



**MINUTES
PUBLIC MEETING
May 16, 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), Nancy Marsh (Appointee, Board of Finance), and Dhiann Kinsworthy-Blye (Appointee, Board of Finance). Staci Schneider, Britton Stucker, Jennifer Thuma, and Stephanie Beckley (Comptroller of State); Mike Nader (Barnes & Thornburg, Counsel to the Committee and the Administrator); Kevin Kerswick (Crowe, LLP); Michael Burkhart, John Archer, Kevin Mitchell, Sarah Carlo, 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 live-streamed. Ms. Somers, of Capital Cities, provided the live-streaming disclaimer.

III. Approval of the Previous Minutes

State Comptroller Elise Nieshalla asked for a motion to approve the minutes from the February 22, 2024 meeting. **Mr. Frick moved to approve the minutes. Ms. Marsh seconded. The minutes were unanimously approved.**

IV. Administrator's Report

State Comptroller Nieshalla greeted the Committee and welcomed Staci Schneider back to the Comptroller's Office.

Ms. Schneider noted that the 2023 Audited Financial Report was finalized. Mr. Kerswick, of Crowe LLP, presented the Report. He discussed the auditing and testing process for internal controls. Mr. Kerswick also highlighted that the audit focuses on investments and adherence to the Investment Policy Statement. The findings included a clean audit opinion with no instances of non-compliance. No significant issues were found, and no adjustments were recommended. **Mr. Habig motioned to approve the Audited Financial Statement for the year-ended December 31, 2023. Mr. Frick seconded. The Audited Financial Statement was unanimously approved.**

V. Third-Party Administrator Report

Mr. Mitchell, of Nationwide, reported that Nationwide continues to conduct in person and virtual meetings with participants. Nationwide performed 347 site visits, of which 73% were in person. 12 educational webinars were completed during the first quarter, with an average of 40 attendees per webinar. Nationwide remains focused on encouraging participants to update their beneficiary information, promoting webinars with local subdivisions, and adoption outreach.

Mr. Burkhart, of Nationwide, detailed that total assets were \$2 billion, as of March 31, 2024, including 67,207 participants. Mr. Burkhart noted that contributions for the quarter totaled \$42.1 million. There were 2,810 new enrollments. The average participant balance was \$30,097.

Mr. Burkhart highlighted that 7,400 participants are utilizing the Roth option, which is an increase of 5.3% in the utilization rate for the first quarter. Mr. Burkhart also noted that there are three participants in the Self-Directed Brokerage Account option, with \$554,313 in total assets.

Mr. Burkhart discussed that Nationwide continues to monitor unforeseeable emergency distributions. During the first quarter of 2024, there were 137 unforeseeable emergency distributions, down from the fourth quarter of 2023 when there were 178.

VI. Investment Consultant's Report

1Q24 Performance & Evaluation Report

Ms. Somers, of Capital Cities, presented the Considerations/Observations' pages of the 1Q24 Performance and Evaluation Report. Ms. Somers noted that the 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 April 26, 2024. Personnel has remained stable with Paul Greene serving as the lead Portfolio Manager since October 2021. Over the last one-year period, the Strategy outperformed its index by nearly eight percentage points, ranking in the 6th percentile of peers. Capital Cities removed the Strategy from Watchlist status given improved short-term performance and will continue to monitor long-term performance.

Ms. Somers presented the first quarter market review. Ms. Somers noted that all equity styles finished positively in the first quarter across both domestic and foreign equities. The S&P 500 Index (10.6%) posted the best first quarter returns since 2019. Large Cap Growth (11.4%) was the best performing equity style during the quarter. Domestic company stocks generally outperformed International stocks in the first quarter. All equity styles continue to show strong positive returns over the one-year period ended March 31, 2024. Turning to fixed income, most styles were negative as longer-term rates pushed higher in the first quarter. The Fed held the Federal Funds Rate at 5.25%-5.50% during the March and May meetings. The Bloomberg Aggregate Bond Index (-0.8%) was negative in the first quarter. Fixed Income results are mixed over the one-year period, with High Yield (+11.2) and EM Debt (+11.3%) generating the strongest absolute performance.

Investment Structure Review

Ms. Spudich provided a presentation to assist the Committee in reviewing the Plans' investment menu. Ms. Spudich noted that Capital Cities delivers custom projects throughout the year that are 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 \$2,022,162,401, as of March 31, 2024, with 22% of the assets in the Plans' default option, the State Street Retirement Funds, and the remaining 78% in the Plans' individual options that allow participants to build their own diversified portfolio. Ms. Spudich also noted that Nationwide's ProAccount services represent \$640 million, or 32% of the Plans' assets.

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, III and IV Core, Specialty and Self-Directed Brokerage 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 April 17, 2024. The Funds remain appropriate low-cost Target Date options. Ms. Spudich detailed that the Retirement Income Fund will be renamed as the Retirement Fund, the 2020 Fund will merge with the Retirement Fund, and the 2070 Fund will be launched in the Spring of 2025. **Ms. Kinsworthy-Blye motioned to add the 2070 Fund once available early next year. Mr. Habig seconded the motion. The 2070 Fund was unanimously approved.**

Ms. Spudich also noted that State Street launched an Investor Choice (IVC) Program that allows plan sponsors to express their voting preferences with respect to investments in State Street's pooled/commingled funds. State Street will attend the August 15, 2024 Committee meeting to further address the firm's investment stewardship and proxy voting policies.

Ms. Spudich discussed the Core and Specialty Options, noting that the Plans offer options in all major asset classes. Ms. Spudich also explained consideration could be given to simplifying the investment menu within the Specialty Tier and where overlap exists, particularly due to the new Self-Directed Brokerage offering. Capital Cities will present a Core and Specialty Funds Analysis at the August 15, 2024 Committee meeting.

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 April 29, 2024. No enhancements are currently recommended given previous portfolio construction changes and wrap provider fee negotiations.

Ms. Spudich also noted the capital preservation environment, stating that Stable Value generally has a risk profile comparable to Money Market Funds, with similar returns to Short Duration Fixed Income over meaningful time periods. The Indiana Stable Value Fund remains a competitive capital preservation option with attractive long-term returns and limited volatility; however, additional capital preservation-type options are available to participants within the Self-Directed Brokerage option.

Ms. Spudich provided a summary qualitative and quantitative review ("stoplight grid") of each of the investment options. Most of the investment 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 and American Funds EuroPacific Growth Funds for short-term performance. Defined contribution plan trends/topics were also addressed; however, no changes were recommended as a result of the discussion.

VII. Old Business

None.

VIII. New Business

It was noted that Emily Boesen, from the Comptroller's Office, will be presenting at an upcoming NAGDCA conference.

IX. Adjournment

With no further business before the Committee, the meeting was adjourned at 9:46 a.m. **Mr. Frick motioned for adjournment. Mr. Habig seconded the motion.** The next quarterly meeting is scheduled for Thursday, August 15th, at 9:00 a.m.