



**MINUTES
PUBLIC MEETING
November 9, 2023
9:00 a.m.
IGCS – Wabash Hall Room 1**

I. Call to Order/Roll Call

State Comptroller 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), and Dhiann Kinsworthy-Blye (Appointee, Board of Finance). Courtney Schaafsma, Emily Boesen, Britton Stucker, and Mark Hawkins (Comptroller of State); Mike Paton (Barnes & Thornburg, Counsel to the Committee and the Administrator); Kevin Mitchell, Michael Burkhart, John Archer, Kimberley Rumble, Sarah Carlo and Nicole Derby (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 live-streamed. Ms. Somers, of Capital Cities, provided the live-streaming disclaimer.

III. Approval of the Previous Minutes

State Comptroller Tera Klutz asked for a motion to approve the minutes from the September 7, 2023 meeting. **Mr. Frick moved to approve the minutes. Ms. Marsh seconded. The minutes were unanimously approved.**

IV. Administrator's Report

State Comptroller Klutz presented Mr. Paton with a Certificate of Gratitude for his service to Hoosier START. Mr. Paton will retire at the end of the year. Michael Nader will assume the role of Counsel to the Committee and the Administrator at the beginning of 2024.

State Comptroller Klutz discussed Amendment Two to the State of Indiana Deferred Compensation Plan and Amendment One to the State of Indiana Deferred Compensation Matching Plan. Both Amendments clarified the term "Administrator" to denote Comptroller of the State of Indiana effective as of July 1, 2023. The Amendments also clarified part-time employee eligibility which was retroactive to January 1, 2023. In addition, State Comptroller Klutz provided a working version of the Deferred Compensation Plan and the

Deferred Compensation Matching Plan documents.

V. Fiduciary Training

Mr. Paton, Counsel to the Committee and the Administrator, conducted fiduciary training for the Committee. Mr. Paton discussed ERISA standards for fiduciary conduct and that many states and local governments follow ERISA as a “best practice.” Mr. Paton also detailed the differences between a Settlor role and a Fiduciary role. Mr. Paton stressed that procedural prudence is important, adopting a deliberate decision-making process and documenting decisions. Mr. Paton noted that litigation has primarily involved performance of plan assets and reasonableness of plan fees. Mr. Paton discussed that to ensure the Committee meets their fiduciary obligation, they should have a well-organized and effective Committee, select and monitor plan investments regularly, oversee plan administrative operation, and be attentive to plan costs. Mr. Paton also highlighted Committee best practices, including: have a clear appointment process for fiduciaries; organize effectively in terms of size, membership and responsibilities; hold regular meetings; ensure all fiduciaries have the necessary qualifications and training; and, clearly document the Committee organization and meeting minutes.

VI. Third-Party Administrator Report

Mr. Mitchell, of Nationwide, reported that Nationwide continues to conduct in person and virtual meetings with participants. Nationwide performed 1,019 site visits with approximately 76% in-person. 44 educational webinars were also completed through October 31, 2023. Nationwide continues to focus on updating beneficiary information, promoting personalization for existing users of ProAccount, marketing Hoosier START to local governments, and partnering with Indiana Public Retirement System to educate Indiana employees on the differences of the two Plans and how they complement each other.

Mr. Burkhart, of Nationwide, detailed that the total Plans’ assets were \$1.75 billion, as of September 30, 2023. Mr. Burkhart noted that salary contributions for the quarter totaled \$35.7 million. 7,341 participants are utilizing Roth accounts, which is an increase of almost 5% for the quarter. Mr. Burkhart highlighted participant engagement, including 64% eDelivery adoption, 33% participant online account adoption, 54% of accounts currently have a beneficiary on file, and 82% of participants have an email address on file.

Mr. Burkhart reviewed the Memorandum of Understanding (MOU) for Enrollment in the Schwab Self-Directed Brokerage Option. The Plan types currently listed are 457(b) and 401(a). The Committee requested Nationwide update the form to include the Plan descriptions (Deferred Compensation Plan and Employer Matching Plan). **Mr. Frick motioned to approve the MOU with the Plan description updates. Mr. Habig seconded. The MOU was unanimously approved.**

Ms. Derby, of Nationwide, discussed Nationwide’s ProAccount managed advice service, which is administered through Wilshire. Ms. Derby reviewed the services participants receive, the initial risk tolerance questionnaire and data points, and the ProAccount glide paths. Ms. Derby stressed 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 result in an aggressive or conservative glide path recommendation. Lastly, Ms. Derby reviewed the average participant returns for each portfolio.

VII. Investment Consultant’s Report

3Q23 Performance & Evaluation Report

Tiffany Spudich, of Capital Cities, presented the Considerations/Observations’ pages of the 3Q23 Performance & Evaluation Report. Ms. Spudich noted that the Self-Directed Brokerage Account (SDBA)

feature will be added to the Plans effective January 1, 2024. Ms. Spudich specified that the SDBA will not be considered a “competing fund” to the Stable Value Fund.

