STATE OF CONNECTICUT

STATE EMPLOYEES RETIREMENT COMMISSION

INVESTMENT SUBCOMMITTEE SPECIAL MEETING

APRIL 3, 2023 MEETING
HELD VIA ZOOM
CONVENED AT 9:04 a.m.

Present:

Peter Adomeit, Chairman
Michael Carey, Trustee
Michael Bailey, Trustee
Tom Woodruff, Director, HPBSD
David Krayeski, Trustee
Robert Helfand, Assistant Director, Retirement Services Division
Margaret Haering, Counsel, HPBSD
Joe Fein, Empower
Michael McCann, Empower
Bill O'Reilly, Empower
Tim Grove, Empower
Tony Camp, Voya
Frank Picarelli, Segal Marco
Cindy Cieslak, Counsel, Rose Kallor

TRANSCRIPTIONIST: Karin A. Empson

(Proceedings commenced at 9:04 a.m.)

CHAIRMAN ADOMEIT: We need the attendance, please, Cindy.

DR. WOODRUFF: Yeah, so, Cindy, you want to do the roll call?

MS. CIESLAK: Sure. Mr. Woodruff, you called the meeting to order at 9:04. And this is Cindy Cieslak. I will provide the attendance. This is my first Investment Subcommittee meeting. I was on trial the last one.

DR. WOODRUFF: Okay.

MS. CIESLAK: So this is my first time meeting many of you. So good morning.

DR. WOODRUFF: Good morning.

MS. CIESLAK: And if I mispronounce your name, please just let me know. This morning, we have Chairman Peter Adomeit, Trustee Michael Carey, Trustee Michael Bailey, Actuarial Trustee Timothy Ryor, Trustee David Krayeski. We have Tom Woodruff, Robert Helfand, Margaret Haering, Joe Fein, Michael McCann, and Bill O'Reilly.

Did I miss anyone?

MS. HAERING: No.

MR. GROVE: Hi, this is Tim Grove from Empower.

MS. CIESLAK: Oh, it’s not Tim Ryor. It’s Tim Grove. Thank you.

MR. GROVE: Yeah. No problem.

CHAIRMAN ADOMEIT: Okay. Mr. Woodruff.

DR. WOODRUFF: Good. So I guess we should start with a presentation by Empower.

MR. GROVE: Hey, Dr. Woodruff. Yeah, we’re prepared to speak to whatever you’d like us to speak to today, but we thought that Tony Camp and Frank would be kicking off—

DR. WOODRUFF: Okay.

MR. GROVE: --the action items from the last meeting. I just got a note from Frank. He’s struggling logging in, so I’m going to send him the log-in info.

DR. WOODRUFF: Okay. But maybe – is Tony on?

MS. HAERING: I don’t see him.

MS. CIESLAK: And Frank Marco just connected.

DR. WOODRUFF: So, yeah, we were – the goal of today’s meeting was to focus more on the stable value fund and whether we need to do anything about it.

So is Tony Camp on the call?

MS. HAERING: I've been looking for - I don't see it, and I want to make sure he was—

MR. PICARELLI: You know, there was two invites.

MS. HAERING: There were two - yeah. Well, he might be on the other one. Let me just give him a call. There was a - sorry about that.

MR. PICARELLI: I went in the other one too. That's why I was late.

MS. HAERING: I did too. I started there for some reason.

MR. PICARELLI: I'm going to email him too.

MS. HAERING: Yeah, okay.

DR. WOODRUFF: Are you sending him the invite, Frank?

MR. PICARELLI: I'm going to see if - wait, let me get ahold of him.

DR. WOODRUFF: Okay.

MR. PICARELLI: Hold on.

MS. HAERING: Yeah, I think Tony Camp is on.

MR. PICARELLI: I'm calling him.

MS. HAERING: Yeah, I think Tony has started the team's meeting. Let me—

MR. PICARELLI: Tony, you may be in the wrong invite. There were two that went out. So let me see if I can find it now on my thing.

MS. HAERING: I just forwarded it to him.

MR. PICARELLI: Let's see if I can forward it.

MS. HAERING: I did, Frank.

MR. PICARELLI: Hang tight.

MS. HAERING: Frank, I already - I just did it.

MR. PICARELLI: Yeah, the second invite.

DR. WOODRUFF: We're off to a good running start here.

MR. PICARELLI: (Inaudible) All right, I got to - I'm going to stay on the line until you get there. I just sent another invite to you.

MR. CAMP: Okay, I'm here.

MR. PICARELLI: All right.

DR. WOODRUFF: Okay, good.

MS. HAERING: Thank you.

DR. WOODRUFF: Thank you. So, Tony—

MR. PICARELLI: Okay. I'm sorry.

DR. WOODRUFF: --the purpose of today's meeting is to focus on the stable value fund. And if you could give us an update from our last meeting, and then give us analysis of what you would recommend that we do.

MR. CAMP: Sure. Thank you. Sorry to use the wrong meeting invite. I'm going to share my screen.

MR. PICARELLI: By the way, is all of the Prudential people on the line?

MR. McCANN: Yes. Empower, Frank.

MR. PICARELLI: Empower. It's Monday morning.

UNIDENTIFIED SPEAKER: Yeah, my bad too.

MR. PICARELLI: Thank you all.

MR. CAMP: Can everybody see my screen?

MS. HAERING: Yes.

MR. McCANN: Yes.

MR. PICARELLI: Yes.

MR. CAMP: Great. So I got the date right. All right. So here's a snapshot, and I advanced all the way to March 28th. And these are the four components of the fund, 2.72 (sic) billion, March 28th, and I wanted to show the allocations. And this is on a book value basis.

So these are actual - the sum of the participant balances equal to these four amounts. You can see the Core Plus portfolio is a little bit higher than the 35 percent target. The Pru GLTF - I think it's still called Pru GLTF, at least for a little longer - a little bit above the 35 percent allocation. And JP Morgan, again, a little bit above their 20 percent allocation. And the Core Intermediate run by Voya is about a little less than two percent down from its target allocation of 10 percent.

So that's where we sit. I took a look at - from our records at Voya, and we get the net trades—

MR. HELFAND: I'm sorry to interrupt, Tony, but I'm having some trouble hearing you. It may be a problem on my end, but is there any way you could increase the volume?

MR. CAMP: Okay, I'm at 100 now. So—

MR. HELFAND: All right, thanks.

MR. CAMP: All right. Can everybody else hear me?

MS. HAERING: Yeah.

MR. CAMP: Okay. All right. So I'll be a little closer to the mike. Hopefully, I won't be too loud for others.

