



**MINUTES
PUBLIC MEETING
November 14, 2024
9:00 a.m.**

IGCS – Conference Rooms 4 & 5, Wabash Hall

I. Call to Order/Roll Call

State Comptroller Elise Nieshalla called the meeting to order at 9:00 a.m. Committee members present were Mike Frick (Appointee, Treasurer of State), Joseph Habig (Appointee, Governor), Dhiann Kinsworthy-Blye (Appointee, Board of Finance), and Nancy Marsh (Appointee, Board of Finance). Staci Schneider, Britton Stucker, Emily Boesen, and Jennifer Thuma (Comptroller of State); Mike Nader (Barnes & Thornburg, Counsel to the Committee and the Administrator) via video conference; Mary Guy and Michael Andeberhan (State Street); Michael Burkhart, John Archer, Kevin Mitchell, Mark Monahan, Roy Gilliam, Sarah Carlo, Frank McCafferty and Kimberley Rumble (Nationwide, Third-Party Administrator to the Plans); 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 recorded. Ms. Spudich, of Capital Cities, provided the disclaimer.

III. Approval of the Previous Minutes

State Comptroller Elise Nieshalla asked for a motion to approve the minutes from the August 15, 2024 meeting. **Mr. Frick moved to approve the minutes. Mr. Habig seconded. The minutes were unanimously approved.**

IV. Administrator's Report

State Comptroller Nieshalla greeted the Committee. She welcomed Mary Guy and Michael Andeberhan of State Street Global Advisors. State Street serves as the passive funds' investment manager for the Plans, including the Target Date Funds, S&P 500 Index Fund, Russell Small-Mid Cap Equity Index Fund and US Inflation Bond Index Fund. As fiduciaries, it is prudent for the Committee members to review State Street's investment stewardship, corporate engagement, and proxy voting policies, given the important role State Street serves in the investment menu. After additional consideration and discussion, the Committee intends to take a more active role in the proxy voting process to the extent feasible. Hoosier START offers Mutual Funds and Collective Investment Trusts which means the assets are commingled with other investors and asset managers have the responsibility of proxy voting for the underlying securities.

State Comptroller Nieshalla reminded the Committee of Bowyer Research's approach to proxy voting, which was highlighted during the August 15th Committee meeting. Skepticism towards ESG, including concerns about prioritizing non-fiduciary issues, was discussed.

V. Investment Manager Presentation

Mary Guy, of State Street Global Advisors, highlighted the Plans' investments and cash flow data. Ms. Guy also noted that the Plans are in the least expensive share class offering for each investment option. Lastly, Ms. Guy detailed the characteristics of a collective investment trust and how they differ from other vehicles.

Michael Andeberhan, of State Street Global Advisors, discussed State Street's approach to overseeing long-term risks and opportunities. State Street's Asset Stewardship program is centered on the pursuit of long-term value for their clients' portfolios through voting at shareholder meetings and engaging with the companies in which they invest on behalf of their clients. State Street's principals include: Effective Board Oversight – holding boards accountable through engagement and voting activities; Disclosure – promoting the disclosure of information on how companies are managing the risk and opportunities on topics important to an investor's decision making process; and Shareholder Protection – companies should have appropriate shareholder rights and accountability efforts in place, including participation in annual meetings and the right to call special meetings and votes.

State Street leverages their engagements and position to publish insight pieces, issue guidance on voting policies, and inform research efforts. The firm also undertakes targeted campaigns on various themes and has ongoing engagements. State Street votes on management proposals and against directors as needed to hold management accountable and prioritize value creation.

State Street launched a new program, Investor Voting Choice, which allows plan sponsors to direct which voting policy best aligns to their views. State Street will continue discussions with ISS and Bowyer Research to explore the option of adding the Bowyer Guidelines to the Investor Voting Choice Program.

State Comptroller Nieshalla also requested that efforts to reduce exposure to China be further explored.

VI. Third-Party Administrator Report

Mr. Mitchell, of Nationwide, reported that Nationwide continues to conduct in-person and virtual meetings with participants. Nationwide performed 937 site visits year-to-date, of which 74% were in person. 37 educational webinars were completed this year, with an average of 30 attendees per webinar. Nationwide remains focused on encouraging participants to update their beneficiary information, promoting personalization for existing users of the managed account service, and educating participants on the difference between Roth and pre-tax contributions. Adoption outreach continues. There are currently 14 prospective plans in various stages of the process, with 16 total new adoptions since the conversion to Nationwide.

Mr. Burkhart detailed that total assets were \$2.2 billion, as of September 30, 2024, including 68,464 participants. The average participant balance was \$31,439. There were 3,387 new enrollments in the third quarter. Mr. Burkhart noted 11,242 participants are utilizing the ProAccount service, with \$672 million in assets. Mr. Burkhart highlighted that 7,889 participants are utilizing the Roth option, which is an increase of 3.7% in the utilization rate for the third quarter. Mr. Burkhart also noted that there are seven participants in the Self-Directed Brokerage Account option, with \$1.3 million in total assets.

