STATE OF CONNECTICUT

STATE EMPLOYEES RETIREMENT COMMISSION

INVESTMENT SUBCOMMITTEE MEETING

SEPTEMBER 27, 2023 MEETING
HELD VIA ZOOM
CONVENED AT 9:05 a.m.

Present:

Peter Adomeit, Chairman
Michael Bailey, Trustee
Brian Hill, Trustee
Karen Nolen, Trustee
Robert Helfand, Retirement Services Division
Tom Woodruff
Margaret (Peggy) Haering
John Herrington
Frank Picarelli
Joe Fein
Dan Evans
Michael McCann
Agnes Gajowiak
Cindy Cieslak, Rose Kallor LLP

TRANSCRIPTIONIST: Karin A. Empson

(Proceedings commenced at 9:05 a.m.)

CHAIRMAN ADOMEIT: Okay, the meeting is called to order. This is a meeting of the regular agenda of the Investment Subcommittee of the State Employees Retirement Commission being held remotely using Zoom technology. Where it says Microsoft Teams Meeting, my heart sank, but that is actually not accurate.

New business, Allspring – oh, Cindy, you have the attendance. I'm sorry. I'm getting ahead of myself.

MS. CIESLAK: Sure. Good morning, everyone.

MS. GAJOWIAK: Can you hear (inaudible)?

MS. CIESLAK: Yes. Good morning, Agnes. Yes.

MS. GAJOWIAK: Okay. Good morning.

MS. CIESLAK: Good morning.

MS. GAJOWIAK: I'm sorry about that. My – I am using my phone, but apparently, I had to fix my settings because it wasn't allowing the microphones. So that's all fixed.

MS. CIESLAK: I'm glad – I'm so glad you're connected now. I have a feeling you have a lot more information to add than I do.

All right. Good morning, everyone. My name is Cindy Cieslak. I'm General Counsel to the Retirement Commission from Rose Kallor. Present this morning, we have Chairman Peter Adomeit, Trustee Brian Hill, Trustee Karen Nolen. From the Retirement Services Division, we have Division Director John Herrington. From the Retirement Services Division, we also have Robert Helfand, Peggy Haering, and Agnes Gajowiak.

MS. GAJOWIAK: Sounds good.

MS. CIESLAK: No, not at all?

MS. GAJOWIAK: That's okay.

MS. CIESLAK: You can correct me.

MS. GAJOWIAK: I'm used to it. It's Gajowiak.

MS. CIESLAK: Okay. I will probably never get that right.

MS. GAJOWIAK: Guy-oh-viak (phonetic).

CHAIRMAN ADOMEIT: Let's stick with Agnes.

MS. GAJOWIAK: It's spelled G-A-J-O-W-I-A-K, but pronounced Guy-oh-viak. Guy—

CHAIRMAN ADOMEIT: Guy-oh-viak.

MS. GAJOWIAK: Yeah, correct.

CHAIRMAN ADOMEIT: Guy-oh-viak, that’s easy. That’s a piece of cake. Okay.

MS. CIESLAK: Thank you, Peter. This is Cindy Cieslak. We also have Michael McCann, Dan Evans, and Joe Fein from Empower. We have Frank Picarelli from Segal Marco. And I believe that’s everybody.

MS. HAERING: Right. And as I said before, Tom Woodruff will be joining us in about 10 to 15 minutes. He had something else to attend to before – at 9:00.

MS. CIESLAK: Thank you, Peggy.

CHAIRMAN ADOMEIT: Okay.

MS. HAERING: Yeah.

CHAIRMAN ADOMEIT: Thank you. New business, Allspring fund.

MS. HAERING: Oh, boy. Frank?

MR. PICARELLI: Yeah, it’s a long story. But, at the end of the day—

CHAIRMAN ADOMEIT: Frank Picarelli is speaking.

MR. PICARELLI: Frank Picarelli from Segal Marco. The transfer of assets on the Allspring large cap growth fund to the TIAA-CREF corresponding growth fund in our lineup was completed September 12^{th} and 13^{th}. A lesson was learned for the committee with respect to the transfer. As you all may know, Allspring requested initially that we do an in-kind transfer of assets, which is something for a mutual fund we've never, ever seen.

So apparently, when senior management was looking at the impact of liquidating six-hundred million dollars out of that 1.2-billion-dollar fund, it was a significant amount of assets for them and had an impact on their retail investors. So this all occurred around the end of August, the first week in September. A lot of discussions went back and forth. We – Tom was involved. I did a lot of research working with TIAA-CREF to see if, you know, they would accommodate it. And they never, ever, you know, took anyone's portfolio and, you know, tried to transfer securities in kind.

But that exercise was undertaken. So, you know, to their credit, Allspring wanted to do their due diligence around, you know, the most minimum impact to its retail investors. We scratched that. We were in a 403(b) plan. In a 403(b) plan, the assets are held in a mutual fund because of the liquidity. We go in on the 12th of September; we liquidate; same day, we're in the new fund.

The 401(a) plan, they were proposing other alternatives, maybe looking at a separate account, holding the money for several days. This all presented a challenge, but at the end of the day, through negotiations, giving them the opportunity to do their due diligence, they came back and they agreed to a cash transfer. So, you know, the issue here is understanding that I never, in my career, have seen where a mutual fund company would hold back assets.

So we had a meeting to talk about the different investments that are portable in a defined contribution plan. We talked about mutual funds, their portability, how they work. We discussed separate accounts, which, in a separate account, distribution under those arrangements, shares and moving in kind, those types of discussions are done at the time of transition. So that's very similar to what we have, maybe within our separate account within our stable value fund.

We talked about comingled trusts, as they're going to eventually maybe come available; the 403(b) plans; and when we go into comingled trusts, some may require specific contracts that may have settlement options. So that all goes into our decision-making on the most appropriate product for our participants. We are always cost-conscious to ensure that we have the most cheapest share class, which we have. You know, we do that through the mutual funds.

And, you know, Tom articulated the design of our plan is such that all of the participants have the same investment options, the same fees, and that it's a daily portable plan the way the structure of it works. So, you know, they gave it a tough battle, and it came down to the - almost the ninth hour, and we were, you know, coming up with different contingency planning to see how we would accommodate it. But, you know, the communications were sent out, everything was finalized, and at the end of the day, I'll let Empower address, you know, the timing of all of this and the financial impact of the transfer.

But the transfer went exactly as planned. All of the money was liquidated on the 12th, and then it was purchased in the new fund the next day, typical transaction related to a mutual fund. You know, I think a lesson might have been learned that communications with Allspring might have - should have occurred maybe earlier, like the day after the meeting. But as soon as they were notified of it, in August, you know, then they began to focus. And all hell broke loose between a lot of people looking at it. They even engaged State Street to act as a transition manager to help coordinate the transaction.

So a lot transpired, but thankfully, all good, and we are thankful that, you know, Allspring stepped forward and followed their mutual fund processing and accommodated a cash transfer.

Questions?

