



**MINUTES  
PUBLIC MEETING  
August 15, 2019  
9:00 a.m.  
IGCS Conference Room 1**

**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, Board of Finance), Joseph Habig (Appointee, Governor), Dan Bastin (Appointee, Board of Finance), and Mike Frick (Appointee, Treasurer of State). Staci Schneider (Chief of Staff to the Auditor of State), Vicky Hunt and Britton Stucker (Auditor of State) were also present, along with Ryan Locke (Deputy Treasurer & General Counsel, Treasurer of State); Mike Paton (Barnes & Thornburg, Counsel to the Committee and the Administrator); Jaimie Beisel (Empower Retirement, Third Party Administrator to the Plans); and, Joe Bill Wiley, Tiffany Spudich and Nathan Kinney (Capital Cities, L.L.C., Investment Consultant to the Committee).

**II. Live-Streaming Disclaimer**

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

**III. Reading of the Minutes**

State Auditor Tera Klutz asked for a motion to approve the minutes from the May 16, 2019 meeting. **Mr. Frick moved to approve the minutes. Mr. Bastin seconded. The minutes were unanimously approved.**

**IV. Administrator's Report**

Ms. Schneider discussed the recent addition of six local units to the Indiana Deferred Compensation Plans. Ms. Schneider also highlighted participant outreach efforts, including six open houses around the state this year. In addition, participant communication was sent to retirees encouraging retirement counseling sessions. Furthermore, communication pieces were delivered to participants regarding the upcoming Target Date Funds' transition.

**V. Investment Consultant Report**

**Market Review**

Joe Bill Wiley presented the second quarter market overview. Mr. Wiley noted that, Global Markets continued their upward trajectory during the quarter. All asset classes ended the quarter with positive returns as the Fed signaled a more dovish tone on interest rates. In equity markets, Growth outperformed

Value and Large Cap outperformed Small Cap. Large Cap Growth (+4.6%) was the best performing sector. Developed foreign stocks (3.7%) performed in-line with domestic stocks. Over the one-year period, returns are positive for all styles except Small Caps. Turning to fixed income, returns were positive across all styles. The Federal Reserve held rates flat during the quarter, and has tempered its narrative for further rate increases in 2019. The Bloomberg Barclays Aggregate Bond Index closed the quarter with a +3.1% return. All fixed income styles were positive over the last one-year time period.

## **2Q19 Performance & Evaluation Report**

Ms. Spudich presented the 2Q19 Performance & Evaluation Report to the Committee. As part of the discussion, Ms. Spudich highlighted the upcoming changes to the Plans. The Committee previously approved replacing the custom Indiana Target Date Funds with the State Street Target Retirement Funds, during the February 21, 2019 Committee meeting. Custom participant communication pieces were subsequently reviewed by the Committee, during the May 16, 2019 Committee meeting. The Target Date Funds' transition is scheduled for September 6, 2019.

In addition, Ms. Spudich noted the upcoming changes to the Indiana Stable Value Fund. Capital Cities has been working with MetLife Investment Management (formerly called "Logan Circle") (Global Wrap Manager) of the Indiana Stable Value Fund regarding the potential to reduce fees and increase investment flexibility given the improvements in the stable value environment. A 12-month put has been placed with Fidelity for a September 1, 2019 effective date, to decrease the allocation 15 percentage points from Tier II (Fidelity MIP II) to Tier III (MetLife Intermediate), as previously approved by the Committee. The new structure will be finalized, during the Target Date Funds' transition, that is slated for September 6, 2019.

Total assets in the Plans stood at \$1.3 billion as of the end of the second quarter. A summary qualitative and quantitative review ("stoplight grid") of each of the investment options was also provided to the Committee. Ms. Spudich noted that there were material asset outflows from the SSgA S&P 500 Index Fund and into the Vanguard FTSE Social Index Fund, during the second quarter. The asset flows were mainly a result of movement made by Empower's Managed Account Service, Reality Investing. The SSgA S&P 500 Index Fund was subsequently added to Reality Investing's available options in the third quarter.

## **Annual Fee Analysis**

Ms. Spudich provided a presentation to assist the Committee in reviewing the Plans' investment management, recordkeeper and consultant fees. The Fee Analysis documented the close monitoring and benchmarking of the Plans' fees. As part of the discussion, Ms. Spudich highlighted the recent and upcoming fee reductions, that total ~\$963k in annual investment management fee savings:

- September 6, 2019: Will replace the custom Target Date Funds with the State Street Target Retirement Funds for a total annual estimated investment management fee savings of ~\$414k.
- March 8, 2019: Transitioned to SSgA as the Plans' passive provider (Stand-Alone Options: S&P 500 Index, US Small/Mid Cap, US TIPS; Underlying Target Date Funds' Components: Total US Stock Market, Total Non-US Stock Market) for a total annual estimated investment management fee savings of ~\$79k.
- December 7, 2018: Transitioned to the less expensive share classes of Carillon Reams Unconstrained Bond, Vanguard Institutional Index and T. Rowe Price Blue Chip Growth for a total annual estimated investment management fee savings of ~\$133k.
- December 1, 2018: Negotiated more favorable wrap provider provisions for the Indiana Stable Value Fund for a total annual estimated investment management fee savings of ~\$337k.

Ms. Spudich also indicated that Capital Cities will assist in negotiating recordkeeper expenses again in the

coming months, in light of the upcoming elimination of custom Target Date Funds and growing utilization of Reality Investing service.

### **Investment Policy Statement**

Ms. Spudich reminded the Committee that Capital Cities provided a review of the Plans' Investment Policy Statement (IPS), during the last Committee meeting. In particular, the IPS was amended in light of investment menu changes and the upcoming Indiana Stable Value Fund restructuring. The Appendices of the IPS were also updated. **Mr. Frick motioned to adopt the Amended IPS. Mr. Bastin seconded the motion. The Amended IPS was unanimously approved.**

#### **VI. Old Business**

None.

#### **VII. New Business**

None.

#### **VIII. Adjournment**

There being no further business before the Committee, the meeting was adjourned at 9:38 a.m. **Mr. Habig motioned for adjournment. Mr. Frick seconded the motion.** The next quarterly meeting is November 14, 2019 at 9:00 a.m.