Mr. Burkhart discussed that Nationwide continues to monitor unforeseeable emergency distributions. During the third quarter of 2024, there were 334 unforeseeable emergency distributions, an increase from the second quarter when there were 267.

Mr. Monahan, of Nationwide, discussed Nationwide's ProAccount managed advice service, which is administered through Wilshire. Mr. Monahan reviewed the services participants receive, the initial risk

tolerance questionnaire and data points, and the ProAccount glide paths. Mr. Monahan stated that 45% of participants completed steps within My Income & Retirement Planner (MIRP), which resulted in more customized portfolios. Mr. Monahan reviewed the available glide paths and discussed that while the moderate glide path is the default, the managed advice service can be personalized to individual participants using additional data points, which could lead to an aggressive or conservative glide path recommendation. Lastly, Mr. Monahan reviewed the average participant returns for each type of investment option (Nationwide ProAccount, Help Me Do It, Do It Myself).

Mr. Gilliam, of Nationwide, discussed Nationwide's fraud protection and mitigation. Nationwide employs a dedicated team staffed with Certified Fraud Examiners. Nationwide offers extensive associate training on fraud and security protocols and partners with industry-leading security and fraud capabilities experts. Nationwide's Proactive Account Protection Processes include call profiling, data analytics, data security, multi-factor authentication, Nationwide Account Lock, and payment verification. Nationwide also offers Account Pledge, which is fraud reimbursement.

VII. Investment Consultant's Report

3Q24 Performance & Evaluation Report

Ms. Somers, of Capital Cities, presented the 3Q24 Performance and Evaluation Report. Ms. Somers noted that the Committee voted to simplify the investment menu at the August 15th Committee meeting, particularly due to the new Self-Directed Brokerage Account offering. The Vanguard FTSE Social Index was eliminated, and assets were mapped to the SSGA 500 Index Fund. American Funds EuroPacific Growth was removed from the investment menu, and assets were mapped to Fidelity Diversified International. The Plans were eligible for a lower expense share class of Fidelity Diversified International given the asset mapping, which reduced the Fund's expense from 0.56% (share class A) to 0.52% (share class C). The investment menu changes occurred on November 8th.

Ms. Somers provided a review of the markets, as part of the discussion. Ms. Somers noted equity styles were positive in the third quarter across all styles. Small Cap Value (+10.2%) was the best performing equity style during the quarter. The S&P 500 Index (+5.9) was positive and Emerging Markets (+8.7%) outpaced U.S. Broad and International Developed styles. Equity styles continue to show strong positive returns over the one-year period ended September 30, 2024, with Large Cap Growth (+42.2%) and Large Cap Core (36.4%) generating the strongest absolute performance. Turning to fixed income, all styles were positive during the third quarter as rates declined across the yield curve due to the Fed rate cuts. Non-Dollar (+8.6%) and Emerging Market Debt (+6.2%) were the best performing styles. The Bloomberg Aggregate Bond Index (+5.2%) finished positive for the quarter. Fixed Income results are positive over the one-year period, with High Yield (+15.7) and EM Debt (+18.6%) generating the strongest absolute performance.

Ms. Somers highlighted that the total Plans' assets stood at \$2,152,415,825 as of September 30, 2024, with 23% of the assets in the Plans' default option, the State Street Retirement Funds. The remaining 77% of assets were in the Plans' individual options that allow participants to build their own diversified portfolios. Ms. Somers also noted the performance of the State Street Retirement Funds ranged from 5.3% (Retirement Income) to 7.3% (2065 Fund) during the third quarter.

Ms. Somers provided a summary qualitative and quantitative review ("stoplight grid") of each of the investment options. Most of the options are in good to excellent standing. Capital Cities continues to monitor T. Rowe Price Blue Chip Growth for long-term performance, along with Fidelity Diversified International for short-term performance.

VIII. Old Business

None.

IX. New Business

Tiffany Spudich, of Capital Cities, discussed the draft Amended Investment Policy Statement language which will be reviewed at the next Committee meeting. Additional guidelines which specify that no weight will be given to non-financial factors will be incorporated into the “Responsibilities” section of the Investment Policy Statement.

Comptroller Nieshalla recognized Joseph Habig for his service to the Indiana Deferred Compensation Plans Committee. Mr. Habig has been a member of the Committee for five years. Mr. Habig will be leaving the Committee at the end of the year.

X. Adjournment

With no further business before the Committee, the meeting was adjourned at 10:44 a.m. **Mr. Frick motioned for adjournment. Ms. Marsh seconded the motion.** The next quarterly meeting is scheduled for Thursday, February 20th, at 9:00 a.m.