So I took a look at, you know, the net cash flow; calling it net deposits; but - and it looks like this is through March 27th. It looks like there's been a little bit of a change. I mean, I don't know if it's luck or, you know, the - you know, we really don't know - don't really have a lot of intelligence as to what's going on with participants, you know, specifically with the state. Although I did review Mike's report, the February report, and I thought there was some stuff in there I'd like to go through, but it looks like a little bit of a reprieve in March.

CHAIRMAN ADOMEIT: Excuse me. Let me interrupt. I can't read it. It's too small. Is there any way you could increase the size of the type?

MR. CAMP: I'm sorry about that.

CHAIRMAN ADOMEIT: Oh, that - thank you very much.

MR. CAMP: My importing skills from Excel to PowerPoint are lacking.

CHAIRMAN ADOMEIT: No, you did it. You nailed it.

MR. CAMP: Great. Thank you. So—

MR. McCANN: And, Tony, just to comment. In March, you would have had the quarterly GoalMaker rebalance. That's likely what helped trigger the changeover from the experience in January and February.

MR. CAMP: Yeah. So false hopes there. Okay. So the GoalMaker rebalance was a positive to the stable value?

MR. McCANN: That's correct.

MR. CAMP: Okay. All right. So - all right.

So, you know, I took a look at the trends. You know, I get a little distorted in March due to GoalMaker. I'm not sure what that dollar amount was, but, you know, 13 million per month for the first three months, and, you know, missing a couple of days there in March. But going back six months, 13 million. Going back nine months, this is the monthly average, you know, 11 million. Going back a year, eight.

But, you know, basically, the further back you go, you know, the less withdrawal pressure. You know, it really started to - look down here. This coincides with the date of, you know, participants electing to, you know, terminate to - you know, to get the extra COLA or retain their COLA benefit. So a big bump there.

But, you know, a couple - a couple of - you know, this month stands out, but, you know, these things happen. But the trend is, you know, the further back you go, the less withdrawal pressure. So we're in a period now where, you know, there seems to be a lot of participants terminating and rolling over. And I'm going to pivot to another spreadsheet and I'm going to definitely make this one bigger.

And this is Mike's - the Empower spreadsheet, and this spreadsheet is as of February 28th and its plan stats. And this is total - total is across all plans. There's a tab for each of the four plans, and this is the total. So I'm focusing on the total. I'm looking at the distributions for the stable value fund for February, which are about 23 million out of a grand total of 42 million of distributions for all the plans. So, you know, it's about a little more than half, which makes sense based on, you know, the size of the stable value and the relation to the plans.

And then if we go down to this information here, which is - this is all great to get, by the way. This is again for the month of February. Terminations - plan terminations of 37 million and 745.

I had a question. Are these new terminations, or are these being categorized as, you know, somebody terminated, you know, three months, six months, a year ago, and then they're finally just, you know, taking a distribution out of a plan?

MR. McCANN: Yep. Great question. It's a combination of both, though it could be people that have, you know, just separated from service, but it could also be to your point, people that separated, you know, three, six, nine years ago, and they're just finally now taking a distribution. So it's a combination.

MR. CAMP: It's just in this - it's called termination. So it's not brand-new terminations. It's just how it's categorized.

MR. McCANN: Correct.

MR. CAMP: Okay. And then we move down to rollovers, in the month of February, 190.

MS. HAERING: I'm good. I'm in a meeting right now. So are we able to speak later?

MR. CAMP: Okay. I'm going to continue. I think somebody—

And then rollovers, this is a year-to-date number on rollovers. And so you've got about 32 million of rollovers, 190. So these are the people that correspond to, you know, the groupings of rollovers, and year-to-date, about 69 million, about 406. So maybe, you know, a couple hundred employees are rolling over, you know, per month. And you can see where the assets are going, you know, the top ten, you know, and it's, you know, kind of the usual suspects.

And then the rest of the report is - but I did have a question on the terminations. I wanted to clarify whether there was a new group of employees that were, you know, somehow new terminations coming, but, you know, thanks for clarifying that it's not.

Is there any way to figure out from the group of participants who took retirement, you know, last summer, you know, connected to that event, whether they are part of, you know, this – you know, what percentage do they constitute of these termination numbers and then the rollover numbers? I'm just curious whether it's, you know, that group, which is, you know, making these numbers bigger, or is it just - you know, it's just the whole population and it's just kind of a trend.

MR. McCANN: Yeah, I'm sure, Tony, we could probably dig into that number if we had like the, you know, exact folks that were part of the population last summer into the retirement and how many of them fall here.

But, you know, I go back to the general comment that I made at the last meeting around just the trends that we see with Connecticut's overall work force, of the older age of the population. And, you know, while we've done a lot of work around the number of participants that want to be just invested in that one fund, that stable value fund, and how that, you know, lowered from 14,000 participants a few years back to now just over 10,000 participants.

You know, the headwinds are definitely on what we're seeing here. And I would also just say it's nothing unlike anything else that we're seeing with a lot of other state programs around the country right now. It is not unique.

I don't know if, Frank, you want to add from your perspective, but it is not unique to see a negative stable value flow right now in this environment.

MR. PICARELLI: Yeah, that's been the trend that we've been seeing the last couple of years, believe it or not, in the disbursements out because we're a more aged workforce.

Your event where they had the early retirement, how long of a period did the participants have to make that election?

DR. WOODRUFF: They had until July 1 of last year.

MR. PICARELLI: July 1, it started?

DR. WOODRUFF: It - it - that was the deadline to retire and keep the full array of features in your benefits structure, the COLA, et cetera. So they had - they knew about it, so I think we - most of the retirements occurred in the last year, but I think there was like three years of people leaving.

Bert, you could probably speak better to that in terms of—

MR. HELFAND: I don’t think I can.

DR. WOODRUFF: Okay. Okay.

MR. BAILEY: John, this is Michael Bailey. You know, that was part of the SEBAC ’17 deal where they were - had planned this adjustment in the pension. So back, 2017, is when people were notified that there was going to be this change on July 1, 2022.

DR. WOODRUFF: And there were a lot of counselling sessions that took place. I would say most of them in the last year, Bert; wouldn’t you? But there was (inaudible).

MR. HELFAND: Yeah. No, it’s true, you know, we had something like 4,000 retirements in July, and something like that leading up to it starting in April. There were changes - there were two sets of changes, one of which had to do with the normal retirement age for members of Tiers II and IIA. And the other, which applied to everyone, was a change in the COLAs such that people who retire now have to wait 30 months for their first COLA as opposed to waiting between nine and 14 months.

