



**MINUTES  
PUBLIC MEETING  
September 7, 2023  
9:00 a.m.  
IGCS – Room 14**

**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 and Britton Stucker (Comptroller of State), and Mark Hopkins (Legislative Affairs); Mike Paton (Barnes & Thornburg, Counsel to the Committee and the Administrator); Kevin Kerswisky (Crowe, LLP); Kevin Mitchell, Michael Burkhart, John Archer, and April Woodruff (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 May 11, 2023 meeting. **Mr. Frick moved to approve the minutes. Mr. Habig seconded. The minutes were unanimously approved.**

**IV. Administrator's Report**

State Comptroller Klutz informed the Committee that the State Board of Finance appointed Dhiann Kinsworthy-Blye to a three-year term. The Board of Finance reappointed Ms. Marsh to a three-year term as well.

State Comptroller Klutz presented an Administrative Fee Analysis for Hoosier START with the recommendation of increasing the State of Indiana Administrative Fee from \$3.00 to \$6.00 per year/per participant. The increase will allow a reasonable reserve balance to be maintained. **Mr. Frick moved to approve the \$3.00 per participant/per year increase in the State Administrative Fee. Ms. Marsh seconded. The Plan Administrative Fee increase was unanimously approved.**

State Comptroller Klutz also discussed Amendment One to the State of Indiana Deferred Compensation Plan. This amendment reflects SECURE 2.0's elimination of the "first day of the month" requirement for governmental plans.

Mr. Kerswisky, of Crowe LLP, presented the 2022 Audited Financial Report. He discussed the auditing and testing process for internal controls and participant interaction. Mr. Kerswisky 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 adjustment were recommended. **Mr. Habig motioned to approve the Audited Financial Statement for the year-ended December 31, 2022. Ms. Kinsworthy-Blye seconded. The Audited Financial Statement was unanimously approved.**

Mr. Mitchell, of Nationwide, reported that Nationwide continues to conduct in person and virtual meetings with participants. Nationwide performed 825 site visits with approximately 80% in-person. 38 webinars were also completed year-to-date. Nationwide will speak at several benefit fairs and offer one-on-one consultations during the events. Nationwide will also participate in a joint presentation with the Indiana Public Retirement System in October.

Mr. Burkhart highlighted that the total Plans' assets were \$1.8 billion, which was an increase of \$74 million since the prior quarter. The Plans have over 65,000 participants with a balance. Mr. Burkhart also noted that the average account balance increased to \$27,483 and total salary contributions for the quarter totaled nearly \$31 million. Mr. Burkhart reported 6,999 participants are utilizing Roth accounts.

Ms. Woodruff, 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.

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

### **2Q23 Performance & Evaluation Report**

Tiffany Spudich, of Capital Cities, presented the Considerations/Observations' pages of the 2Q23 Performance & Evaluation Report. Ms. Spudich informed the Committee that the Investment Policy Statement was reviewed by Capital Cities. A draft Restated Investment Policy Statement was prepared, particularly given the new Comptroller title and potential inclusion of Self-Directed Brokerage Accounts. Capital Cities recommended that the Committee adopt the Restated Investment Policy Statement during the November meeting after having the next quarter to review the document.

Ms. Spudich detailed the Plans' exposure to China, including State Street Retirement (1%-3%), Vanguard Capital Opportunity (3%), Fidelity Low-Priced Stock (2%), Fidelity Diversified International (1%), American Funds EuroPacific Growth (4%), and Indiana Flexible Bond (PIMCO Dynamic Bond) (0.25%).

Ms. Spudich discussed that Fidelity Diversified International's short-term performance spotlight was downgraded to yellow. Capital Cities conducted a due diligence call with Fidelity on August 15<sup>th</sup>. The Fund fell to the 83<sup>rd</sup> percentile of peers over the three-year time period and trailed the MSCI EAFE Index. Underperformance in calendar year 2022 particularly hurt short-term performance, as the Fund's Growth as a Reasonable Price approach was out of favor. Stock selection in Health Care also detracted from relative

performance over the last three-year time period. The Fund continues to rank favorably at the 11<sup>th</sup> percentile of peers, outperforming the Index, over the last five-year time period.

