Administrator Request for Proposal process will allow the Committee to ensure expenses are competitive. In addition, Ms. Spudich noted that Capital Cities' fee is transparent and the firm does not receive any additional compensation from the Plans' assets. Capital

Cities' fee was benchmarked and negotiated, during the Investment Consultant Request for Proposal (RFP) process that was conducted in early 2020, by the Committee.

VII. Old Business

None.

VIII. New Business

None.

IX. Adjournment

There being no further business before the Committee, the meeting was adjourned at 10:41 a.m. **Mr. Frick motioned for adjournment. Mr. Habig seconded the motion.** The next quarterly meeting is scheduled for Thursday, November 12, 2020 at 9:00 a.m.