And that, it turned out, was a huge driver of retirements. And we had numerous counselling sessions suggesting that this wasn’t the best strategy for planning your retirement, but most people were unconvinced.

DR. WOODRUFF: Well, they tried, anyway.

MR. HELFAND: We did.

MR. PICARELLI: And I guess as participants get closer, they want to be in a more stable investment. So I would imagine a majority of our older people had higher balances in stable value.

MR. McCANN: One hundred percent correct, right. You're - whether they're, you know, those older participants, that they're, you know, in GoalMaker or properly asset-allocated, they would still trend to have more in stable value. But then, you know, if you look at those people that have chosen to be just sole investments in one—

MR. PICARELLI: Yeah.

MR. McCANN: --those participants that are in stable value definitely skew to your much older population that were doing those things prior to good asset allocation strategies and GoalMaker becoming the norm. And we've dented that down some by driving it down from 14,000 a few years ago to just over 10 now.

But, yeah, it's tried and true of a lot of folks just being older, and where they are in their careers, they don't want to take that risk.

MS. HAERING: Mm-hmm. Mike, do you have any stats on the number of RMDs? Has there been an increase in those?

MR. McCANN: Um, that's a great question. I don't have it off the top of my head, Peggy, but we can definitely run a query on that. I know that there's – you know, it's significant every year, but I don't really recall, off the top of my head, of where the trend line is going.

MS. HAERING: Yeah. There may be a higher number of those too.

MR. McCANN: Yeah. I'll ask a query to be run for a year-over-year trend comparison.

MS. HAERING: Okay.

MR. CAMP: So I'm just going to continue on on the PowerPoint deck. We talked about this slide. Okay, I'm going to make this a little smaller so it fits in. So hopefully you can all read this.

MS. HAERING: Can you share your screen, Tony? It's – I can see this tiny little thing. Wait, hold on.

MR. CAMP: Can you see it?

DR. WOODRUFF: Yeah, I can see it.

MS. HAERING: All I see is this little square up in the corner. Let me just see. I've got a whole screen of Mike. There we go. Hi, Mike.

MR. McCANN: That's not - that's not good.

MR. CAMP: I can't compete with that.

MS. HAERING: Yeah. Let me see what we've got here.

MR. McCANN: Not for a Monday morning.

MS. HAERING: Yeah.

MR. CAMP: I seem to have lost my controls. So I don't know whether people can see me or not.

MS. HAERING: No.

DR. WOODRUFF: I can see the slide. So—

MS. HAERING: I can't. Well, continue on.

DR. WOODRUFF: It's something on your settings, I think, Peggy.

MS. HAERING: I'll look, yeah. There you go. I swapped video and shared screen. There you go.

MR. CAMP: Okay. I'm glad you can see it.

So the recommendations, I covered this the last time we met. I think there's a couple ways to go from - you know, I did get a group of folks at Voya together. You know, we have a risk and a product group, a few actuaries who we met and, you know, looked at the whole structure. You know, I explained the situation, you know, with the, you know, the pressure from the, you know, negative cash flow, you know, and the rationale, you know, why it's happening, which is, you know, really no surprise, you know, kind of an industry's trend along with, you know, of course, everybody is aware of the increase in rates over the last year.

So I have another recommendation, but this is one way to go and, you know, maybe a short-term fix. When we set the buffers, you know, many years ago for this fund, we set them wide on purpose to limit the amount of rebalancing. And of course, we didn't anticipate, you know, what happened with, you know, the Fed, you know, aggressively combatting inflation by increasing rates.

So we've had a few events that - kind of really not planned for. So the buffer, you know, the floors and the caps of six percent and 15 percent, you know, with the 10 percent being target, worked, you know, great up until, you know, I would say the last six months, the six to nine months, when the added pressure of, you know, increase in rates and, you know, withdrawals from participants for, you know, various reasons, caused, you know, some damage to the - you know, the management of the buffer assets, you know, 10 percent buffer.

So one way to go would be to take the trigger buffers, you know, the floor and the cap, and to make those a little bit more narrow; currently at six percent for a minimum for a trigger, you know, moving that to nine perhaps – you know, the exact numbers can be a little bit different – and the cap at 15, you know, moving that down to 12.

So you're going to have more frequent rebalancing. And what will happen is, you know, there will be more assets in the buffer sitting there to absorb, you know, the withdrawals. The manager will have a better time. You know, that the market-to-book on that particular component is challenged, it'll, you know, somewhat improve, you know, with, you know, the cash flow coming in.

And I would say, no matter what happens, I think, you know, the committee should consider this action, you know, to take this action regardless if, you know, no action is taken. So the recommendation here is to, you know, take the rule of six and 15 percent and kind of move that to nine percent and 12 percent floor and cap. So that would cause a rebalance immediately because that's within the – you know, above the minimum range, and now it's, you know, eight-point-one or -two percent.

So that would cause a rebalance, and this is the – would be the result of the rebalance if it was done based on data as of March 28th. So we went to the 10 percent. Basically, there would be about 42 million in cash that would be moved to the buffer account, bringing it to its target of 10 percent. And you can see the various buckets that would be contributing to that. The Core Plus bucket would be contributing 28 million, JP about six million, and the general account, the Pru GLTF, about eight million. And that would get all the buckets up to their target. So that would raise about 42 million dollars, which, you know, based on run rate of withdrawals, you know, it could be about three or four months, or, you know, depending on the replenishment target, you know, maybe two to three months.

So this is probably something that, you know, I would consider doing regardless of any other action that's taken just to get cash flow into the buffer to handle that withdrawal pressure, you know, coming from participants. And, again, I'll make this bigger so you can see. So you can see, you know, February is a particularly heavy month and, you know (inaudible) you know, make-believe March is in the range. And you can see kind of, you know, what you need on a monthly basis to make these withdrawals.

DR. WOODRUFF: So, Tony, would you need to also then recalculate the credited rate, or would that not affect the credited rate?

MR. CAMP: I don't believe it's going to change the crediting rate because we do these transactions so that we don't alter the market-to-book, and they're just not, you know, that large in relation to the total. So there probably would be a slight change in the crediting rate, but it would not be significant.

So that's kind of - maybe I'll call it a short-term fix. But that's something that could be done fairly quickly and, you know, it'll be beneficial for at least the short period of time. And keeping in mind that, you know, whatever you do, if you have persistent negative cash flow and it lasts for a long time, you know, it's a different - you know, your stable value fund is, you know, pretty much not set up for that, and no stable value fund is.

Because no matter what you do with the buffer, you know, if you have to keep replenishing it - you know, the buffer there, you know, was set up to keep all the daily transactions, you know, going, from going in and out of the other, you know, three managers, you know, to, you know, isolate the other three managers from the nuisance of having cash flow coming in and out every day and causing trading costs and rebalancing so that it was concentrated all in one bucket.