MS. HAERING: I had a question. Do you think what they were proposing was even enforceable? I mean, it seemed like they slipped a provision into the prospectus that called - you know, that called for some kind of delay—

MR. PICARELLI: Yeah.

MS. HAERING: --or adjustment at - you know, at distribution. And I'm really concerned that, going forward, we might need to read the prospectuses of the so-called mutual funds if this is a trend.

MR. PICARELLI: Yeah, very good point, and that's something that, you know, we would have to examine. Maybe it's to take a look at each of our mutual funds, see how much money and assets we have, and what impact it would be if we would liquidate our funds.

In this scenario, because we represented a third of the assets, there is probably a very small thin line somewhere in that 50-page prospectus saying that, you know, as a mutual fund, they have the right to look at this or explore this or exercise this option. And that's where they were hanging their hats on. So, I think what we've got to do is some due diligence to assure us that, you know, we have some big-brand names in our lineup, with Vanguard, TIAA, American Funds, you know, and the amount that we have in relationship to their total assets is small, so apparently, having a third of the assets in this fund.

But one would think that they, as a financial institution, with billions of dollars in the assets - we're not the only fund they have - would be able to accommodate this. So, you're right, Peggy. You know, there's a really fine line, you know, in a booklet to find something like that. In my 40 years of experience in the DC market, I've never seen, you know, a situation like this with a mutual fund where the mutual fund manager tried to invoke this.

MS. HAERING: Yeah. I haven't either.

MR. PICARELLI: We see it in stable value. Stable value is the story behind that because of the general account, the book-to-market. And we know the parameters related to that, and we manage that so that when we go out and we do our RFP-ing and contract negotiations, you know, we're well aware of what our options are for settlement.

So, you know, when we get into this collective investment trust, you know, that's going to be something very unique that we're going to have to understand, understand those settlement provisions. Empower, as a recordkeeper, they also offer mutual funds in a separate account, which they take the mutual fund and they create a unitized, and they create a separate account, and they give you a cheaper ratio, cheaper expense ratio.

So if we have the American EuroPacific fund, that may be one of their separate account products where they have negotiating powers to create a separate account. Now, if we ever went in that avenue, we would have to confirm with Empower, you know, our asset levels and the portability feature in the event the plan sponsor does a discontinuance.

So it's a really good lesson learned. It's unfortunate that it happened, but we want to learn from it. I think communications was important. And I think we - you know, to the credit of the State, we stepped back and, you know, allowed them the opportunity to do their due diligence. And I think that's what they wanted to do. And, you know, we knew that the outcome, you know, was such that it was impossible to accommodate a share conversion for a DC plan with

403(b) assets. That's where it was not permissible.

MR. HERRINGTON: Peggy, your question is though, right, that to the extent that that provision exists in this or other prospectuses, whether we would have a viable argument that that provision is not permissible under the applicable regulations; that's your position?

MS. HAERING: Well, I've never heard of this before.

MR. HERRINGTON: Right.

MS. HAERING: Unless - we better look at the prospectus of the other actively traded funds to make sure that there's no sneaky settlement provision that we're not aware of.

MR. HERRINGTON: Okay. So your issue is just whether we're aware of it, not necessarily whether it would be permissible under regulations. Because that would be my next question, is it—

MS. HAERING: Right. I'm not sure whether it would be, but it's certainly a surprise.

MR. HERRINGTON: Right. And then, I guess, my questions are, if we go with the collective investment trust, where we would expect to see this or similar protections for those trusts, what would be, you know, workarounds if there is kind of like this waiting period if we're going to terminate that trust? Is that something that we would have the ability to kind of remedy with increased communications to the participants, or not?

MS. HAERING: I don't think it's to the participants necessarily, but to - you know, between all of the entities involved, so that we would work to whatever—

MR. HERRINGTON: Right, but (inaudible).

MS. HAERING: --whatever provisions (inaudible).

MR. PICARELLI: I think, if I understand your question, John, if we go into a collective investment trust and we understand that discontinuant provisions may be three days—

MR. HERRINGTON: Right, correct, correct.

MR. PICARELLI: --so they need three days to liquidate and raise cash.

MR. HERRINGTON: Right.

MR. PICARELLI: So when we do a transfer of this type, we would then have to communicate to the participants that, hey, you know, money is going to be liquidated, your - you know, on Monday, and in three days, settlement, and you'll see it in your statement in the new fund within three business days, things like that.

MR. HERRINGTON: Yeah.

MR. PICARELLI: And that's something you can manage. So if you've got to know the rules—

MR. HERRINGTON: Right.

MR. PICARELLI: --you've got to know the exit provisions, and then you record-keep around that and you communicate around that.

MR. HERRINGTON: Right. And then my follow-up question would be that if we did kind of carry that out with the communications to the participants, could that complicate the transaction? Because if we communicate that to a number of participants, and then they voluntarily attempt to change their allocations during that time period, would that make the overall set of transactions more complicated?

MR. PICARELLI: (Inaudible)

DR. WOODRUFF: It probably would require a blackout period.

MR. PICARELLI: Blackout.

MR. HERRINGTON: Right, right, right, right, right. Yep.

DR. WOODRUFF: Right.

MS. HAERING: Yeah.

DR. WOODRUFF: So members wouldn't – suddenly wouldn't be able to access that money to transfer.

MR. HERRINGTON: Right. Yeah. Yep.

MS. HAERING: Well, they could transfer in advance of the liquidation—

MR. PICARELLI: Right.

MS. HAERING: --which is what we offer all the time. So it would be unusual for somebody to wait until the - say, after, to try it if they haven't taken action beforehand.

CHAIRMAN ADOMEIT: Frank, Peter Adomeit here. Could you quickly summarize what could have happened but didn't, please, for Tom Woodruff and Mike Bailey?

MR. PICARELLI: What could have happened was that they stood firm, and they said, we're not going to give you your assets and we're only going to transfer shares. Then we would have nobody who received the shares, know - know what manager would take it. We would have been in a really - I can't tell you.

MS. HAERING: A trainwreck.

MR. PICARELLI: A trainwreck. So we - we—

CHAIRMAN ADOMEIT: Yeah. So the trainwreck didn't happen.

MR. PICARELLI: It didn't happen. And Tom was great. Tom got on the phone. He explained the whole structure, the history of the plan, how the

401(b) was designed for mutual funds, and mutual funds are designed for 403(b) for that same reason, that they're totally portable, they're protected, they're handled in an SEC-registered mutual fund. And that's why, you know, the CITs becoming available for mutual funds is taking so long, because in a CIT, you don't have that heavily regulated environment as you have with mutual funds.

So I want to tell you, I was on the phone with all parties for four solid days going back and forth. And, you know, I think always the strategy in negotiation is say, all right, guys, you come up with something, and then we'll figure it out. If, at the ninth hour, we would have had to do - you know, they wouldn't have done that. We would have had an issue of communications, explaining everything to our participants. It would have been very, very messy. (Inaudible)

DR. WOODRUFF: You know, the other thing that we told them to just let them know that they couldn't negotiate with us was that we had no authority to do anything other than a cash transfer because the Investment Committee had voted to transfer the funds. And so they said, there's no way we could convene the committee and get everything done, even if we wanted to, because it would have required a reconvening, and to take another vote, I guess.

