



**MINUTES
PUBLIC MEETING
May 19, 2022
9:00 a.m.
IGCS – Conference Room D**

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); Mike Paton (Barnes & Thornburg, Counsel to the Committee and the Administrator); Kevin Mitchell, Michael Burkhart, and Mike Studebaker (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. 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 March 3, 2022, meeting. **Mr. Frick moved to approve the minutes. Ms. Oware seconded. The minutes were unanimously approved.**

IV. Administrator's Report

Ms. Schneider provided an update on the Third-Party Administrator transition. Nationwide is now serving as the new Third-Party Administrator for the State of Indiana Public Employees' 457(b) and 401(a) Plans, replacing Empower. The blackout period began March 25th and ended April 11th. Ms. Schneider reported that on April 11th, the Hoosier START website was live and accounts were transferred and funded. Ms. Schneider thanked Nationwide and the Auditor's staff for their efforts during the transition. State Auditor Tera Klutz also thanked Ms. Schneider and Ms. Boesen, in the Auditor's Office, for all of their efforts in assisting with the Third-Party Administrator transition and the new payroll system.

Mr. Burkhart, of Nationwide, provided an update on the Third-Party Administrator transition. He highlighted that the transfer included assets totaling approximately \$1.8 billion with 63,000 participant accounts. Mr. Burkhart indicated that the transition went very well. Mr. Burkhart discussed the rebranding of the Hoosier START Plan and the custom website. Mr. Mitchell, of Nationwide, discussed the local office

for Nationwide and indicated that it is fully staffed with six Retirement Specialists and a Personal Retirement Consultant. Mr. Mitchell continues to work on webinars and educational materials for participants. Mr. Burkhart also highlighted provisions in the SECURE Act 2.0 which was recently passed by the U.S. House of Representatives.

V. Investment Consultant's Report

1Q22 Performance & Evaluation Report

Capital Cities presented the Considerations/Observations' pages of the 1Q22 Performance & Evaluation Report. Ms. Spudich detailed that Vanguard Capital Opportunity's short-term performance (last three-year time period) has improved, outperforming the Russell Mid Cap Growth Index and ranking near the top third of peers. As a result, the Fund's short-term performance spotlight was upgraded to green.

Ms. Spudich noted that Capital Cities conducted a due diligence meeting with Fidelity on May 4, 2022, regarding the Fidelity Low-Priced Stock Fund. Joel Tillinghast, lead portfolio manager, will be stepping down from his portfolio management responsibilities at the end of 2023. Morgen Peck and Sam Chamovitz, current co-portfolio managers, have joined Tillinghast as co-lead portfolio managers on the Fund. Peck and Chamovitz have been members of the Small Cap Equity team for nearly 15 years, working alongside Tillinghast and sharing similar investment philosophy and portfolio construction styles. Tillinghast also currently plans to remain at Fidelity after 2023. Capital Cities will continue to monitor the personnel transition; however, the long lead time and experienced team mitigate concern.

Ms. Spudich also noted that Capital Cities was unable to obtain cash flow figures for the first quarter given the recordkeeper transition. Once cash flow figures are obtained for a full quarter, Capital Cities will report that information on the quarterly Performance & Evaluation Reports. In addition, Ms. Spudich informed the Committee that market value data as of March 31, 2022, is unaudited due to the recent recordkeeper transition.

Ms. Spudich also presented the first quarter market review. Ms. Spudich stated high inflation metrics, geopolitical uncertainty, and rising interest rates were culprits of a difficult first quarter. In equity markets, all styles posted negative returns. Large Cap stocks outperformed Small Cap, and Value outperformed Growth. Large Cap Value (-0.7%) was the best performing equity style during the quarter. Over the one-year period, equity styles were mixed with Large Cap (+15.7%) performing strongly. Turning to fixed income, the Federal Reserve raised rates 25 bps in March and 50 bps in May, and has forecasted more rate hikes throughout the remainder of the year. The Bloomberg Aggregate Index (-5.9%) finished sharply negative and posted its worst quarter since 1980. All styles of fixed income are showing negative returns for the one-year period except TIPS and Cash.

Turning to the Plan Summary page, Ms. Spudich highlighted that the total Plans' assets stood at \$1,817,023,419 (unaudited), as of March 31, 2022, with 19% of the assets in the Plans' default option, the State Street Target Retirement Funds. Ms. Spudich detailed the State Street Retirement Funds returned between -3% and -6% for the quarter. She also noted in times of market volatility it is important to have a proper and diversified investment menu, while closely monitoring investment options and following the Investment Policy Statement.

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 T. Rowe Price Blue Chip Growth. Capital Cities continues to monitor the Fund's personnel and short-term performance.

Investment Policy Statement

Ms. Somers presented a review of the Plans' Investment Policy Statement (IPS). The Responsibilities' section of the IPS was amended to reflect the recordkeeper transition to Nationwide. The IPS Appendices were also updated as part of the review. **Mr. Habig moved to approve the Investment Policy Statement. Mr. Frick seconded. The Investment Policy Statement was unanimously approved.**

VI. Legal Update

Mr. Paton, of Barnes & Thornburg, prepared Plan amendments for the Committee. Mr. Paton noted that each amendment has three general sets of changes:

1. Amendments required by law (items 3, 4, 5, 7, 8, 9, and 12 of Amendment Three to the 457 Plan and items 3, 4, 5, 7, 8, 9 and 11 of Amendment One to the Matching Plan);
2. Amendments to conform the actual operation of the Plan to the written Plan documents, as those items were identified in the transition to Nationwide (items 1, 2, 6 and 10 of Amendment Three to the 457 Plan and items 1, 2 and 6 of Amendment One to the Matching Plan); and
3. The addition of an age 59½ in-service withdrawal right (item 11 of Amendment Three to the 457 Plan and item 10 of Amendment One to the Matching Plan).

By law, the legally required changes were effective January 1, 2020. The changes to address items identified in the transition to Nationwide were effective April 11, 2022 (the transition date). Mr. Paton proposed that the change to add age 59½ withdrawals be effective July 1, 2022. **Mr. Frick moved to approve Amendment One to the State of Indiana Deferred Compensation Matching Plan. Ms. Oware seconded. Amendment One to the State of Indiana Deferred Compensation Matching Plan was unanimously approved. Mr. Frick moved to approve Amendment Three to the State of Indiana Deferred Compensation Plan. Ms. Oware seconded. Amendment Three to the State of Indiana Deferred Compensation Plan was unanimously approved.**

VII. Old Business

None.

VIII. New Business

Auditor Klutz congratulated Emily Boesen, Communications Director and Public Information Officer, who is currently on maternity leave, for the recent arrival of her baby boy. Ms. Schneider also discussed the payroll system was recently transitioned in the Auditor's Office.

IX. Adjournment

With no further business before the Committee, the meeting was adjourned at 9:43 a.m. **Ms. Marsh motioned for adjournment. Mr. Habig seconded the motion.** The next quarterly meeting is scheduled for Thursday, August 11th, at 9:00 a.m.