But if you have persistent negative cash flow, you know, the buffer is, you know, eventually going to be depleted and have to be replenished. So this recommendation, you know, makes the replenishment of the buffer happen quicker and more frequently, so it would kind of put the money where it's needed to fund the withdrawals. It'll still protect the other three buckets from the nuisance of having daily cash flows in and out, but, you know, it will cause, you know, if this persists, and nobody knows if this situation will persist, you know, for the state's plan or other plans in the industry, at least, you know, it'll take the pressure off.

MR. PICARELLI: Tony, though all of the plans that you manage with multiple managers maintain a buffer account, or they eliminate that, yeah, we understand there's some savings, but, you know, if it becomes a difficulty in managing it, do they just take a straight pro rata distribution across all of the managers and just pay out the distribution's cash flows (inaudible)?

MR. CAMP: For a large - you know, there's a lot of different ways to do stable value, but for large plans, I would say, where there's a cash buffer, you know, what's happening is the cash buffer is being replenished frequently from other - you know, from the other sources. So it's - again, we've, you know, went from a situation where, you know, the buffer, you know, going back early last year where the buffer was, you know, buffering a lot of stable value funds was, you know, getting overfunded and you'd have actually cash going back into the underlying buckets, to a situation now where you have negative cash flow and there's a call for cash flow from the underlying buckets to, you know, top up the buffer to get it to its target.

So, you know, the state plan is no different from other plans that we've seen of this size. I don't know if that answers your question, Frank.

MR. PICARELLI: Yeah, I mean, I don't know whether or not if we look back and forget about July and go back a year before that to see where our normal activity was, would this reallocation, this one-time reallocation, be sustainable for a period of time.

MS. HAERING: But April of last year was a massive retirement month.

MR. PICARELLI: Of '22.

MS. HAERING: Right. But—

MR. PICARELLI: So if we looked at - if we just took ’22 out of the equation, and just looked at distribution flows—

MR. HELFAND: April - it used to be that April was a prime retirement month because that way people only waited nine months for their first COLA. But that consideration no longer applies. So we don’t expect to see the same kind of spikes over the course of the year that we used to have because the retirements were timed to the COLAs.

MR. CAMP: Here’s the monthly net flow going back. And we have this on a spreadsheet going back, you know, many, many, many years. And I’ve got the - kind of the averages, the monthly averages.

MR. PICARELLI: Mm-hmm.

MR. CAMP: And, you know, the further back you go, the - you can see like, you know, the heavy activity for withdrawals is definitely recent, you know. The - I would say—

MR. PICARELLI: Recent.

MR. CAMP: --this June of 2022 is, you know - that’s, you know, out of the ordinary. That probably was caused by, you know, the retirements—

MR. PICARELLI: Mm-hmm.

MR. CAMP: --that program. But before that, you know, I see 11 million coming out in November of 2021. And you can see the amounts all, you know – you know, even some positive amounts.

MR. PICARELLI: Eleven, June.

MR. CAMP: Yep. So this is all pretty recent. You know, so, do you think you have the - you know, the added pressure from that group of participants who, you know, did retire along the state, but along with the - you know, kind of the trend of participants probably getting retirees and, you know, separated from service being solicited by the, you know, big broker houses, you know, offering them CDs, you know, IRA CDs, you know, four-and-a-half, five percent as kind of a carrot to move out of the plan and roll over?

MR. McCANN: Tony, in general, with what you're laying out here as a short-term fix, you know, we're supportive of what you're proposing. Really just, you know, takes us back to the target percentages as outlined in the trading agreement. Just wanted to make sure we shared that with everyone on the call.

DR. WOODRUFF: Frank, you need to unmute.

MR. PICARELLI: In your general account, impact of pulling out eight million dollars to get us through this initial hurdle, you don't see any significant impact to your crediting rate, if any; would your book-to-market on your rate declare?

MR. McCANN: Bill or Tim, would you want to weigh in on that? I don't think it would be significant, but I'll leave it to the experts to weigh in.

UNIDENTIFIED SPEAKER: Yes, sir.

MR. PICARELLI: (Inaudible) eight-hundred-million-dollar fund.

MR. McCANN: Yeah.

UNIDENTIFIED SPEAKER: Right. Yeah, I think as Tony said, you know, there would be an impact, but, you know, I wouldn't call it significant. But, you know, we can send a, you know, more precise measurement.

MR. GROVE: Right. It is a one-percent withdrawal, so it's relatively small, so we can evaluate the impact. You know, there's been some improvement in market-to-book ratios as well, which, you know, would help minimize the impact of it.

MR. CAMP: Okay. You may not like the second part of my recommendation, but thank you for the comment.

MR. PICARELLI: Well, just let me preface this. I'd asked both of you guys – I know it's difficult, and, you know, you're both investment managers; you want to protect your assets. But I really appreciated the goal of this was to just take a step back, and look at what was going to be the best operationally, look at it. You know, we're open to all different solutions. I came up with two things, not even looking at the investment structure.

The problem that we face is that whatever we do, if we're going to make a long-term decision, is that we need to do something that's going to be sustainable in that correction. And it's unfortunate that we're in negative cash flow and none of the managers are getting positive money, because that's what we need today, to get invested in today's rates to increase our yields. That's unfortunate that, you know, it's working in the reverse scenario when it's so important to buy into the new interest rates and have that opportunity to increase the yields. So we're in a negative situation.

So I thank both of you guys for being very objective and talking freely about your alternatives, and that's why we have this subcommittee. So I didn't see this scenario as the short-term when we were going back and forth the last couple of days, but, you know, it is something that makes sense to me in that we get out of the initial hurdle, and then we watch it. There's a reason we believe that happened in our program, which, you know, we had these transactions. So that this is one viable alternative.

So with that, Tony, I'll let you guys continue, and then Pru will come on and present, you know, their findings.

MR. CAMP: Okay. So as I said, we got together and, you know, we looked at the - you know, the structure, market-to-books or, you know, the market-to-book ratio of at least three of the four buckets are challenged due to the, you know, rapid increase in rates, you know, and the durations of these, you know, accounts. So, you know, it's just not a good time, as Frank said, to, you know, raise cash from any bucket.

So, you know, it's, you know – you know, the objective here is, you know, what would we do, you know. It's really tough to do anything with that market-to-book ratio being where it is for those three buckets, and you can see where it is. So, you know, our group got together and looked at the durations and market-to-book and said, you know, where is the, you know, place that you could maybe go for – you know, to handle some cashflow. And what the actuaries came back was, you know, we think the bucket that has, you know, the highest market-to-book ratio and the lowest duration is the, you know, the natural selection of – you know, it'll do the least damage to take withdrawals from that bucket.