MR. PICARELLI: Well, it was a big - a big relief.

CHAIRMAN ADOMEIT: Well (inaudible) nicely done. Nicely done.

MR. PICARELLI: Yes. And Empower worked very hard on it. You know, our - Segal has a tremendous relationship with all of these organizations. And, you know, I had to push through stress to Allspring related to, you know, our due diligence and how we look at companies and their organization. That's a big factor that our research people do when they look at funds and we propose funds to you. Those are our seven guiding principles for selecting funds, and that's important.

We've always told that we're aware that they were on watchlists for some time, and that they knew they were on the bubble. We do our due diligence where we keep a fund out there. We don't rush and pull the trigger, and we kind of basically do an evaluation of the fund. So the outcome, I think we made a good decision. And we move forward.

CHAIRMAN ADOMEIT: Okay. Anybody else?

MR. McCANN: This is Mike McCann with Empower. If you don't mind, I'd just like to take just a couple of minutes from our perspective to just summarize everything.

First and foremost, just want to thank Dr. Woodruff and Frank so much for the partnership when things got a little hairy there over the course of a couple of days leading up to the transaction. What I would say is, in general, at the end of the day, the transaction occurred flawlessly like every other fund investment transfer that we've made on behalf of the Connecticut plans. All participants at the, you know, close of business on 9/12 were appropriately mapped out of the Allspring fund and into the TIAA fund, and that's what they saw in their accounts on 9/13. Everything worked fine from that perspective.

I think that, in my mind, the biggest lesson learned is, and some of you that have been on the plans for a while might recall this, is that for Allspring, the State of Connecticut just happened to be such a large shareholder of the fund. And at the end of the day, the reasons that they were searching so hard around alternatives was because of the impact of pulling those assets out and what it was going to have to the remaining retail holders of that fund from a capital gains perspective, is what we kept hearing over and over again when they would reach out to us.

Those of you that have been on the plan for a while might recall a couple of years ago when they were doing a proxy vote, how they kept reaching out to you guys over and over again asking you to vote your proxy, and it was because of the huge amount of the overall fund that you guys hold. I think that that's, at the end of day, why Allspring acted the way that they did is because of that reason alone.

Because, to Frank's point, he's never seen it in his career; Joe and I have never seen it in our career. And Joe and I, all the conversations we had with our internal investment partners at Empower, they had never seen anything like this on a mutual fund. And I think, at the end of the day, that's kind of why all of this was occurring.

So I think the biggest lesson learned to me, aside from what Frank said around, as soon as the board votes, just kindly also let that fund family know as soon as possible. The second lesson learned would be that, just with all of your other funds, you might want to do that due diligence, Peggy, that you were kind of saying, of just what is the devil in the detail in terms of, you know, what those exit provisions are based on the overall size that Connecticut makes up within that fund.

Joe, anything else that you want to add just from the – from just your – the experience of this overall or from just the separate account discussion?

MR. FEIN: Yes, thank you, Mike. Yeah, I would concur with what Mike and Frank said in terms of the size of an investment. Usually, anywhere from 10 to 20 percent of assets, that when you get over that threshold, depending on the fund family investment management company, that's when you've got to be concerned. So I would agree, that's a big lesson learned.

In terms of these other vehicles, like CITs and insurance companies' separate accounts, which are very similar to CITs, so they can clone and will clone mutual funds, but they will actually own the securities. So it won't be an investment in the mutual fund. It will be separate and apart. So in both of those instances - and our understanding is that both, in theory, are going to be made available for the 3(b) plans at some point. So hopefully that will happen.

But as Frank was discussing, with those kinds of vehicles, it is common to have these kinds of arrangements on the back end. And my experience with other large 457 plan arrangements where these types of vehicles are in place, it's often – I don't know if often is the right word - but depending on your specific needs and proclivities, it can be preferred to transfer assets in kind because it does keep down trading costs.

But, as Frank was saying, that comes with the transition manager. There could be complications. So it's something to bear in mind moving forward when these other vehicles become available, hopefully, and what the considerations are. But it common in those vehicles, to permit assets in kind and - but as Frank was also saying, also very common to be able to negotiate, as long as there's a long enough lead time to raise cash or have the assets liquidated one to two days ahead of time, and then transfer cash.

So it's all very negotiable.

MR. HERRINGTON: So I just have a very simple question, I think. So I understand that this is just like some due diligence that we should do when and if we anticipate that there's going to be a transfer, but do we have any kind of ballpark figure in terms of the funds that currently exist on our platform where we may be approaching or above that threshold, without looking at it too deeply?

MR. FEIN: I think Frank would agree, we don't think you're, you know, close to any - even 20 percent, a third of a fund.

MR. HERRINGTON: Thank you. Okay, good, good.

MR. PICARELLI: I mean, you have big names in your—

MR. FEIN: Exactly.

MR. PICARELLI: You know, one of the things is name brand recognition, the organization. You know, you look at the - you have MetWest; you have Vanguard. We could pull - that should not be an issue. We're just a - the dot there.

MR. FEIN: J.P. Morgan.

MR. PICARELLI: The American Funds, J.P. Morgan, T. Rowe, TIAA, American EuroPacific, J.P. Morgan. Allspring was the small player.

MR. HERRINGTON: Right.

MR. PICARELLI: You know, the other thing too is they were a part of Wells Fargo and they sold off to create a private equity through the Allspring transition. And I think that had a lot to do with the new venture moving forward. So—

MR. FEIN: That's a great point, Frank.

MR. PICARELLI: Yeah.

MS. HAERING: Yeah. Good job.

MR. PICARELLI: You know, we brought all that history, believe me. But I heard them; we heard them; and their option wasn't applicable to - for us.

CHAIRMAN ADOMEIT: Why did they eventually cave in?

MR. PICARELLI: Because they realized that they would be subject to lawsuits, that there wasn't a way to figure it out and make it happen. Yeah, we could have stopped the communications. They would have paid for it. And then we could have, you know, retooled. But I think they realized they took the right business approach to it and stepped up and honored the cash transfer.

I mean, once they realized that the securities were very hard to sell off - and maybe they might have realized that there were securities in there that - who knows what they do internally, or what they keep and what they sell off. You know, my first reaction was, well, don't you have money in your reserve to be able to, you know, maybe fund half of it, and not have to do, you know, liquidation?

So, you know, internally, when they probably looked at their portfolio, they could pick and choose what they're going to keep, what they're going to sell, what they need to do to generate cash. And, you know, maybe, at the end of the day, it worked okay for them.

I don't know.

MS. HAERING: It would have been a tremendous black eye.

CHAIRMAN ADOMEIT: Well, being sued is obviously difficult because it would be on the Wall Street Journal.

MS. HAERING: Yeah. It would have been a tremendous black eye for them.

MR. PICARELLI: Public relations, yeah.

MR. McCANN: Yeah, I think reputational risk definitely weighed in at - you know, they wanted that time to weigh all of their different options. They probably discovered there were no good options except for, you know, processing how mutual fund transactions like this always take place, and reputational risk was a big (inaudible).

