



**MINUTES  
PUBLIC MEETING**

**August 15, 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), and Nancy Marsh (Appointee, Board of Finance). Staci Schneider, Britton Stucker, Emily Boesen, Jennifer Thuma, and Stephanie Beckley (Comptroller of State); Mike Nader (Barnes & Thornburg, Counsel to the Committee and the Administrator); Jerry Bowyer and Susan Bowyer (Bowyer Research); Michael Burkhart, John Archer, Kevin Mitchell, 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. Somers, 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 May 16, 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 Jerry and Susan Bowyer of Bowyer Research. Mr. Bowyer introduced proxy voting, including voting power, methods of voting, and governance of voting rights. Voting issues can involve electing directors, approving executive compensation and shareholder proposals. Mr. Bowyer highlighted the primary proxy advisory firms in the United States, including Institutional Shareholder Services (ISS) and Glass Lewis & Co. Mr. Bowyer also noted considerations with current proxy advisory services. Lastly, Mr. Bowyer discussed the Bowyer Research Proxy Voting Guidelines and emphasized the differences between the various guidelines.

## **V. Third-Party Administrator Report**

Mr. Mitchell, of Nationwide, reported that Nationwide continues to conduct in person and virtual meetings with participants. Nationwide performed 631 site visits year to date, of which 72% were in person. 29 educational webinars were completed year to date, with an average of 37 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 INPRS and Hoosier START. Adoptions outreach continues and there are currently 14 prospective plans in various stages of the process.

Mr. Burkhardt, of Nationwide, notified the Committee that Hoosier START was selected as the recipient of a 2024 NAGDCA Participant Education and Communication Award. The award recognizes the State of Indiana – Hoosier START Beneficiary Campaign. Emily Boesen and Britton Stucker will be accepting the award on behalf of the State of Indiana during the September NAGDCA conference.

Mr. Burkhardt noted a couple service issues that were recently resolved, including incorrect fund reimbursements being credited for Fidelity Diversified International, along with missed auto-escalation and increased contributions that were requested over holiday weekends.

Mr. Burkhardt detailed that total assets were \$2.1 billion, as of June 30, 2024, including 67,620 participants. There were 3,482 new enrollments in the second quarter. Mr. Burkhardt noted 11,345 participants are utilizing the ProAccount service, with \$643 million in assets. Mr. Burkhardt highlighted that 7,606 participants are utilizing the Roth option, which is an increase of 2.7% in the utilization rate for the second quarter. Mr. Burkhardt also noted that there are five participants in the Self-Directed Brokerage Account option, with \$1 million in total assets.

Mr. Burkhardt discussed that Nationwide continues to monitor unforeseeable emergency distributions. During the second quarter of 2024, there were 267 unforeseeable emergency distributions, an increase from the first quarter of 2024 when there were 137.

## **VI. Investment Consultant's Report**

### **2Q24 Performance & Evaluation Report**

Ms. Somers, of Capital Cities, presented the 2Q24 Performance and Evaluation Report. She provided a review of the markets, as part of the discussion. Ms. Somers noted that equity styles were mixed across all styles during the second quarter. The S&P 500 Index (+4.3%) was positive and Large Cap Growth (+8.3%) was the best performing equity style during the quarter. All Small Cap styles finished negatively. Emerging Markets (+5.0%) outpaced U.S. Broad and International Developed styles. All equity styles continue to show strong positive returns over the one-year period ended June 30, 2024. Turning to fixed income, most styles were flat or slightly positive during the second quarter. Cash (+1.3%) and High Yield (+1.1%) were the best performing styles. The Bloomberg Aggregate Bond Index (+0.1%) finished slightly positive for the quarter. Fixed Income results are mostly positive over the one-year period, with High Yield (+10.4%) and EM Debt (+9.2%) generating the strongest absolute performance.

Ms. Somers highlighted that the total Plans' assets stood at \$2,057,664,842 as of June 30, 2024, with 22% of the assets in the Plans' default option, the State Street Retirement Funds. The remaining 78% 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 1.1% (Retirement Income) to 1.3% (2065 Fund) during the second 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 American Funds EuroPacific Growth and Fidelity Diversified International Funds for short-term performance.

### **Investment Structure Review Follow-Up Presentation**

Ms. Spudich, of Capital Cities, reviewed the Plans’ investment menu which provides a comprehensive lineup of investment options. Ms. Spudich noted that the Self-Directed Brokerage Account option was implemented in January 2024. Consideration could be given to simplifying the investment menu.

Ms. Spudich reviewed the State Street Retirement Funds. Ms. Spudich reminded the Committee that State Street launched an Investor Voting 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 November 14<sup>th</sup> Committee meeting to further address the firm’s investment stewardship and proxy voting policies. Additionally, Ms. Spudich indicated that State Street’s proxy advisory firm, ISS, is currently evaluating the Bowyer guidelines.

Ms. Spudich discussed the Core and Specialty Options, noting that the Plans offer options in all major asset classes. Ms. Spudich reviewed each Specialty option. Ms. Spudich detailed that Vanguard FTSE Social Index is not a required type of investment option to build a diversified portfolio. The Fund employs a passive approach and provides exposure to US Large- and Mid-capitalization stocks that are screened for environment, social and corporate governance (ESG) criteria. Ms. Spudich indicated that given participants can access the Fund, along with other ESG options, within the Self-Directed Brokerage Account, consideration could be given to eliminating Vanguard FTSE Social Index and mapping the assets to State Street S&P 500 Index which is also a US Large Cap Index Fund. **Mr. Habig motioned to eliminate Vanguard FTSE Social Index and map assets to State Street S&P 500 Index. Mr. Frick seconded. The motion was unanimously approved.**

Lastly, Ms. Spudich discussed the two active international equity options, American Funds EuroPacific Growth and Fidelity Diversified International, which present overlap in the investment menu. Ms. Spudich detailed similarities and contrasts in the Funds. Both Funds have experienced short-term underperformance given their growth bias but have exhibited strong long-term performance. Both Funds are also inexpensive relative to peers. American Funds EuroPacific Growth provides exposure across developed and emerging markets, while Fidelity Diversified International primarily focuses on developed markets. Ms. Spudich indicated that consideration could be given to eliminating either American Funds EuroPacific Growth or Fidelity Diversified International due to overlap and mapping the assets to the remaining fund. **Ms. Marsh motioned to eliminate American Funds EuroPacific Growth and map assets to Fidelity Diversified International. Mr. Frick seconded. The motion was unanimously approved.**

### **VII. Old Business**

None.

### **VIII. New Business**

None.

## **IX. Adjournment**

With no further business before the Committee, the meeting was adjourned at 10:42 a.m. **Mr. Frick motioned for adjournment. Mr. Habig seconded the motion.** The next quarterly meeting is scheduled for Thursday, November 14<sup>th</sup>, at 9:00 a.m.