You know, that being said, we don't manage the GLTF. We don't know much about it. We recently learned that there was a market-to-book ratio and, you know, information about the duration. That information hasn't been provided to us in the past. I think we received it from the Segal report, you know, that Frank shared. So the action is – you know, and this is another proposal on top of the short-term proposal, which, you know, I think should be, you know, considered strongly regardless of, you know, any further action, is to, you know, do a rebalance back to the targets, keep the targets where they are, and, you know, use the shortest duration bucket to start funding the cash flows.

You know, again, you know, would there be a rebalance to the current allocation targets and, you know, that the cap and the floor of, you know, moving money, you know, to either GLTF or from – you know, either way, to satisfy the target allocations, you know, would be probably skinnier than what you see, but they'd have to be redone.

So that was the, you know, recommendation from our group, is to, you know, switch the buffer, you know, duties from what's called Separate Account 903, which has, you know, a market-to-book ratio based on a duration of 4.7 that's very challenged, and, you know, most of that difference between what you see, the 87.38 and the JP Morgan 92 percent market-to-book ratio, is a result of having, you know, it looks like the duration is a little bit longer, but, you know, having to continually, you know, take withdrawals that have become a fairly large percent of, you know, just managing 10 percent of the portfolio.

So that was, kind of, the second recommendation that our group came out with. And this would - you know, this is a change obviously that would need to be papered through all the agreements. And, you know, again, we don't know what's - you know, what the composition GLTF contracts are as far as, you know, what can be done, what can't be done. But without knowing any of that, this was, you know, something that was presented and I thought (inaudible).

MS. HAERING: Sorry.

MR. CAMP: Bless you.

MS. HAERING: I'm sorry.

MR. CAMP: I thought I'd get it on a slide and get it out to the committee.

MR. McCANN: Yeah, Tony, I'm going to pass it over here to Tim and Bill in a second to opine, but I would just generally say, in the same manner that you're not comfortable with one fund being kind of like that buffer, we similarly have the same concerns with our fund being that buffer.

But I'll turn it over to Tim and Bill to share their thoughts.

MR. GROVE: Yeah, thanks. That's right. I think as we look at - right, I certainly agree with, you know, restoring their fund to their target allocations. But as we look at this going forward, I think that - and what we've had our experience with other clients where we're part of a blend is that withdrawals, either on a daily basis if it was happening that way, where there's no buffer, or where there's a buffer that needs to be replenished, but withdrawals would come proportionally from each of the funds.

And one of the reasons that, you know, we have that in other situations, you know, when we look at stable value, yes, this fund, this GLTF, is the shortest fund of the four funds here, but it's not a short-term fund, and so it’s not designed to provide liquidity in that way. You know, effectively what that would do would magnify the withdrawal rate on the GLTF. So, you know, if the fund is experiencing 13 million dollars a month now of withdrawals, that’s, you know, roughly a seven-, eight-percent withdrawal rate. That’s, you know, essentially asking the GLTF to bear, you know, a twenty (inaudible) percent withdrawal rate.

That would - and another reason that we see pro rata, that would alter the duration of the underlying fund, you know, by taking money out of that shorter, it would make the remaining assets much longer. You know, that selection of these funds and their duration is to, you know, have an overall - an overall profile of the fund. So I think that, you know, taking from one fund is magnifying the withdrawal rate on that fund in a way that our product and stable-value products in general are not designed to do. And by taking things proportionally, it maintains the profile of the fund that was - you know, that was chosen here.

So our experience has always been a pro rata structure and not a hierarchy. If this were, you know, a tiered structure with withdrawals coming first from one tier, that liquidity tier would normally be a much lower duration and be designed to handle that full amount of withdrawals from the fund.

So we would normally think of this as a pro rata structure.

DR. WOODRUFF: Frank, do you have any comments? Your lips are moving, but we can't hear you.

MR. PICARELLI: I'm sorry. You know, the idea of doing it proportionately and have everyone share proportionately, I don't have justification to say, gee, that would have the minimum impact on the rate because I'm looking at the end result. So if moving it to the Pru and they basically are the buffer account and have a higher percentage of withdrawals, and how it's going to, you know, impact that rate, I'd like to see some projections on what that would mean.

MR. CAMP: I just want to - this is Tony. I just want to make sure that - you know, that this proposal isn't that, you know, the Prudential GLTF is going to just pay withdrawals. They - that bucket will get replenished back to its target based on some floor level. So, you know, it's not that you're just going to pay withdrawals and that's going to be it. So you're going to be replenished back to, you know, the target.

And, you know, this analysis was done just based on you've got four buckets, you know, four accounts that make up the fund. And we're in a situation now, again, rates have gone up significantly in a short period of time. You know, my math says, you know, look at the market-to-book ratios, the longer duration you have - you know, when you have a long duration, your market-to-book is challenged, you know, where would you take money from? You would take it from the account that has the shortest duration and has the highest market-to-book ratio because withdrawals, you know, persistent withdrawals from the other three candidates here, would have more of a detrimental impact on those three buckets.

So that was the analysis. And then the other point is I just wanted to make sure that it - the cash buffer responsibility isn't that, you know, you're going to be drained down to, you know, zero. You're going to be replenished.

MR. GROVE: Yeah, I understand that, Tony. I think, right, there would be a rebalancing back in, which would then result in withdrawals from the other funds. So what - that's just a timing issue, right. The fund, the overall fund itself, is experiencing negative cash flow, and all of the underlying pieces are going to have to experience their cash flow.

That's the guarantee that we all made in our underlying contracts, that we cover participant activity at book value in any rate environment.

And so it really just becomes a timing issue then. It doesn't prevent withdrawals from the funds with the lower market-to-book ratio. That would happen upon the rebalance, and all that this would accomplish then is significantly increase the cash flow volatility for the Prudential product. It doesn't change the fact that withdrawals would ultimately come from each of the funds, that that would have the overall same impact on, you know, the rate. There would still be withdrawals from, you know, the 6.3 duration product; it would just happen with a different timing because of the buffer.

But that would put all the cash flow volatility on one fund and I - you know, again, we have other blended funds where pro rata is the norm, including some with Voya. So, you know, being selective because of this rate environment with the duration that you withdraw from, you know, could lead to - just say you want to contribute to a different fund in a different rate environment and direct more contributions there.