MR. PICARELLI: Do you know what kind of message that would send to another plan—

CHAIRMAN ADOMEIT: Oh, my God.

MR. PICARELLI: --that they had money in their fund, that, you know, we had gone through this procedure, we swapped funds, and we - it wasn't available?

CHAIRMAN ADOMEIT: Is there anything else?

MS. HAERING: Not on this, I wouldn't think.

CHAIRMAN ADOMEIT: Well, that is the only item on the agenda. We have old business, but I don't know of any old business.

MS. HAERING: Well, yeah, normally, we just have a review of the investments and, you know, a report from Empower on—

CHAIRMAN ADOMEIT: Okay. Let's do it.

MS. HAERING: --significant – you know, just status reports on the plans.

MR. McCANN: Frank, would you like for Empower to go first (inaudible)?

MR. PICARELLI: Yeah. Well, I could start mine. I could do mine if you could share my screen. And, you know, this is our June 30th report, which shows the performance of our funds, performance of the markets. And if you could pop that up and drive the machine so I don't hit the wrong buttons and delete everything.

And I guarantee you, as soon as you clean up the fund off your watchlist, the mutual funds will pop up and we'll be going through the same exercises. But, you know, that's the reality of it, you know, with actively managed funds.

You know, one of the key things of the lesson learned here is in the large capitalization area, there's really seven companies. It's the big - the Apple, Facebook, Microsoft, the artificial intelligence, Amazon, the Alphabet, Google, Tesla, they really comprise solely the majority of the index. And what we saw in '22 is how all those big names got devalued and then how they came back up, their valuations popped up.

So, you know, Apple had about seven, eight percent in the index, and Microsoft was about eight percent. So Apple, through June, was up almost 17, 18 percent. Microsoft was up 14 percent. So, you know, we see that reflected in our numbers and how the large capitalization funds responded to that.

MR. McCANN: Hey, Frank, I was able to get your report and try to share it. Are you guys able to see it?

DR. WOODRUFF: Yeah.

MS. HAERING: Yes.

MR. PICARELLI: Very good.

MR. McCANN: Okay. Just let me know what page you want me to go to.

MR. PICARELLI: Yeah, go to Page 2. Use the page on the bottom. Okay.

And then you can see here, the good - the big number is the one-year number.

CHAIRMAN ADOMEIT: Can you make it a little bigger, please, so we can read it? Yeah.

DR. WOODRUFF: Perfect, perfect.

CHAIRMAN ADOMEIT: Thank you.

MR. PICARELLI: Okay. The key number here is the one-year number. So you can see here that, as of June, the world equities were up almost seven percent. So on a one-year, 18 percent. The U.S. equities were strong, four percent, eight percent, 19 percent. International markets weren't that strong for the quarter, but basically on a one-year basis, up 18 percent. So when you look at the one-year numbers, we came a long way from where we were in September of '22.

And then the bond markets are pretty much flat. So the whole issue, again, the taming, a little that we heard, through June on inflation, interest rates, the global economy, all of that continued to affect the markets, and we're going to continue to hear that trend as we move to the end of the fourth quarter.

So equities rose. Investors were cheered by some of the news about inflation. But - you know, but that's been – we've seen it in the recent period, things are, you know, ticking up: the price of gas, credit cards, home loan mortgages; that's been tough. But individuals' savings rates at banks, where it's responsive to the current interest rate environment, you know, investors are – you know, are getting much better returns on their certificates and insured accounts.

On Page 4, on the bottom is, you know, the key indices that map up everything too. And you can see there that the S&P 500 year-to-date, 16.8. Growth had a tremendous turnaround, great for the quarter. And a lot of that is all attributable to those seven or eight stocks that I rattled off. Saw more of a trend; growth came back. You saw last year that growth was on the downside. So now, strong established dividend. Well-known companies are driving that.

So you can see growth is up 29. Value up, not that great, compared, down to 5.2. And then small growth, up again, 13 percent. Value, 2.5. And then the international markets. Below the chart is the fixed income. We'll look at our bonds, how they do. But basically, the broad bond market is about two percent. Government at 1.5. Corporate bonds, the more risk end of the spectrum at 3.13.

And then we have the Hueler index where Hueler is at 2.40. And last night, we got word from Tony that our blended rate for the fourth quarter went from 2.68 to 2.67. So at the end of the day, you know, we're going to get a return of 2.67 for the quarter with our diversified stable value fund that we have in place. So that's all good stuff right there.

I just wanted to, you know, let you know that as of last week, and I didn't get the numbers, you know, this week, but the S&P was up about 15 percent. Large growth at the end of last Friday was up 26.5 percent for the year. Value was up five percent. Small growth was tracking at seven percent, small value funds at 0.8. Emerging markets on a year-to-date, three percent, and international markets at ten.

And then the bond markets, pretty much flat. Three-year treasury at 1.5. And long-term at a negative four-point-four. That was all as of last Friday.

So the trend has been going okay. I haven't been following things this week. But, you know, we're going into an election. We've got inflation. All of these factors continue to have an effect. The key thing is that we've got diversification. I always say, we have a fund in all of our asset classes. We have GoalMaker, which helps participants with the allocation. So under the hood, we try to put the best-in-breed fund, and then the asset allocation tools are very important during these times.

So the other chart that I just want to quickly hit is the sector exposure on Page 9. And, you know, when we select funds and we look at funds, and when I look at funds from quarter to quarter, actively managed funds, you know, the manager looks at the various sectors, and they make a determination on how much they want to deviate from what the benchmark is allocating.

And we've seen historically how different sectors add value, and, you know, affect the returns. And that's why, you know, our policy statement always looks at the longer term so we ride out these cyclicals amongst all of these sectors.

But you can see consumer discretionary came back on a one-year, up almost 25 percent. Energy, which was so strong, did bad in the quarter, but on a one-year side, did 18.76. So we had a lot of funds last year that might not have had exposure in energy. They lost that, and we see that; it affects their performance.

Financials, which we see a lot, we had the banking growth impact that earlier this year, with some of the closures that we've seen in local banking throughout the country, and how that impacted the markets. IT, IT was so big in the large caps and the indexes. It was up 40 percent. And then real estate, down on a year-to-date basis at negative four, utilities down, those typical safe havens.

So again, that's all important attributes when we look at the funds in a couple of minutes. So with that being said, I'm going to jump, in the interest of time. I think our friends at Empower pretty much cover all of the issues related to the Secure Act, and I'll defer that discussion to them later.

So, Michael, if you could just go to the total funds so we can take a look at our accounting on where we are.

MR. McCANN: What page is that, Frank?

MR. PICARELLI: This is on Page 38. And I'd always make sure that our beginning balances equals the ending balances. I'm big on that from my old recordkeeping days. And I like this chart because it really shows how our participants are utilizing the plan. And you can see that the 457 plan is up to four—

CHAIRMAN ADOMEIT: Excuse me. Can you make it a little bit bigger, please?

