



**MINUTES  
PUBLIC MEETING  
December 18, 2018**

**1:00 pm**

**Indiana Government Center South, Room 1**

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

State Auditor Tera Klutz called the meeting to order at 1:00 p.m. Committee members present were Lisa Acobert (Appointee, Board of Finance) and Mike Frick (Appointee, Treasurer of State). Also present were Staci Schneider (Chief of Staff to the Auditor of State) and Vicky Hunt (Auditor of State); Mike Paton (Barnes & Thornburg, Counsel to the Committee and the Administrator); Jaimie Beisel and Ann Mahrtdt (Empower Retirement, Third Party Administrator to the Plans); Mary Guy and Brendan Curran (State Street Global Advisors, Investment Manager); and, Tiffany Spudich and Peter Harvey (Capital Cities, L.L.C., Investment Consultant to the Committee).

**II. Live-Streaming Disclaimer**

The meeting was live-streamed. Mr. Harvey provided the live-streaming disclaimer.

**III. Reading of the Minutes**

State Auditor Tera Klutz asked for a motion to approve the minutes from November 15, 2018. **Mr. Frick moved to approve the minutes. Ms. Acobert seconded. The minutes were unanimously approved.**

**IV. Administrator's Report**

None.

**V. Investment Consultant Report**

**Target Date and Passive Fund Surveys**

Ms. Spudich provided a recap of the recent Target Date Funds' Survey. In particular, the Committee elected to issue a Broad Agency Announcement (BAA) for Target Date Funds, in order to evaluate the Plans' custom Target Date Funds' approach relative to off-the-shelf providers. BAA responses were received for 26 different Target Date Funds' suites. Respondents were categorized into three separate categories: passive, blend, and active. Three finalists were presented, including State Street Global Advisors ("SSGA") (passive), Voya (blend) and JPMorgan (active). Qualitative and quantitative assessments of each of the Target Date Funds' finalists were provided, along with the Plans' current custom Target Date Funds. As a result of the Survey findings, the Committee elected to invite SSGA, during the November 15<sup>th</sup> meeting, to present the firm's Target Retirement Strategy Funds at this Committee meeting.

Ms. Spudich also provided a recap of the recent Passive Funds' Survey. Ms. Spudich explained that SSGA was selected by the Committee, during the November meeting, given SSGA fees were either equal to or lower than the other respondents for each of the investment mandates.

## **VI. Investment Manager Presentation**

### **State Street Global Advisors Target Retirement Strategies**

Mary Guy, Vice President, Senior Relationship Manager, and Brendan Curran, Managing Director, Head of US Investment Strategy—Defined Contribution, highlighted SSGA's Target Retirement Strategies. In particular, Mr. Curran discussed the key attributes of the Target Retirement Strategies, including:

- *Strategic, index-based approach*  
SSGA believes asset allocation is the most important decision. The Target Retirement Strategies are style neutral, cost-effective, index funds that SSGA believes transparently address key risks. The Target Date Funds are rebalanced quarterly and annual reviews are conducted.
- *Fully diversified underlying fund lineup*  
The Target Date Funds are diversified, offering exposure to Equity (US Large Cap, US Mid Cap, US Small Cap, International Developed, Emerging Markets and International Small Cap), Inflation Sensitive Styles (REITs, Commodities, Intermediate/Short-term TIPS, and TIPS), and Fixed Income (US High Yield, Long Government, Core Aggregate, and Cash/Short-term Gov/Credit).
- *"Through" glide path*  
SSGA's Target Retirement Strategies continue to de-risk through the retirement date and fold into a single retirement income fund (SSGA Target Retirement Income Fund) five years after the targeted retirement year is achieved (T+5). SSGA cites the key statistics from the National Bureau Economic Research paper "The Drawdown of Personal Retirement Assets" for the *through* approach. In particular, Mr. Curran discussed that the vast majority of people do not make withdrawals from their personal retirement accounts until 70.5 years old, the point when minimum distributions are required.

Mr. Curran also provided an overview of SSGA's securities lending program as it relates to the Target Retirement Strategies and passive mandates. Specifically, Mr. Curran discussed the reinvestment risk, borrow default risk and operational risk associated with securities lending and the steps SSGA takes to mitigate these risks, including, but not limited to: Rule 2a-7 prime guidelines and the firm's dedicated team of counterparty risk analysts.

The presentation concluded with the Committee requesting some additional information from SSGA, including the firm's audited financials and a list of approved counterparties in the securities lending program. Additionally, Mr. Curran will be providing the Committee with an electronic version of a securities lending white paper issued by SSGA.

## **VII. Old Business**

None.

## **VIII. New Business**

None.

## **VIII. Adjournment**

There being no further business before the Committee, the meeting was adjourned at 2:19 p.m. **Mr. Frick motioned for adjournment. Ms. Acobert seconded the motion.** The next quarterly meeting is February 21, 2019, at 9:00 a.m.