I think that, again, why we see pro rata as the norm is that the fund was designed for an overall profile, an overall duration. All the funds are going to have to pay their withdrawal anyway when cash flows are negative. So we really think that asking the GLTF to provide that initial liquidity is not how the stable value products are designed. And really, again, I know you mentioned that it would be less of, you know, impact to not have withdrawals from the other funds, but those funds will experience the withdrawals anyway if the GLTA is replenished.

So I'm not sure that it accomplishes shielding the fund from the impact of the withdrawals. You know, again, each of the underlying components here has a guarantee to pay for participant activity, and this would maintain the profile of the fund. You know, the overall duration is longer when - you know, than the GLTA when you blend them all together, but if there's a, you know, desire to change that, then there are other ways to - you know, other ways to accomplish that.

But I struggle to see how we could provide that liquidity that's outside of, you know, the structure of a - you know, of a normal, ongoing-for-stable-value product.

MR. PICARELLI: Under this—

DR. WOODRUFF: So I have a question for Tony.

Don’t you have the option in the buffer fund to shorten the duration? Why is the duration so long on that fund today?

MR. PICARELLI: Right.

MR. CAMP: Duration is fairly close to the index, you know, might be a little bit over the index, you know, within the tolerance. You know, the manager is trying to manage the assets, you know, within the constraints of, you know, the guideline cap and floor, which might be expressed as a percentage above and below the benchmark duration. You know, we talked about, you know, changing the nature of Separate Account 903 to, you know, make it shorter, which—

DR. WOODRUFF: That’s what I’m thinking.

MR. CAMP: It’s pretty hard to do right now. I mean, we can go back to the manager and, you know, see what we can do. But the problem is, with the market-to-book ratio the way it is, you start shortening duration, when the market snaps back, your market-to-book ratio is not going to, you know, come back as strongly as it would if you were at that, you know, benchmark duration.

So that would, you know - you know, through these cycles, you know, what you want to do as a manager, you know, and anybody managing any of these funds, is not to take, you know, duration bets and going shorter or longer because you want to make sure that, you know, you're not too long when rates go up, and you're not too short when rates come back down.

But we can certainly go back to the manager and ask for ideas to, you know—

DR. WOODRUFF: What about, at least following the rebalancing, consider possibly a shorter-term strategy for those funds?

MR. CAMP: That – I think the manager of the buffers, you know, welcoming any – you know, any rebalancing into the fund would be most helpful at this point and beneficial. Is your question to – I'm not sure what your question was.

DR. WOODRUFF: Well, when the new funds come in after the rebalancing, what about a shorter duration on those funds?

MR. CAMP: Oh, to invest short with the new money.

DR. WOODRUFF: Yeah, yeah.

MR. CAMP: Well, let's see. It would be based on calculations, about 42 million coming into about 185. So that's significant.

DR. WOODRUFF: Yeah.

MR. CAMP: Yeah.

DR. WOODRUFF: That would affect your market-to-book also; wouldn't it?

MR. CAMP: Yeah. Although I believe these are done at - so that the market-to-book ratios don't change so as not to make them worse. But certainly, it's new money for the manager managing the buffer, and those assets could be put to work, you know, potentially shorter. I'd have to confirm with the manager, of course.

DR. WOODRUFF: Okay.

MR. CAMP: Yeah, I think right now, I mean, we've, you know, obviously come up with a couple recommendations, one being kind of a short-term that seems to make a lot of sense at this point than something a little more long-term. But the really big X factor is, you know, how long is this negative cash flow going to persist and - and I'll make this bigger - you know, and how large it is going to be.

You know, right now, there's still a mismatch on the yield curve, meaning, you know, short rates are longer by a significant margin than long rates. You know, it's improved a little bit with a little bit of a rally over the last week or so. But, you know, a lot of questions out there. Is the Fed done raising rates? You know, what's going to be the impact in the third quarter or fourth quarter? A lot of questions out there.

MR. PICARELLI: In the scenario in which we would use the Empower general account as the buffer, would that - would we then look at eliminating that intermediate aggregate fund out of the plan and map that to the other two separate account bond managers for a better yield?

MR. CAMP: You could do that. You know, it's—

MR. PICARELLI: Consolidate it with your other - with your - what is it, the Core Plus?

MR. CAMP: Yeah, you could. I mean, that's a - I mean, the reason why it was set up is to, you know (inaudible).

MR. PICARELLI: Get the liquidity; right?

MR. CAMP: Yeah. So - but the problem is that the market-to-book ratio is very challenged on that fund. So the other - whoever gets those assets is going to get them at market value, which is probably - it's going to have a little bit of an impact. But, yeah, it's certainly a possibility.

MR. PICARELLI: You know, we just got the rate for January through March. Could we do like a hypothetical if we had all of the buffer account invested in the Core Plus and the JP Morgan, assuming, you know, everything the same, how would that affect the rate? Right now, I look at my book and I see the net crediting rate for the Core Plus was 3.02, the intermediate aggregate was 0.71, JP Morgan contributed 2.46. So the Separate Account was coming in at 2.52.

So Separate Account was 2.52, and then the Empower was at 2.20, thus blending at 2.43. I didn't look at the one that you just sent out. I have my book; I don't have that in front of me.

MR. CAMP: It's the - similar as far as the, you know, the dynamics. The separate accounts continue to have—

MR. PICARELLI: So if we were to redo the one that you just sent, hypothetically, and if we add all of your money invested in the Core Plus, what kind of impact would that be?

MR. CAMP: We'd have to run it through the model.

MR. PICARELLI: Yeah.

MR. CAMP: It may have a – and I think the – it may have a positive impact on the rate. I think the overall rate went to over two-fifty. I don't have it handy, but—

MR. PICARELLI: It went up. It did go up.

MR. CAMP: Yeah.

MR. PICARELLI: So we got a little cash flow in there.

MR. GROVE: I'm sorry, just a couple of thoughts to add, right? You know, kind of moving money, you know, depending on where you moved it to, it's very difficult for a stable value fund to take on money that is at that market-to-book into an existing fund.

But I just want to go back to the question you just asked. You had said, if we go with the recommendation to make the GLTF in that position, I just want to be clear, I don't know that that's something that's a valid option, or that is something that we would have to look at very carefully. It's a pretty dramatic change to how stable value funds operate.

And as I mentioned before, with Voya, we have other arrangements where withdrawals come out pro rata. That's the way that things normally work. And to put that cash flow volatility on a fund, I don't know is a real option that we could consider. It would have a material impact on the fund, the crediting rate, you know, the fees, our ability to support it. It's - this is why - I've actually never seen a setup where one fund, you know, a guaranteed fund like this, is in that position, and why we see universally pro rata withdrawals in other relationships.