MR. McCANN: I've got it actually expanded as large as it will go.

CHAIRMAN ADOMEIT: Oh, okay. Got it.

MR. McCANN: Sorry about that.

MR. PICARELLI: There's a lot of numbers on there. It's up to four billion dollars in assets, which is a nice-size program, proud of that. We've had 160 - you know, we talk about all those gains in the markets. Our funds appreciated 165 million dollars in just the investment gains. And we continue to get negative cash flow. Seventy million came out in disbursements; 45 million dollars went in.

When we look at our famous stable value fund, we can see that we had, on the top, 35 million coming out in withdrawals, nine million in deposits. We had transfers like so. It kind of negated. So we're still seeing, you know, some negative cash flow. I think Mike has some numbers. We could talk about that, see how that trend is going with the changes that we made earlier in the year in managing stable value.

The key thing with this year with interest rates is getting new money to flow into our investment managers that comprise our stable value fund because they could invest that money in the better rates. So as old bonds and things mature and get reinvested, that's a good thing. But what's hurting us now and has an impact, when we go from 2.68 to 2.67, a lot of that has to do with cash flow. And, you know, that's something that we're going to continue to monitor and look at closely. Tony does a great job in looking at every one of your angles, and by the end of the year, we'll have him redo that exercise so that we can see where we are.

On Page 39 is your summary. You know, in governmental plans, that NAGDCA, you know, they say you want to be less than 40 percent in stable value, so that's always the hot option. So that's an important fund. But you can see, the next biggest fund that we have is the Vanguard index at 12 percent. And then everything is pretty much small utilization across the board.

So there's where we are. A lot of that, in these other funds, has to do with funds that are under the hood with GoalMaker. That's how we see that allocation. So the stable value went up to 35 from 33 last quarter. So that has to do with the change in balance. Your asset allocation is on the next chart, which is the pie chart.

And then on new money, on where the cash flow is going, which is on Page 41, even though we have 35 percent going to stable value, ongoing, our participants are hitting the funds. You see there, international, 17 percent; you can see participants putting money into the large cap growth, 13 percent. The large cap index, the blends, at 13 percent; money going into bond funds, okay. So they're doing weighting average, spreading it. They're not putting all of their new money into stable value.

On Page 42 is the number of participants. We looked at these numbers when we were looking at Allspring. And you can see that 12,000 participants touched or had a balance in Allspring. So that was a fund when we were looking at it. And when we looked at the popularity of the TIAA-CREF fund, you can see the difference there with the TIAA-CREF growth fund that we have in our plan, the CREF growth fund having 25,000 participants. So a lot of our participants understood the difference between the two and took advantage of the low-cost indexing fund.

The number of one-funders is always important to look at, how many people. And you want really low numbers. And you can see the index, you know, on the next page, 339, that number pops up. But to be there, that's - I wouldn't worry about that, that someone just put everything in index. But when you've got some of these participants putting it all in J.P. Morgan, you know, some of these different stand-alone options, Vanguard Explorer, Calvert Bond, you know, the concern there is diversification.

I know you have communications that go out to one-fund participants. That's something you'd always want to continue to do and get that message out and have them diversify. So that is where the fund utilization is when you break down the 457.

Your current plan expenses - you know, all of the lawsuits in the industry and all of the things that we look at at Segal is really share class. And I'm going to be going back to TIAA, now that we've got all of this money consolidated, to see if they may have a lower version of a mutual fund to ensure that we have the cheapest share class in that growth fund. The TIAA-CREF large cap growth index, it's six basis points.

You know, who knows. At the asset levels we have now, we may have hit a significant mark. So I will be reporting back on that. I have emails into them. I'm just waiting to get a response.

But, again, all of your funds are at the most efficient mutual fund zero share class. We only have one fund, the J.P. Morgan, which triggers the revenue sharing, and that's in our reserve. And we periodically look at the reserves to make sure that, you know, we're using those assets effectively. So, at the end of the day, our services are 2.85, and we cover all of that with respect to the design and the structure of the funds in the plan.

Quickly on the 403(b), you have one billion. Again, negative cash flow. Withdrawals, more going out than in. Ten coming out, 3.4 going in. Another three in transfers, which is good. So about four million negative cash flow for that program. Your asset allocations on the next several pages is pretty much similar.

Michael, if you move to Page 52, your 401(a), another big program, is 1.9 billion. We had 82 million dollars in gains, all nice things. We look at this, we see 20 million in withdrawals and 23, so positive cash flow in total. The top line, stable value, 5.7 went in, 7.6 came out, and an additional 1.4. So pretty much, that kind of evened out. But we have about 552 million dollars in the stable value fund. So there's your activity.

Again, your asset allocations and balances on the next several pages all map out. And just to take a quick look at your Tier IV plan, your Tier IV has 76 million dollars. There you can see the contributions, 7.4 million, only 637 coming out in disbursements. And what's interesting on Page 60 is the Tier IV plan, the lower percent going into stable value, only nine percent, 9.7. The index is 10.7. The growth, that TIAA-CREF large cap growth, at 9.6. And then the TIAA International funds and the Euro International fund at 13 percent of the allocation.

So slightly different allocations. Again, we show you all of the statistical uses of the funds in the next several pages. So at the end of the day, your Tier IV expenses, we've just got that one fund for five thousand dollars that's being generated from the J.P. Morgan fund for that program on Page 65.

All right. So there's where your plan activity is, your cash flows, your reconciliations of accounts, all tie in. On the next several pages, we see your stable value fund. And again, we are looking at 2.67 for the fourth quarter. And here you can see what we did on the year-to-date basis. You can see the breakdown, the blended rates of all of the managers by period, the Voya separate account rates, et cetera.

Moving to Page 67 is where we are with the net crediting. You can see that the 403(b), all of the plans for the period, 2.50. Prudential was at 2.20. So the blended rate was 2.33 as of June. And then you can see the allocation. And you can see here that that Voya separate account, you know, the net crediting rate was really nothing was earned for that, and the Voya Plus contributed 3.25. The J.P. Morgan contributed 2.51. So the separate account component to the rate was 2.50 – 2.72, and Prudential at 2.20.

And then we see the rates from July to September, which is – we'll see this in the next report. The rate was 2.68, as I indicated in the breakdown. The Voya separate account, the holding account of the reserve, was 1.10. The Intermediate was two-point – I'm sorry. The Voya Core Plus was at three, and the cash reserve was at 1.10. J.P. Morgan, good number, 2.73. So our separate account has been earning about 2.75 with those three bond funds.

And the other – keep in mind that we have bond funds that could go negative. And the beauty of having Voya wrap that product in creating a separate account is to ensure that we never lose preservation in our – you never lose what you put in in the stable value funds. And we have that protection built in with the general account on the Prudential fund.

So, I mean, that's the only fund that you know at the beginning of the period what you're going to get. You know that now, if you're in that fund, a hundred percent of your account, you're going to earn 2.67 for the fourth quarter of this year. So that's pretty much consistent that we have.

