STATE OF CONNECTICUT

STATE EMPLOYEES RETIREMENT COMMISSION

INVESTMENT SUBCOMMITTEE MEETING

SEPTEMBER 9, 2024 MEETING
HELD VIA ZOOM
CONVENED AT 9:02 a.m.

Present:

Peter Adomeit, Chairman
David Krayeski, Trustee
Brian Hill, Trustee
Michael Bailey, Trustee
Karen Nolen, Trustee
John DiSette, Trustee
Agnes Gajowiak, Retirement Services Division
Robert Helfand, Retirement Services Division
Nicol Wagner, Retirement Services Division
Cindy Cieslak, Rose Kallor LLP
Michael Scheider
Rob Luciani
John Mohan
Frank Picarelli
Scott Mann
Joe Fein
Michael McCann
Catherine Opitz
Dan Evans

TRANSCRIPTIONIST: Karin A. Empson

(Proceedings commenced at 9:02 a.m.)

CHAIRMAN ADOMEIT: Okay. We'll call the meeting to order. You have the attendance, Cindy? Are we all set with that?

MS. CIESLAK: Yes. Good morning. This is Cindy Cieslak. Present today, we have Chairman Peter Adomeit, Trustee David Krayeski, Trustee Brian Hill, Trustee Michael Bailey, Trustee Karen Nolen, Trustee John DiSette. From the Retirement Services Division, we have Agnes Gajowiak, Robert Helfand, and Nicol Wagner. Also present, we have Michael Scheider, Mike Miles (phonetic), Rob Luciani, John Mohan, Frank Picarelli, Scott Mann, Joe Fein, Michael McCann, Catherine Opitz, and Dan Evans.

Is there anybody that I missed? John, I see your hand up. I have you on the list. So Trustee John DiSette, in case I did not say it.

MR. DISETTE: If I may, this is John DiSette. Mike Miles is not with us. I mean, he's still alive, but he's not in this meeting.

MS. CIESLAK: Oh, sorry. Did you have his name before you changed it?

MR. DISETTE: Yeah. It's a shared computer and he had his name in there.

MS. CIESLAK: Thank you, John. Peter, I think we're all set.

CHAIRMAN ADOMEIT: Okay. Just one second here. I have to rearrange my—

Okay, new business. A, second quarter, 2024 administrative report, Empower.

MR. McCANN: Hey, good morning, Peter. This is Mike McCann with Empower. Thanks again. Can everyone hear me okay? Can everyone hear me okay?

UNIDENTIFIED SPEAKER: Yes.

MR. McCANN: Okay, good.

UNIDENTIFIED SPEAKER: I can hear you.

MR. McCANN: Okay.

CHAIRMAN ADOMEIT: They're nodding their heads.

MR. McCANN: Okay, perfect, perfect. All right, well, happy Monday. Hope everybody is doing well, hope everybody is doing well - good. Hope everyone's favorite football team won yesterday. My Brownies got absolutely crushed, so it was a pretty bitter evening in the McCann house last night, but hopefully better things are on the horizon.

So I'm joined by several folks from Empower today. We've got a couple of items we want to talk about first and foremost. I want to hit some of the key provisions, datapoints from the second quarter report. And I'm going to hand it over to a colleague of mine, John Mohan.

We’re coming back to you today with the Board ask from last quarter to talk about our advisory solutions and the services that we can bring to you, focus on the conversation that we had last quarter, especially focused on a lot of the rollover-out activity, and really trying to get to the heart of the matter in terms of the needs that your participants have that they’re asking for. And as a result of that, it’s leading to a lot of conversations with outside companies and we’re seeing a lot of rollover-outs. And we think that we’ve got a really great solution that we want to make sure that all of you can hear and evaluate.

So with that, where I’d like to start today is that, you know, last quarter was our first quarterly report post the migration from the Heritage Empower platform over to the Empower platform. Since that migration has occurred, we’re really - the focus since we’ve last met has been getting back to BAU. We’ve made a lot of progress on the payroll files, and we’ve made a lot of progress from the interactions that folks are having with our call center.

Quarter-to-date, 71 percent of all calls now are being answered within 20 seconds, and that’s out of almost 5,000 calls received. And, you know, what really shows as a strong metric in my mind is that at the end of all of those calls, we ask your members, your participants, to take a survey, a satisfaction survey, based on the person that they just met with. And right now, we're at a 4.42 quarter-to-date on a 5.0 scale. So that's 4.42 was the average, so 4.42 out of a possible five, one through five score. So we're making a lot of improvements there.

We've also continued to do a lot of training with our call center. We're also doing some additional staffing to make sure that we've got enough people to support, but a lot of good work has been made there since the last quarter as well.

I am now going to share my screen for the quarterly report here. So bear with me as I try to pull up my screen. All right, can everybody see my screen?

CHAIRMAN ADOMEIT: Yep. I can.

