



**MINUTES  
PUBLIC MEETING  
February 13, 2020  
9:00 a.m.  
IGCS Room 5**

**I. Call to Order/Roll Call**

State Auditor Tera Klutz called the meeting to order at 9:00 a.m. Committee members present were Joseph Habig (Appointee, Governor), Lisa Acobert (Appointee, Board of Finance), Dan Bastin (Appointee, Board of Finance) via conference phone, and Mike Frick (Appointee, Treasurer of State). Staci Schneider (Chief of Staff to the Auditor of State), Jared Bond 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, Tiffany Spudich and Nathan Kinney (Capital Cities, L.L.C., Investment Consultant to the Committee) were also present.

**II. Live-Streaming Disclaimer**

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

**III. Reading of the Minutes**

State Auditor Tera Klutz asked for a motion to approve the minutes from the November 14, 2019 meeting. **Mr. Frick moved to approve the minutes. Mr. Habig seconded. The minutes were unanimously approved.**

**IV. Third Party Administrator's Report**

Ann Mahrtd, of Empower, discussed the Setting Every Community Up for Retirement Act (SECURE Act) that was signed into law on December 20, 2019. Ms. Mahrtd highlighted various provisions that are mandatory, including changing the required minimum distribution age from 70½ to 72 and requiring certain designated beneficiaries to draw down all assets within 10 years of a participant's death. She also described some optional provisions, such as allowing in-service withdrawals at age 59 ½ and offering \$5,000 penalty-free distributions upon the birth or adoption of a child. Empower and Barnes & Thornburg will work with the Indiana Deferred Compensation Plans to further evaluate the SECURE Act provisions and amend the Plan documents, when appropriate.

Ms. Mahrtd also highlighted participant experience updates. Spanish translation was added, in January, giving participants an option to choose English or Spanish upon enrollment. There are also Spanish speaking members at the call center. Participants, with multiple accounts, will have one identification and one password beginning in March. An account aggregation tool is being rolled out later in 2020. Empower partnered with Quovo to create this tool, which allows participants to see their entire financial picture within

Empower's existing participant interface.

## **V. Administrator's Report**

Staci Schneider discussed the recent Investment Consultant Request for Proposal that was issued by the Auditor's Office. Responses are due February 28<sup>th</sup>. Ms. Schneider also discussed SB 180, which modifies auto-enrollment notification procedures and provides more flexibility. The bill unanimously passed the Senate and will be heard in the House Pensions and Labor Committee next week. Lastly, Jared Bond discussed ongoing participant efforts, including six VIP meetings in 2019. Six more VIP meetings, along with five webinars are planned for 2020. Ms. Schneider also updated the Committee on the progress being made with Crowe about an annual audit for the Plans.

## **VI. Investment Consultant Report**

### **2019 Market Review/2020 Outlook Presentation**

Nathan Kinney addressed the 2019 Market Review/2020 Outlook presentation. He touched on the broad economy and strong market performance for 2019. The exceptional performance in equities and fixed income for 2019 can be mainly attributed to the monetary policy regime shift, which saw global monetary policy pivot from a tightening bias to an easing bias. All styles of fixed income and equities were positive for the year, with many significantly above long-term averages. Looking ahead, Capital Cities identified the upcoming election in the United States and geopolitical risk as potential sources of volatility in the markets. Capital Cities continues to recommend diversified investment menus, like the Indiana Deferred Compensation Plans, to assist participants in weathering market volatility. As part of the discussion, Tiffany Spudich also provided the Committee with Capital Cities' proposed fiduciary calendar of projects for 2020, including an Investment Policy Statement review at the May meeting, a comprehensive fee analysis in August, and an investment structure review in November.

### **4Q19 Performance & Evaluation Report**

Ms. Spudich presented the 4Q19 Performance & Evaluation Report to the Committee. As part of the discussion, Ms. Spudich highlighted that the total Plans' assets stood at \$1,437,869,788, as of December 31, 2019. 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 Fund. This Fund 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 stock holdings. However, Ms. Spudich noted that Fidelity Low-Priced Stock displayed strong performance, during the fourth quarter, due to security selection. She also highlighted Vanguard Capital Opportunity's top percentile ranking for the fourth quarter.

In addition, Ms. Spudich discussed a few manager updates with the Committee, including Capital Cities and the Auditor's Office meeting with State Street on January 28<sup>th</sup>. Effective March 2020, State Street will be enhancing the underlying construction of the Target Retirement Funds, including replacing Commodities with an increase to International Equity early in the glidepath; removing broad-based US TIPS and reallocating primarily to Intermediate TIPS; and, replacing the FTSE EPRA NAREIT Developed Liquid Index with the FTSE EPRA NAREIT Developed Index.

Ms. Spudich also highlighted that a new Target Date Fund is added every five years for young participants, in keeping with the State Street Target Retirement Funds' philosophy/process. As a result, Capital Cities recommends that the new State Street Target Retirement 2065 Fund be added to the Indiana Deferred Compensation Plans' investment menu. **Mr. Frick moved to approve the addition of the State Street**

**Target Retirement 2065 Fund. Mr. Habig seconded. The 2065 Fund was unanimously approved.** There was also discussion about updating the birthdate chart, to account for the new 2065 Fund, for those participants who are defaulted into the Target Date Funds. Capital Cities will work with State Street, Empower and the Auditor's Office to do so appropriately.

Lastly, Ms. Spudich discussed recent personnel additions to the American Funds EuroPacific Growth Fund. In particular, effective January 6<sup>th</sup>, Noriko Honda Chen and Gerald Du Manoir were named as portfolio managers on the EuroPacific Growth Fund. With the addition of Chen and Du Manoir, the total number of portfolio managers for the Fund is now 11. Chen and Du Manoir are also portfolio managers on other funds within the Capital Group.

#### **VII. Old Business**

State Auditor Tera Klutz re-addressed the Investment Consultant Request for Proposal. A Sub-Committee will make a recommendation to the entire Committee, once responses have been evaluated and due diligence has been conducted.

#### **VIII. New Business**

None.

#### **IX. Adjournment**

There being no further business before the Committee, the meeting was adjourned at 9:47 a.m. **Mike Frick motioned for adjournment. Joseph Habig seconded the motion.** The next quarterly meeting has been rescheduled to May 21, 2020 at 9:00 a.m.