On Page 69 is the market values. As you can see, in the Core Plus, it has 33. The Intermediate bond has nine percent of the portfolio. The J.P. Morgan, which is doing well, has almost 20 percent. And then Prudential owns 38 percent of the portfolio at almost 800 million dollars.

Then we show you all of the attributes, the duration, the credit quality, book-to-market, the blending rates. We break that down for all of the funds. Really no changes. Everything is pretty much consistent in terms of the quality of the underlying bond structure, the diversification, and the appropriate mandates.

On Page 72 is our menu. It's nice and clean now. The Allspring, as we know, got mapped. So we clear up one watchlist fund. But you can see here that we have active management in large cap value. We have indexing more now in the growth space. And then in our core, we have Social Choice. We have the TIAA-CREF equity, which consists of small, mid, you know, it's a diversified fund. And then the Vanguard fund.

So we've got indexing down the middle. We've got active management with the J.P. Morgan and the T. Rowe fund and the Vanguard Explorer. And then below the line, we have our funds that we vet in terms of the sector, the two-sector funds. We have International and we have the American EuroPacific, which excludes the U.S. American and EuroPacific is a well-structured fund. We had conversations with them. They had a couple of issues with performance and it was really kind of related to the emerging market exposure, and we're seeing, you know, improvement in that.

So, I mean, that's a solid fund. We like the structure of it. We'll look at the numbers in a minute. So, I got no buzzes or any alerts from the Segal research team with respect to any of the changes in the lineup. Okay. And then what we have on the watchlist is Allspring cleared up. And then J.P. pops up this quarter, underperformance at the three years, and benchmark and peers over the five-year. So we'll look at that in one second.

So J.P. Morgan, this came up on the watchlist last quarter. So this is the second consecutive quarter that they're out there. That watchlist should be as of - on the top of the page - June. I apologize for that.

All right. Now we'll look at the funds. And I'll go through this quickly. This is on Page 74. You guys are all familiar on how we read this. Now you've got a very good chart on the breakdown of the stable value fund, how each one of our stable value managers does to its indices and peer groups.

I had gone through this, but when you look at our fund over a three-year period, the Prudential, 2.1 to 2.0 in general value - stable value accounts; the Intermediate J.P. Morgan, negative 2.2. and the index was a negative 2.9; for Voya a negative 2.6; and the benchmark was 2.9; so we did well. Core Plus, even Core Plus, a negative three to a negative four. So again, when you look at us, 2.4 to Hueler at 2.0 over a three-year period, consistency.

The Calvert Bond Fund, good numbers, that’s what we like across the board. MetWest was on and off watchlist. You know, the problem was the quality play. So you can see year-to-date is tracking well. And again, very good on the five-year side. So that’s what keeps it in compliance. Very good strong seven- and 10-year track record. And since inception, what the returns are in that last column.

Your Vanguard index, again, disregard the peer-ranked on all indexing, as I told you, because the peer-ranked includes actively managed numbers in it. The tracking error is the variation on the index funds. The American large cap fund is on the next page. You can see our large value, on a one-year side, because value was under - you know, was under stress, but it's turned around pretty good on a year-to-date basis, but our three-year number is off. We're 12.2 to 14 and 14, but again, on the five-year side, 9.3. We ranked 36; over seven years, 44. So the recent one-year number is just applicable to the events that had transpired in '22. So you can see, on a year-to-date basis, we're getting more in line with our peer groups.

TIAA-CREF index, Social Choice index, the TIAA-CREF large cap growth index tracking the index, no variation; it's steady-Eddie, ranking 13 percent, tracking that Russell growth index. And you've got to remember, that growth fund consists of mid, small, to diversified portfolio construction. On Page 76, Allspring continued to fall. On a one-year side, they were down and they ranked 86. So, you know, we took the measures to correct that.

J.P. Morgan, good numbers on the quarter year-to-date. The one-year slightly off, 10.1 to 10.5. So, you know, on the peer, it's coming in at 11. So our three-year number, when you look at it, 15.7 to 15.0, we beat the index, but we trail other actively managed funds. So a lot of that has to do with the J.P. Morgan being more consistent to its benchmark. So we're down on the five-year side with 6.9 to 6.8, so we beat the benchmark, but we don't track as well to the peer groups, beating the index, but not the peer groups in that active-managed category. So that's why we flagged that for you.

T. Rowe Price midcap, another actively managed fund, I said mid-growth, the growth was doing well. We got good numbers across the board. TIAA-CREF small cap index tracks very well, right to the index. Don't worry about that 84 because that's including active management. So we're at 10.9 versus the index at 10.8. And then the Vanguard Explorer, good numbers across the board. That fund too was on and off watchlists through years. When you look at it now, over five years, it ranks three for an actively managed fund in that category.

TIAA-CREF International doing well. American EuroPacific, where on a year-to-date basis, we're doing 12.2, and the index did 9.5. And again, this excludes the U.S., so we track very well to the index. And again, the five-, seven-, ten-year, good numbers. It's all related to the growth play, which was not in play last year, and the international exposure, how they did pull back and reduce their allocation, but they had higher allocation to emerging markets, which affected that return.

And then your real estate funds are pretty much in line over the five – the longer periods. Just tracking error just related to the quality related to the funds. But those are our only sector funds that we have that we offer both actively managed and the Vanguard fund.

So I went through it quickly just to give you a flavor on where the markets are today, how our funds are doing. J.P. Morgan, yeah, but, you know, the current numbers are good. It is tracking well to the index. So we'll continue to watch that. And, again, we will look at all of the asset levels, confirm back with the TIAA-CREF if that six could go to four. Every little basis points is always important for an investor as a big component of their returns is the management fees.

So questions, concerns? I might have been a little too long this morning. I'm sorry.

CHAIRMAN ADOMEIT: Okay. Are there any further comments?

MS. HAERING: All right.

MR. McCANN: How am I doing timewise in terms of an update from Empower today?

MR. PICARELLI: (Inaudible) this time. I

took up all the time.

MS. HAERING: No, I think we're good.

MR. McCANN: Okay. What I'd really like to do today is, you know, primarily just have an update on the migration project, and then in working with Agnes, there was one ask I wanted to bring to the committee today to see if we can get your approval on.

So, you know, first and foremost, in terms of the migration, as we've mentioned on the past several calls, the Connecticut plans are still on Heritage Prudential's recordkeeping platform. The project to move those over to Empower's recordkeeping platform is underway; that has started. That's scheduled to happen in the first quarter of 2024, approximately in March of 2024.

We're leveraging the administrative calls that we do with Agnes and Bert and Rayellen (phonetic) and Nicole to start, you know, working through some of the finer points of that to do participant and plan sponsor experience. In fact, on our next monthly administrative call in October, I'm going to have a gentleman from our technology team join the conversation to just provide a deep dive overview on the new participant experience from a technology standpoint with the website and the app, and then also the new plan sponsor experience as well, where I think that all of you will be able to really appreciate the significant technology lift.

Don’t get me wrong. I worked at, you know, Prudential the last 10 years, and I really felt that we had good platforms in place there, but I fully acknowledge that it’s going to be a significant lift to step forward for your members with the Empower experience.