Ms. Spudich discussed that Joel Tillinghast, the Fidelity Low-Priced Stock Fund’s long-time portfolio manager, will step down from his portfolio management responsibilities at the end of 2023 (as previously communicated to the Committee in 2022). Morgan Peck and Sam Chamovitz will continue to serve as co-lead portfolio managers on the Fund. Peck and Chamovitz have been members of the Small Cap Equity team for nearly 16 years, working alongside Tillinghast and sharing similar investment philosophies and portfolio construction styles. Tillinghast will remain at Fidelity after 2023 in an advisory role.

Ms. Spudich noted that T. Rowe Price Blue Chip Growth Fund was placed on Watchlist status at the November 2022 meeting given short- and long-term performance (last three- and five-year time periods). Capital Cities conducted a due diligence call with T. Rowe Price on October 30th. The Strategy has remained a solid Large Cap Growth Strategy, with a consistent process and deep team, since being placed on Watchlist. Year-to-date, the Strategy has outperformed the benchmark by over six percentage points, ranking in the top decile of peers. Most recently in the third quarter, the Strategy outperformed the Russell 1000 Growth Index and ranked in the top quartile of peers. The Fund will continue to be closely monitored on Watchlist status.

Lastly, Ms. Spudich explained that Nationwide recently added the Fidelity Diversified International commingled vehicle to its platform. At the May meeting, the Committee approved transitioning from the K6 mutual fund share class to the commingled vehicle to reduce investment management fees. The vehicle transition is scheduled for December 8, 2023.

Ms. Somers presented the third quarter market review. Ms. Somers noted that all equity styles finished the third quarter with negative returns across both domestic and foreign equities. The S&P 500 Index (-3.3%) was negative. Emerging Markets (-2.9%) was the best performing equity style though still negative during the quarter. All equity styles continue to show positive returns over the one-year period ended September 30, 2023. Turning to fixed income, the Federal Reserve raised rates 25 bps in July bringing the Federal Funds Rate to 5.25%-5.50%. The Bloomberg Aggregate Bond Index (-3.2%) was negative in the third quarter. Fixed Income results are mixed over the one-year period, with High Yield (+10.3) and EM Debt (+10.0%) generating the strongest absolute performance.

Investment Policy Statement

Ms. Spudich reviewed the Restated Investment Policy Statement that was previously delivered at the September 7th Committee meeting. Updates were made throughout the Investment Policy Statement particularly given the new Comptroller title and future inclusion of Self-Directed Brokerage Accounts. **Mr. Habig motioned to approve the Restated Investment Policy Statement. Ms. Kinsworthy-Blye seconded. The Restated Investment Policy Statement was unanimously approved.**

Investment Structure Review

Ms. Spudich provided a presentation to assist the Committee in reviewing the Plans’ investment menu. Ms. Spudich noted that Capital Cities delivered custom projects throughout the year that were designed with the goal of exceeding the Committee’s fiduciary obligations. A key fiduciary responsibility is to provide a diversified investment menu; thus, the Plans’ investment menu and trends in the defined contribution industry were examined.

Ms. Spudich highlighted that the total Plans’ assets stood at \$1,751,006,584, as of September 30, 2023, with 21% of the assets in the Plans’ default option, the State Street Retirement Funds, and the remaining

79% in the Plans' individual options that allow participants to build their own diversified portfolio.

In reviewing the Plans' investment structure, Ms. Spudich detailed that the Plans utilize a proper default option (age-appropriate Target Date Funds), offer a broad range of investment alternatives, and allow participants to exercise control over their assets. Ms. Spudich reviewed each type of investment option with the Committee, including the Tier I Target Date Options ("Allocate It For Me") and Tiers II and III Core and Specialty Options ("Allocate It Myself").

As part of the discussion, Ms. Spudich reported that Capital Cities conducted a due diligence call with State Street regarding the State Street Target Retirement Strategy Funds on October 4, 2023. The Funds remain appropriate low-cost Target Date options. Ms. Spudich discussed the Core and Specialty Options, noting that the Plans offer options in all major asset classes. Ms. Spudich also explained that future consideration could be given to expanding the passive investment options by adding a Core Bond Index Fund and an International Equity Index Fund to the investment menu.

In addition, Ms. Spudich discussed the Indiana Stable Value Fund which serves as a low-risk option, seeking to provide participants with preservation of principal and stable income. The Fund was custom built for the Plans with diversified manager and wrap provider construction (MetLife Core 65%, Fidelity MIP II 30%, and Dreyfus Government Cash Management Fund 5%). A due diligence call was conducted with MetLife on October 23, 2023. No enhancements are currently recommended given previous portfolio construction changes and wrap provider fee negotiations.

Ms. Spudich provided a summary qualitative and quantitative review ("stoplight grid") of each of the investment options. All the investment options are in good to excellent standing, except for the T. Rowe Price Blue Chip Growth which is on Watchlist status. Defined contribution plan trends/topics were also addressed; however, no changes were recommended as a result of the discussion.

VIII. Old Business

None.

IX. New Business

Mr. Frick recognized this was State Comptroller Klutz's last meeting and acknowledged her years of service and dedication to the Hoosier START Plans.

X. Adjournment

With no further business before the Committee, the meeting was adjourned at 10:55 a.m. **Mr. Frick motioned for adjournment. Ms. Marsh seconded the motion.** The next quarterly meeting is scheduled for Thursday, February 22nd, at 9:00 a.m.