



**MINUTES
PUBLIC MEETING
November 16, 2017
9:00 am
State House, Room 233**

I. Call to Order/Roll Call

State Auditor Tera Klutz called the meeting to order at 9:00 a.m. Committee members present were Lisa Acobert (Appointee of Board of Finance) (by phone) and Mike Frick (Deputy Treasurer). Also present were Staci Schneider, Deputy Auditor of State, and Vicky Hunt with the Auditor of State's Office; Mike Paton of Barnes & Thornburg (Counsel to the Committee and the Administrator); Jaimie Beisel, Marybeth Daubenspeck, and Dan Morrison with Empower Retirement (Third Party Administrator to the Plans); and, Tiffany Spudich and Peter Harvey with 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

As there was no quorum, approval of the minutes from the August 17, 2017 meeting was postponed until the upcoming February 22, 2018 meeting.

IV. Administrator's Report

State Auditor Tera Klutz informed the Committee that she and Ms. Schneider attended the National Association of Government Defined Contribution Administrators (NAGDCA) annual conference in Milwaukee in September. During the conference, they were able to conduct due diligence on issues and opportunities impacting government defined contribution plans with other plan sponsors. State Auditor Tera Klutz also noted that the Indiana Deferred Compensation Plans' Committee members are invited to attend future conferences, as she recognizes the importance of Committee member education.

V. Plan Provider Report (Empower—Third Party Administrator/Recordkeeper)

Marybeth Daubenspeck, Vice President of Government Markets, provided the Committee with an overview of the historical relationship between Empower and the Indiana Deferred Compensation Plans, as well as providing some general background on Empower. During the discussion, she emphasized that 35% of Empower's business is government-related.

Dan Morrison, Senior Vice President of the Government Market, discussed the changes in senior

leadership, how the Indiana Deferred Compensation Plans will be served going forward, and Empower's commitment to the relationship. As part of firm's commitment, Mr. Morrison highlighted Jaimie Beisel, Relationship Manager, would remain with Empower and will be focused on the Indiana Deferred Compensation Plans' relationship. Mr. Morrison stated that there were no planned changes to the service team and that Perry Christie, Vice President of National Accounts, would become more involved in overseeing the relationship.

VI. Investment Consultant Report

Market Review

Mr. Harvey provided a review of third quarter 2017 performance across the broad Equity and Fixed Income markets. In particular, Mr. Harvey detailed that U.S. equity markets benefitted from a "risk-on" sentiment during the quarter with growth stocks outperforming value stocks and small cap stocks outperforming large cap stocks. Developed and emerging market stocks benefitted from global economic growth and the weakening U.S. Dollar. Fixed Income returns were positive but generally muted on a broad basis. High Yield and Non-Dollar bonds outperformed.

Manager Monitoring

Ms. Spudich provided a qualitative and quantitative assessment of the investment options offered in the Plan and noted that total Plan assets were \$1,194,825,259 at the end of the quarter. As part of the discussion, she updated the Committee on the progress of the forthcoming fund line-up changes with regards to the replacement of the Wells Fargo Capital Growth Fund with the T. Rowe Price Blue Chip Growth Trust and the replacement of BlackRock Large Cap Value Fund with the The Boston Company Dynamic Large Cap Value Fund. In addition, an exchange of the Vanguard Institutional Index Fund and Vanguard Extended Market Index to the Vanguard Total Stock Market Fund within the custom Target Date Funds is occurring. These changes are slated to take place on November 17th. The IronBridge SMID Fund termination and mapping of assets to a newly added Vanguard Extended Market Index are still on track for February 2018.

Ms. Spudich provided an organizational update on The Boston Company and discussed the Dynamic Large Cap Value Fund's fees. Specifically, The Boston Company announced on November 13th that the firm is combining with two other BNY Mellon Investment Management boutiques to form a new specialist multi-asset investment manager in 2018. Capital Cities will monitor the merger, but does not have concerns regarding the organizational change at this time. Separately, Ms. Spudich noted that the Auditor's Office approved implementing Share Class II of The Boston Company Dynamic Large Cap Value Fund in order to allow fees to be taken from the Fund's net asset value (NAV) each day. This change slightly increased fees by 1.5 bps to a 42 bps (0.42%) total.

In addition, Ms. Spudich gave an update on the Watchlist status of the Wellington Real Total Return strategy (an underlying component of the custom Target Date Funds). She indicated that the strategy has outperformed since being placed on Watchlist status; however, Capital Cities will continue to closely monitor the Fund. Lastly, Ms. Spudich noted that the Fidelity Low-Priced Stock Fund has updated its investment universe to include stocks with an earnings yield at or above that of the median earnings yield for the Russell 2000 Index.

Passive Domestic Socially Responsible Investing (SRI) Equity Fund Search

Mr. Harvey presented the results of the Passive Domestic SRI Equity Broad Agency Announcement (BAA) that was issued on September 18, 2017. Capital Cities received eight responses to the BAA and

recommended the Vanguard FTSE Social Index Fund to replace the Domini Impact Equity Fund in the Plan, which is slated to be frozen to new investments in December with future contributions mapped to the Vanguard Institutional Index Fund. A vote has been postponed until the February 22nd Committee meeting once a quorum is present.

Fee Analysis

Ms. Spudich presented a Fee Analysis to assist the Committee in reviewing the Plan's investment management, recordkeeper and consultant fees. The Fee Analysis documented the close monitoring and benchmarking of the Plans' fees.

VII. Old Business

None.

VIII. New Business

Ms. Klutz would like to explore a policy that would allow Committee members to call into meetings in the event that they are unable to attend in person. Ms. Klutz also provided the Committee with an update on the working group progress for the Next Level Fund.

IX. Adjournment

There being no further business before the Committee, the meeting was adjourned at 10:17 a.m. The next meeting is February 22, 2017 at 9:00 a.m.