So we’re continuing to move forward with that project. Some of the big milestones that we’re going to get to over the next quarter is we’ll start working to make sure that we’re good to go from a payroll standpoint. So that should from – as far as the huge state payroll, that should be very straightforward. We’ll work very closely with your team on that. And then also for those subplans that are in the program that they send their payroll separately, we’ll also have a process in place to work with them to confirm that they’re ready at the migration date to send their payroll to Empower under the new method.

So that’s going to be one of the big things in the fourth quarter. The other big thing in the fourth quarter is going to be what we call provisioning. So we’ll work very closely with you so that all of your administrators that use the plan-sponsored web today at Empower are confirming the access that they need to set up with at Empower. So, Dan Evans, who's on the call, will work hand-in-hand with Agnes on making sure all of that is set up.

And then as we lead into the migration, we're going to do a lot of different training opportunities, not only at a plan-sponsor level, but then from a participant level. About 30 days prior to the migration date, we'll start communicating with them in terms of, here's what's coming from, what to expect at transition. So we'll make sure that all of you, as we do with everything, you have a chance to see those communications well in advance. And then there will be training seminars, webinars, for all of your participants too as we come onto the new experience as they're learning the new app, they're learning the new website, how to register their accounts, and all of those things.

So in terms of the migration, that's where things stand right now. My ask is, though, we notice as we're preparing for migration that the Connecticut plans today, you have 62,000 participants signed up for e-delivery today. You have approximately another 17,000 participants that have a valid email address on file today, but for whatever reason, have just not chosen to sign up for e-delivery. What we would like to do as we prepare for migration, what we have found – what Empower has found historically as they've done these migrations is that the participants that are signed up for e-delivery are much more aware and ready to take action than those that are relying on things being mailed to them.

So what we'd like to do as we prepare for migration is to get your approval to communicate to these 17,000 participants that we have a valid email on address to let them know that they're being opted into e-delivery, unless they contact us or go into their account online and choose to still just want paper. What we have found is that these participants just kind of need another nudge, that they're probably not even aware that they're still getting paper.

For example, we just did this with another (inaudible) plan that I work closely on, and for their 457 plan, only three percent of participants that we reached out to opted out and said, hey, I still want to receive paper. And for their 401(a) plan, only two percent did. And by all means, they could choose to go to e-delivery and then, a month from now, choose to go back to paper.

But that's just something that, as we're preparing for migration, we saw as like something that I think will really benefit those participants, if we have that approval to reach out to them and let them know they're being defaulted into the e-delivery unless they want to just let us know that they'd like to stay all paper.

So, you know, in talking to Agnes about that, she wanted us to just have that discussion at the board level. So I just wanted to see if that's something you guys were comfortable with, and we could move forward with. And if you are, then, you know, Dan Evans and I will work closely with all of you on, you know, when that communication will go out and all of those good things.

MS. HAERING: Mike, I have a question. You work with ERISA plans too; don't you?

MR. McCANN: We do, yep.

MS. HAERING: Okay. So what is the position for ERISA plans of defaulting people into e-delivery?

MR. McCANN: Yeah, for ERISA plans, that is moving towards the default, unless participants, you know, truly do let us know that they want paper. It's definitely the default option.

MS. HAERING: Same process, is what you're saying?

MR. McCANN: Yep. Yeah, the same process. Yep.

MR. PICARELLI: Michael, I know that a lot of plan sponsors were having issues with the recordkeepers with respect to beneficiary information. I don't know what kind of shape we're in, and going through a transition, is that something that we should start to clean up? And then the other one is—

MR. McCANN: Well, yeah. So on that point, Frank, so we've done a lot of campaigns over the years with Connecticut participants to remind them to make sure that they were either providing beneficiary information, or to make sure that it's the updated beneficiary information. Again, like I mentioned in the past, I loved my 10 years at Prudential. One of the gaps from a technology perspective was those nice subtle nudges of, have you updated your beneficiary?

When we get onto the Empower platform, all of the beneficiary information that participants have on file today, that is going to come over to the Empower platform, so that's a huge win. But the bigger win, in my opinion, is that based on the information that we have on participants, and you know, Agnes and Bert, you guys will see this when we do the demo next week, on the landing page for participants, we have a box in the lower righthand corner called insights. And based on what we know about you, we're going to put information in that box where we think that you might need to take action.

And I think one of the huge lifts is that that tab, if you don't have beneficiary information on file, or if we notice that you haven't looked at it in a while, we're going to have like basically a callout box for you right there to take action. And I think that that will also help address some of the issues that we've had in the past where you get into those terrible situations where someone passes and they either don't have one on file, or they have someone on file that they no longer wish was on file.

So I think that's going to be a very nice lift for the program.

MS. HAERING: Yeah. We should be where we have default beneficiary provisions in all the plan documents, so that if somebody does not have a beneficiary on file, the spouse and the children are designated as the default beneficiaries.

MR. McCANN: Yep.

MS. HAERING: So we do have that. So the problem is the person that hasn't updated the beneficiary after a divorce or death of the primary beneficiary.

MR. McCANN: Yeah.

MR. PICARELLI: Yeah. We just came through a big lawsuit with New York City Hospital that they - you know, they had (inaudible) outside counsel, and, you know, by having beneficiary information on file is so important. So that's why I just asked how that was going.

Then the other question I have is - two questions. Do we have a purge, or any, you know, low account balances, do a cleanup out there, or is there a need to look at that to see what we have? Because you want to make the plan more efficient, keep our average account balance high. You know, do we have—

MS. HAERING: We don't.

MR. PICARELLI: --de minimis balances or anything like that?

MS. HAERING: We don't, no.

MR. PICARELLI: Okay, good. Great. And then the other one was the reserve. I don't - we haven't chatted about that in a while, on how much is in the reserve; you know, what are we planning on doing with respect to maybe reallocating, when we would do that, and things like that?

MR. McCANN: Yeah (inaudible).

MS. HAERING: Do you mean the expenses?

MR. McCANN: (Inaudible)

MR. PICARELLI: Yeah, the expenses account.

MS. HAERING: No. Well, we have some corrections we need to take care of over the next few months. So I think we're going to update some plan documents and sort out a few pickups that we need to correct.

MR. McCANN: In general, what I would say, Frank, to that is that the last time that we worked with Connecticut on, you know, providing some of the expense accounts back to participants was last year. You know, with fewer funds now contributing to that, it's not growing like it used to. But as we sit here today, there's about 440,000 across all of the four plans there, which I think is, you know, healthy for a plan of this size where it's, you know, not something that I think action needs to be taken on.

But it's something that just, as we've kind of done over the past ad hoc whenever you guys feel it reaches an amount that you're comfortable with, we've kicked off a project on our end that's pretty straightforward to return those amounts back to participants.

MR. PICARELLI: Okay, good.

MR. McCANN: And then just on the other question, yeah, like Peggy said, there's no plan provision in place today with those low balance accounts. By all means, if that's something the State ever decides that they want to move forward with, we've got a pretty good process that we have in place for our other government plans that we can definitely bring to the plans at the right time if that's so determined.