Ms. Spudich also noted that the American Funds EuroPacific Growth Fund's short-term performance spotlight was downgraded to yellow. Capital Cities conducted a due diligence call with the Capital Group on August 3<sup>rd</sup>. The Fund's short-term performance fell to the bottom decile of peers, trailing the MSCI ACWI ex-US Index. The Strategy's short-term relative performance is within expectations for a Growth-biased Core, ACWI ex-US strategy, as Value materially outperformed Growth over the last three-year time period. The Fund continues to display favorable long-term performance and qualitative characteristics. Effective June 1, 2023, Tomonori Tani transitioned from an analyst position to a portfolio manager role, joining the 11 other portfolios managers.

Ms. Spudich noted that T. Rowe Price Blue Chip Growth Fund was placed on Watchlist status at the November meeting given short- and long-term performance. Capital Cities conducted a due diligence meeting with T. Rowe Price on July 25<sup>th</sup>. The Strategy has remained a solid Large Cap Growth Strategy, with a consistent process and deep team, since being placed on Watchlist. Most recently in the second quarter, the Strategy outperformed the Russell 1000 Growth Index by over three percentage points and ranked in the top decile of peers. Information technology contributed the most due to security selection.

Lastly, Ms. Spudich reminded the Committee that Nationwide is in the process of adding 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.

Ms. Somers presented the second quarter market review. Ms. Somers noted that in equity markets, all styles posted positive returns. Large Cap stocks outperformed Small Cap, and Growth outperformed Value. Large Cap Growth (12.8%) was the best performing equity style during the quarter. All equity styles are now showing positive returns over the one-year time period ended June 30, 2023. Turning to fixed income, the Federal Reserve raised rates 25 bps in May and July. The Bloomberg Aggregate Bond Index (-0.8%) was negative in the second quarter. Fixed Income results are mixed over the one-year time period, with High Yield generating the strongest absolute performance (+9.1).

Turning to the Plan Summary page, Ms. Somers highlighted that the total Plans' assets stood at \$1,788,673,529 as of June 30, 2023, with 21% of the assets in the Plans' default option, the State Street Target Retirement Funds. Ms. Somers detailed the State Street Retirement Funds returned between 1.1% and 4.9% for the second quarter. A summary qualitative and quantitative review ("stoplight grid") of each of the investment options was also provided to the Committee. Most of the investment options are in good/excellent standing. Capital Cities continues to monitor T. Rowe Price Blue Chip Growth, Fidelity Diversified International, and American Funds EuroPacific Growth.

### **Self-Directed Brokerage Account**

Ms. Spudich provided a recap of the Self-Directed Brokerage Account option, along with examples of Schwab's Omnibus Implementation Sheet and Memorandum of Understanding (MOU). The Committee has expressed an interest in adding Self-Directed Brokerage Accounts to the investment menu following previous educational discussions. Ms. Spudich reminded the Committee that Nationwide recommends participants maintain \$10k in the Core Menu, \$2.5k minimum be required for an initial transfer, and subsequent transfers be \$500 or more. Restricting publicly traded limited partnerships was also recommended given tax reporting requirements. **Mr. Habig motioned to offer Self-Directed Brokerage Accounts, to utilize Nationwide's recommendations for minimums and transfers, approve delegation of trading authority to investment advisor (IA) or third party and deduction of IA fees, and approve all allowable investments with the exclusion of publicly traded limited partnerships. Ms. Marsh**

**seconded. The motion was unanimously approved.** Nationwide will provide the Committee with an updated Memo of Understanding at the next meeting. The Memo of Understanding will provide participants with additional disclosures regarding the Self-Directed Brokerage Accounts. Additionally, Nationwide will target early 2024 for implementation.

## **VI. Communications Update**

### **Hoosier START Outreach Efforts**

Ms. Bosen presented 2023 monthly outreach that has been completed between Nationwide's local office and the Comptroller's office. Ms. Bosen also noted partnership outreach with State personnel, Department of Administration, and weekly PRC promotions. Lastly, Ms. Bosen discussed outreach campaigns with Nationwide, including a Beneficiary Campaign, Leadership Campaign, and Hoosier START Adventure Center.

## **VII. Old Business**

None.

## **VIII. New Business**

None.

## **IX. Adjournment**

With no further business before the Committee, the meeting was adjourned at 11:00 a.m. **Ms. Kinsworthy-Blye motioned for adjournment. Mr. Habig seconded the motion.** The next quarterly meeting is scheduled for Thursday, November 9<sup>th</sup>, at 9:00 a.m.