So I just wanted to be clear that that's not something that we could say today is – that we would agree to do.

MR. PICARELLI: In a general account today (inaudible) that we have, do you have (inaudible) plans that you're the sole investment manager, and then in that scenario, you know, you're handling the cash flows?

MR. GROVE: Right, and that just means – so if the fund has an eight-percent cash flow, then we're paying eight percent of our fund. By putting all of the withdrawals on one fund, you're multiplying that withdrawal rate. So, yes, we do it. Every one of these funds could be the entire thing behind it and handle a hundred percent of the withdrawals. If we had a hundred percent of the assets, that would make sense. If we have a portion of the assets and are covering, you know, one hundred percent, it doesn't make sense.

And, you know, to Tony's point earlier that we would be being replenished, but that just means that the other funds are paying withdrawals and having the same impact on the overall fund. Right, so if the point was to take that higher duration fund and say, that's not the place you want to take money from, well, where does the replenishing of the GLTF come from? It's got to come from one of those funds.

So that each fund would have to pay its share anyway, and to put the cash flow timing, the cash flow volatility on one fund, it is - it doesn't fit with how stable value works. So I agree with your point; if we had a hundred percent of the assets and paid a hundred percent of withdrawals, that would make sense, but not in a scenario where we're not all of the assets. That means we're paying a disproportionate higher withdrawal rate than the actual fund is experiencing.

And, you know, as I said before, all of the guarantees that stable value makes, whether it's Empower or Voya or whomever, is to cover those participant withdrawals; sometimes they're high; sometimes they're low; but at the level that they're occurring, not at an artificially high rate because the fund is being used, you know, leveraged, to pay all of the withdrawals.

MR. CAMP: So—

MR. PICARELLI: So—

DR. WOODRUFF: Frank, it sounds like we aren't going to be able to consider the second recommendation today without further exploration of what the various scenarios are going to look like—

MR. PICARELLI: Right.

DR. WOODRUFF: --and that you'll even agree to it. So if it makes sense for us to then go back and look at the first recommendation and to see if the committee - it would make sense in the interim for the committee to take action?

MR. PICARELLI: This would be to continue what we're doing today, account for a one-time negative experience, and just realign us.

DR. WOODRUFF: For now, and until – it sounds like there's a number of scenarios that have to be worked out—

MR. PICARELLI: Right, a lot more of modeling.

DR. WOODRUFF: --before the committee can consider number two. Yeah.

MR. PICARELLI: Yeah. And then one scenario would—

MR. FEIN: And so implement the short-term fix proposed.

MR. PICARELLI: Right.

DR. WOODRUFF: That's what I was suggesting, yeah.

MR. PICARELLI: Minimum impact to the rate, the book-to-market. And then we'll go back and look at, one, if the buffer, Tony, you could decrease the duration of that portfolio, so it's more, you know, liquid - or low?

DR. WOODRUFF: (Inaudible) the new money, the new money coming in after the rebalancing.

UNIDENTIFIED SPEAKER: Right.

MR. PICARELLI: Yeah. And then I'd just like to see a model if we eliminated that—

MR. FEIN: Yes.

MR. PICARELLI: --and how that would work eliminating that fund.

MR. FEIN: Right, eliminate the buffer and move to pro rata withdrawals.

MR. PICARELLI: Yeah.

MR. FEIN: Right.

UNIDENTIFIED SPEAKER: Right.

MR. FEIN: That would be another scenario, definitely.

DR. WOODRUFF: If we model that and give us different scenarios.

MR. CAMP: To implement the short-term fix, I think we would need direction from the state. You know, it could be an email or a letter just to - you know, because these buffer floors and caps are, you know, in several documents. So we would just need direction from the state to – you know, regardless of the documents that we have just to go ahead and rebalance to the targets—

DR. WOODRUFF: Right.

MR. CAMP: --out of order, so to speak.

DR. WOODRUFF: So what do other committee members think? Peggy, Burt, anyone else?

MS. HAERING: I think the short-term strategy makes sense. And by the time – that'll give us a few more months and see whether the withdrawal activity has slowed down, and see if we can get a better handle on what's causing it.

MR. KRAYESKI: This is Dave Krayeski. I think that the other important thing, in a few months, we'll be a year out from the big retirement surge. And that'll probably give us a chance to take a look at a year's data from that and really get a better handle on the impact that's had and see if that's slowing, to Peggy's statement a second ago.

MR. CAREY: And that does make a lot of sense, plus also to be aware though that the – our rates of retirement now, because we had such a large number of people go, are really small right now. So keeping in mind that we just experienced a really abnormal period with the high rates, well, rates right now of retirement are also abnormally low; it's the opposite that's occurring now.

So, you know, what we see now may not be reflective of what will be the norm, you know, heading out, let's say, a year from now.

MS. HAERING: Mm-hmm.

MR. KRAYESKI: And to that point, I'll also throw out that 2027 is going to be a negotiation regarding pension and benefits for state employees. So, you know, I know we're focused on what just happened, and Michael's point is exceptionally well taken, but we also have another one of these thresholds on the horizon less than four years out. So, I mean, might as well.

MS. HAERING: God. Oh, my God.

MR. CAREY: But I think the short-term fix makes a lot of sense, and then that gives us an opportunity to look and see where we are. And, you know, I don't even know if there are other, you know, options for exploring. You know, what is the best way for us to have – to arrange for that liquidity? Is there something different that we should be doing? We were kind of looking under our current model, where do we move things, but maybe there's something different that we could be doing as well.

DR. WOODRUFF: Right, right. Peter, do you have a thought?

MR. HELFAND: No, I can only second the sentiment that the past year was extraordinary and that we can't use it as an indication of where we're going over the next period. It does make sense to me to hold fire or hang fire a little bit while we find out what the new normal is.

MR. BAILEY: Yeah, Tom, Michael Bailey. I agree with the short-term fix as well. I do think this was an abnormal period, and that will give us an opportunity to see what the future looks like. So I'm in favor of the short-term fix.

MS. HAERING: Mm-hmm. And then, Mike, if we could look at the RMDs and just see how much of that is causing the pressure on stable value?

MR. McCANN: Yeah. I've already put that request in, Peggy.

MS. HAERING: Okay.

MR. McCANN: And I should have it here probably by early next week. So I'll pass that along as soon as I have it.

And then the other comment I'd just make while I'm already speaking is, you know, I think the other thing that we should all take a thought of is, you know, Tony, going through the report that I sent over with all the rollover out activity is just, you know, should we think about some subtle plan design changes as well? If we could get the board and staff comfortable with, you know, the fiduciary advice model that Empower offers to try to provide that education and support that participants need when they're getting hit over the head from all the outside brokerage firms, to maybe keep some - at least some of those assets in plan.