MR. PICARELLI: It's always good to look at the whole picture before you do any major system, you know, change, and, you know, see and make sure that we have things covered. So that's good to hear. And I thought we had a lot in the reserves. So I was happy to hear that number.

MR. McCANN: Yeah. We brought it down quite a bit last year the last time that we did the return to participants.

So how does everyone feel with that e-delivery thing? Is that something that you guys are okay if we move forward with, and we'll work closely with Agnes and her team on that process?

CHAIRMAN ADOMEIT: Specifically, but what documents are we referring to now?

MR. McCANN: The ability for participants to be opted into e-delivery unless they opt out.

CHAIRMAN ADOMEIT: Of all documents, e-delivery of all documents?

MR. McCANN: Yep, of all – yep, of all communications.

CHAIRMAN ADOMEIT: Okay.

MS. HAERING: All right. Is there still one mail per year, or no?

MR. McCANN: There would be – no, there would be no mail per year. But at any time, if a participant decides that they, you know, want to opt back into hard copies, they can, or at any time, if a participant says that they want something mailed to them, they can always call us and we'll do that. But if they opt into e-delivery, then going forward from that point, all communications would be electronic-based.

MS. HAERING: Mm-hmm.

MS. GAJOWIAK: Do we have emails for everyone?

MR. McCANN: Yeah, the people that we'd be reaching out to are just those that have a valid email on file that are still, for whatever reason, choosing paper. People who we do not have a valid email on file, we would not reach out to as part of this campaign. But post-migration, it's a group that we would probably try to target at the right time to say, hey, let's try to get a valid email.

And then in addition, that group too, through the migration process, when we communicate to them about the migration, we're going to be asking them to register their accounts online. As part of that registration process at Empower, if they go forward with that, by default, we capture a valid email address. So that'll help with that process too, Agnes.

MS. GAJOWIAK: Okay.

DR. WOODRUFF: You know, Michael, by valid email address, do you mean personal email address, or could that also include work email address?

MR. McCANN: It'll include whatever they put into their account, Dr. Woodruff. So it's probably a combination of both. It's - whenever that participant registered their account with Prudential, we captured whatever valid email address they wanted to give to us. So it could be their work address or it could be a personal address. It's definitely going to be a combination of both.

DR. WOODRUFF: Okay.

MR. McCANN: Then one other thing just to build on that too, upon migration at Empower, we have a lot more - sophistication is probably not the right word, but we have the ability to capture multiple email addresses, so you can capture a personal or a work, and then set which one you want as your primary. So I think that's a nice added feature too for participants.

DR. WOODRUFF: One concern I would have is people, all of the retirements, some of those people may have indicated a work address, and now they're no longer employed, so they don't have access.

MR. McCANN: Yeah, for situations like that, what would happen is that if we're getting - so we're getting - if for people like that that have separated service and they've left, you know, number one, they're going to get this letter that we're sending to them, because we're going to send a letter to them to let them know about what we want to do here. And in that letter, we've going to have on there what we currently have as their default email address.

So we're going to show them what we have. And as part of that process, where they can either do nothing and be opted in, or if they see something that they want to change, we're telling them, hey, either go into your account, update your address, and say that you want to opt out, or call us and tell us that. So we're basically going to tell them the address that we have on file.

The other thing too is that when we do communications, we have - you know, anything that kicks back historically that's sent via email, that's going to then say that email address is no longer valid. So it's kind of like a two-pronged way that we're trying to bifurcate it and make sure that, to your concern, that we're not communicating to people that are no longer in that status.

DR. WOODRUFF: My guess is we need to defer this conversation until John can be involved in it. (Inaudible)

MR. McCANN: Okay.

CHAIRMAN ADOMEIT: Yeah, I have some concerns about retired people, or people like me; I'm not retired; in which I get 30 emails a day or more—

DR. WOODRUFF: Yeah.

CHAIRMAN ADOMEIT: --some of which are business, of course, but many of which are not. And I could miss one. Then all of a sudden, there's an important communication that I never had seen. With my own bank, I have them send me a hard copy of when my safety deposit box is due because I don't want that buried away in an email.

So I think we have to tread very carefully. And then there are other people who are - who don't have emails at all, or who had their spouse's email, the spouse is gone. So I think we should consider this very carefully before we act. And I think John Herrington has more practical experience, and Bert, than I do on this, would be good sources to have them get their heads together and figure out where does justice lie; what's the right thing to do.

MR. McCANN: So something maybe we just want to defer to a future conversation?

DR. WOODRUFF: Yeah, I think so.

CHAIRMAN ADOMEIT: I think that's probably wise.

MR. McCANN: Okay. Well, I thank you so much for just hearing us out on it. And, you know, hopefully we'll be able to finally get it over the goal line, so to speak, as we continue to discuss it more. I do think that it will be a nice benefit to the vast majority of those folks that have a valid email in place today. And again, like I said, if they, you know, choose to still want paper, by all means, they can. It just was asking them to just affirm that.

And, you know, again, from looking at other clients that we have done this with, only two to three percent of people that we're contacting on this are saying, yeah, I still want the paper. The vast majority are comfortable to moving over to e-delivery as the default. So—

Those are the big items that I have. You know, I know we're an hour and a half in, and I want to be respectful of everyone's time. Frank hit on a lot of the key numbers. So I can go through a couple of other numbers in the report to build off of what Frank said. But in the interest of time, unless there's questions for me, I'm also comfortable turning my time back over to you and see if there's any questions.

DR. WOODRUFF: No questions (inaudible).

CHAIRMAN ADOMEIT: I don't hear any.

MS. HEARING: No. No.

DR. WOODRUFF: No.

MR. McCANN: It was great to see everyone today. Thank you so much for getting us together.

MS. HAERING: Great to see you all.

CHAIRMAN ADOMEIT: Are we ready to adjourn then?

MS. HAERING: I think so.

DR. WOODRUFF: I think so.

CHAIRMAN ADOMEIT: We're very close. We're in danger of leaving. Okay. I need a motion, please.

MR. HILL: So moved, Hill.

CHAIRMAN ADOMEIT: Okay. A second?

MS. NOLEN: Second.

CHAIRMAN ADOMEIT: Karen Nolen.

MS. HAERING: Thank you.

CHAIRMAN ADOMEIT: Okay. All in favor, say aye or raise your hand.

MS. NOLEN: Aye.

MS. GAJOWIAK: Aye.

CHAIRMAN ADOMEIT: Opposed, nay or raise your hand. It's unanimous; the ayes have it.

Thank you very much. This has been a very informative morning.

MS. HAERING: Yeah. Bye.

MS. GAJOWIAK: Yes.

DR. WOODRUFF: Thank you.

(Adjourned at 10:28 a.m.)

I, Karin A. Empson, do hereby certify that the preceding pages are an accurate transcription of the Connecticut State Employees Retirement Commission, Investment Subcommittee meeting held electronically via Zoom, conducted at 9:05 a.m. on September 27, 2023.

Karin A. Empson

Karin A. Empson

10/12/2023

Date