



**MINUTES
PUBLIC MEETING
May 13, 2021
9:00 a.m.
IGCS – Room 30**

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) (via phone), and Deanna Oware (Appointee, Board of Finance). Staci Schneider (Chief of Staff to the Auditor of State); Mike Paton (Barnes & Thornburg, Counsel to the Committee and the Administrator); Kevin Kerswick (Crowe LLP, External Auditor); 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 February 11, 2021 meeting. **Mr. Frick moved to approve the minutes. Ms. Oware seconded. The minutes were unanimously approved.**

IV. Administrator's Report

Ms. Schneider presented the 2020 Plan Report to the Committee. State Auditor Tera Klutz asked for a request to adopt the Plan Report for the State Board of Finance. **Mr. Habig moved to adopt. Mr. Frick seconded. The 2020 Plan Report was unanimously approved.**

Ms. Schneider provided an update on the Third-Party Administrator Request for Proposal process. The due date for responses was December 18, 2020. The Request for Proposal responses have been evaluated and a recommendation is anticipated to be made in June.

Ms. Schneider also highlighted participant outreach efforts and webinar participation, along with Empower's 360 view which will be offered beginning March, 2022. Three webinars were conducted during the quarter with 260 participants attending. Two marketing campaigns were completed during the quarter that resulted in 150 individual meetings.

In addition, Ms. Schneider noted that Emily Boesen joined the staff in March.

Mr. Kerswick presented the Draft 2019 Audited Financial Report conducted by Crowe.

V. Investment Consultant's Report

1Q21 Performance & Evaluation Report

Ms. Spudich presented the first quarter market review. Ms. Spudich noted that the equity rally continued during the quarter, given vaccine roll-outs, more government stimulus and the Fed's stance on low rates. In equity markets, all styles generated positive returns, while Value stocks outpaced Growth stocks and Small Cap outperformed Mid Cap. Small Cap Value (+21%) was the strongest performing style during the quarter. Over the one-year period, all equity styles are displaying extremely positive returns. Turning to fixed income, interest rates spiked causing negative returns across all styles, except High Yield. Fixed income styles are now showing mixed results over the last one-year period.

Ms. Spudich presented the 1Q21 Performance & Evaluation Report to the Committee. Ms. Spudich discussed that T. Rowe Price Blue Chip Growth's three-year performance has fallen to the bottom quartile of peers, trailing its benchmark, which resulted in the Fund's short-term spotlight being downgraded to yellow this quarter. Capital Cities is currently conducting a further review of the Strategy.

As part of the discussion, Ms. Somers highlighted that the total Plan assets stood at \$1,744,667,855, as of March 31, 2021. 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 Fidelity Low-Priced Stock, Vanguard Capital Opportunity and the previously noted T. Rowe Price Blue Chip Growth. Capital Cities will continue monitoring the Funds' performance; however, Ms. Somers noted that Fidelity Low-Priced Stock and Vanguard Capital Opportunity displayed strong absolute and relative performance in the first quarter.

Indiana Stable Value Fund Review

Ms. Spudich addressed the Indiana Stable Value Fund. Ms. Spudich noted that the wrap contracts for the Indiana Stable Value Fund were negotiated, which resulted in the reduction of TransAmerica's fee from 0.19% to 0.16% and Voya's fee from 0.16% to 0.15%. The fee reductions were effective May 1, 2021. Capital Cities and MetLife also explored options to further enhance the Indiana Stable Value Fund's construction. MetLife proposed reducing the Money Market allocation by five percentage points and increasing the MetLife Core allocation by five percentage points, allowing for higher crediting rate potential. State Auditor Tera Klutz asked for a motion to approve the portfolio construction change. **Ms. Oware moved to approve. Mr. Habig seconded. The Indiana Stable Value Fund's construction enhancement was unanimously approved.**

Ms. Spudich also addressed rebalancing of the Indiana Stable Value Fund. MetLife did not rebalance the Indiana Stable Value Fund at the end of January in accordance with the investment management guidelines. Rebalancing ultimately occurred on March 21st. It does not appear the Indiana Stable Value Fund was disadvantaged by the deferred rebalancing.

Investment Policy Statement

Ms. Spudich presented a review of the Plan's Investment Policy Statement (IPS). The Securities Guidelines section of the IPS was amended to reflect the enhancements to the Indiana Stable Value Fund. The IPS Appendices were also updated as part of the review. The Committee will vote on the amendments during the August 12, 2021 meeting.

VI. Old Business

None.

VII. New Business

None.

VIII. Adjournment

There being no further business before the Committee, the meeting was adjourned at 9:49 a.m. **Mr. Frick motioned for adjournment. Ms. Oware seconded the motion.** The next quarterly meeting is scheduled for Thursday, August 12, 2021 at 9:00 a.m.