MS. HAERING: Right.

MR. McCANN: So I know I sent some of that information over, but whenever you guys would be willing to, you know, hear more from our experts on that, we're all for it.

DR. WOODRUFF: So should we hear a motion then concerning the short-term fix? Anyone want to propose a motion regarding the short-term fix?

MS. HAERING: Does that motion need to come from the commission members?

DR. WOODRUFF: It could come from anyone, I think. But if - Peter, if you want to make a motion?

CHAIRMAN ADOMEIT: Yeah, I'll make the

motion.

DR. WOODRUFF: So Peter has motioned that we adopt the short-term fix that's presented by Voya.

MR. BAILEY: Bailey, I'll second that.

DR. WOODRUFF: Okay. So all those in favor of the motion?

MS. HAERING: Aye.

MR. BAILEY: Aye.

CHAIRMAN ADOMEIT: Aye.

MR. CAREY: Now, just a question. We're recommending that the full commission review and approve; this is our recommendation to the commission for their full approval; correct?

DR. WOODRUFF: Yeah, they have to approve it for the alternate retirement plan. So we're proposing—

MS. HAERING: For Tier IV.

DR. WOODRUFF: In Tier IV. And we're proposing it for all plans.

So I'll call again. All those in favor of the motion, say aye.

MS. HAERING: Aye.

CHAIRMAN ADOMEIT: Aye.

MR. CAREY: Aye.

DR. WOODRUFF: Any opposed? So the ayes have it. The motion passes.

So for agenda items for our next meeting, I guess we will be hearing from both Empower and Tony about some alternative scenarios regarding cash flow. One would be to continue with a buffer fund and perhaps review—

MR. PICARELLI: And direction.

DR. WOODRUFF: --restructuring that, if it's necessary. The other would be to, I guess, various scenarios in proportionately taking the cash flow out of the other funds.

MR. PICARELLI: Right.

MS. HAERING: I had one other thought. Maybe we want to take another look at the GoalMaker and the recommendations or the allocations to stable value, you know, and see whether they still make sense, because some of the portfolios have a very high allocation to stable value.

MR. FEIN: Peggy and everyone, if I could jump in, the GoalMaker asset allocation models are reviewed annually by Morningstar.

MS. HAERING: Mm-hmm.

MR. FEIN: And there have been no changes proposed—

MS. HAERING: Okay.

MR. FEIN: --currently. There will be

changes post-migrating to Empower, and, you know, we were planning to go over those within the next couple of months.

MS. HAERING: Okay. But—

MR. FEIN: But there's no changes proposed prior.

MS. HAERING: Okay. All right.

MR. FEIN: They—

MS. HAERING: But I think it's worth looking at.

MR. McCANN: I think the biggest enhancement that is going to benefit everyone when we get over to Empower is that quarterly rebalance feature is going to be participant-based based on their birthday versus just done plan-wide every quarter.

So to the point Tony was making earlier about, you know, one day every quarter seeing like that big adjustment activity where he was kind of questioning, you know, what's triggering that, it'll be more smoothed out, and just the daily activity every day, because it'll be based on a participant's birthday or when they rebalance. It'll be a much nicer, smoother feature.

MR PICARELLI: That makes sense.

DR. WOODRUFF: And, Joe, when Morningstar reviews the asset allocation, do they make a distinction between stable value and other bond funds?

MR. FEIN: Yes, they do, Dr. Woodruff.

DR. WOODRUFF: Okay. Okay. Good.

CHAIRMAN ADOMEIT: Mr. Woodruff, could you send me a copy of the text of the motion, please?

DR. WOODRUFF: Okay. Basically it will be to adopt this slide that you see on the screen.

CHAIRMAN ADOMEIT: Well, we need the exact text to give to the—

DR. WOODRUFF: Okay, okay.

CHAIRMAN ADOMEIT: I did not write it down.

MS. HAERING: Yeah. Okay, I can do it.

CHAIRMAN ADOMEIT: Peggy, do you have it?

MS. HAERING: I - no, I can do it once we get off.

CHAIRMAN ADOMEIT: Okay. So we have to present this to the commission.

MS. HAERING: Okay.

DR. WOODRUFF: Okay, good.

CHAIRMAN ADOMEIT: That's why I asked the question.

DR. WOODRUFF: Okay, good.

MS. HAERING: Okay. Tony, could you forward this slide to me?

MR. CAMP: Will do.

MS. HAERING: Thanks.

MR. CAMP: Yep. Mike, I just want to confirm you're going to continue with the monthly report, the detailed report on flows?

MR. McCANN: Yeah, we have no problem doing that, Tony. Yep.

MR. CAMP: Okay, good.

MS. HAERING: I just want - who seconded the motion?

MR. BAILEY: Bailey.

MS. HAERING: Okay, great.

DR. WOODRUFF: Bailey, yeah.

So one more item we need to address is when do we meet next? Do we want to keep this on a monthly basis until we - or do we want to go back to the - when the next quarter meeting would be?

MS. HAERING: Well, the next quarter meeting probably won't be until June.

MR. PICARELLI: May.

MS. HAERING: May, May, okay.

MR. PICARELLI: End of May.

MS. HAERING: End of May.

MR. PICARELLI: The end of May. So—

DR. WOODRUFF: So we might as well just wait and do it then. Probably give you guys more time to work.

MR. PICARELLI: On the models.

DR. WOODRUFF: On the models, yes.

MR. PICARELLI: All right, thank you, everybody, Tony and Pru - Empower for all (inaudible) information on this.

DR. WOODRUFF: All right. So do I—

CHAIRMAN ADOMEIT: Are we at the point of adjournment at this point?

DR. WOODRUFF: Yes. So do you want to propose the adjournment?

CHAIRMAN ADOMEIT: We need a motion.

DR. WOODRUFF: Do I hear a motion to adjourn?

MR. BAILEY: This is Bailey. So moved.

MR. CAREY: Carey, second.

MS. HAERING: Okay.

DR. WOODRUFF: Good. All those in favor of adjournment?

MS. HAERING: Aye.

CHAIRMAN ADOMEIT: Aye.

MR. CAREY: Aye.

MR. HAERING: Okay.

DR. WOODRUFF: Great.

MR. PICARELLI: Thank you for your time.

DR. WOODRUFF: Opposed—

(Adjourned at 10:21 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 special meeting held electronically via Zoom, conducted at 9:04 a.m. on April 3, 2023.

Karin A. Empson

Karin A. Empson

05/02/2023

Date