MR. McCANN: Okay, good. Now, just to let you know, so you don't think that I'm not trying to have good eye contact, the screen where my report is is over here and the screen where my Zoom is is over here. So if I'm looking at multiple screens, don't think that I'm not trying to give good eye contact for you here as I try to go through some of the key pages of the report.

We're going to start today on Slide 4 of the report. This is a snapshot for all four of your plans combined. You're now at just under 8 billion dollars in total plan assets across all four of the plans and just shy of

100,000 participants. When we met a couple of quarters back, you were at about 7.5 billion in total assets and about 98,000 participants. So, you know, depending on how the next quarter goes, I think we're in for two significant milestones where potentially if, you know, the market doesn't have too many fluctuations, we'll go over 8 billion for the first time in history, and also crack the 100,000 in terms of total participants across all four of the plans for the first time in history.

You can see the average account balance across all four of the plans. Actually, that's on the next slide, sorry. Active participants with a balance, you're about 76,000 participants that are active with the balance, and then you've got about 22,600 that have a balance, but they're separated from service, meaning that they're no longer currently employed, but they have left their money in the plans, which is absolutely - no issues with that, and is a good behavior most often for evaluating their options.

On Slide 6, this is looking at, again, just the overall plans. You can see the split around how assets are allocated in terms of equity, cash, and bonds across all of the plans. And then the difference between help-me-do-it and do-it-myself. Help-me-do-it is the GoalMaker feature, so the asset allocation feature that we talk about. And then the do-it-myself is people that want to, you know, make those decisions on their own in terms of their account.

And then I did mention, the average account balance, we're just shy of 80,000 in terms of the average account balance, which across all of the plans, you've got to think that's very impressive, especially with that newer plan, that Tier IV plan that was only created a handful of years ago, that for all new hires, puts one percent employee- and one percent employer-in. While that's a growing plan, it also means that you've got lower account balances there, so overall, the metric across all of the plans is still a very healthy 80,000.

If we move to Slide 6, this is going to look at – and I won't do this across all four of the plans in the interest of time today. Slide 6 is just the 457 Plan. In the report, we have them broken out, all four of the plans, individually. So the 457 Plan, you're up to 4.3 billion dollars in total assets, 42,000 with an overall balance, and then similar breakout across all of the plans. This is, again, just looking at the 457 Plan, you've got 103,000 is your average account balance; a very similar split in terms of help-me-do-it versus do-it-myself; and then you can see the asset allocation by fund, which I won't go into too much detail on because I know that I don't want to steal Frank's thunder on that.

So Slides 9 through 11 break down your ARP plan.

Slides 12 to 14 do the same on the 403(b). Slides 15 to 17 do that on the Tier IV Plan. But again, in the interest of time, I won't go through that today unless there were specific questions that any of the Board members had related to the breakout of each plan individually.

I'm now going to move over to Slide 18. Slide 18, this shows your cash flow, so your net activity across all four of the plans. To no surprise, we continue to see a trend, and this is where the conversation got started, again, last quarter, around the rollover-outs, helping people through that distribution phase, and the conversation that we're going to have here in a little bit around our advisory solution, where total contributions, your disbursements, are outpacing total contributions, where the last quarter net activity was about negative-43-million. And a lot of that activity is disbursement activity. So folks, when they retire, we want to make sure that they're making great informed decisions in terms of what they're doing at that decision point in terms of is it best to leave that money in; is it best to roll that money out; are they making an informed decision; are they getting a true apples-to-apples comparison before they listen to that Stanley member or that broker that happened to put a flyer on the hood of their car when they were at a location, and those sorts of things that we commonly see in the industry, for good or for bad. It's just something that we all know that we come across, especially with governmental members, that it's often public, when folks are, you know, nearing retirement, and that's when they start getting bombarded with all of these different things.

I really like Slide 19. This, again, is looking at all four of your plans, but it shows the distribution of account balances by employment status. So the light blue is if you're an active participant, the dark blue is if you're separated from service, and it just shows you where the assets are allocated at different balance points. And this, again, hits home on that Tier IV Plan, where a lot of your folks are in that zero to 25 range.

So you've got a lot of folks with huge balances, but you've also got a lot of younger folks or folks newly into the workforce that are on the lower end of that that we're going to want to make sure that we're working with to get them properly asset-allocated deferring the right amounts. If they're only in that Tier IV Plan, we do big campaigns with those folks that, while that's a great start, that's not going to be enough for a meaningful retirement, and really encourage them to also then add the 457 Plan as well where they can put in a much higher deferral rate.

And then Slide 20 breaks down the differences in terms of asset allocation. And again, I'm not going to go into too much detail on this because I know Frank hits this pretty hard in his report.

The last thing that I want to focus on before I see if there's any questions and we move on to our other topic is just GoalMaker participation. So Slide 21, this again is looking at just the 457 Plan only, but we're up to 43 percent of all folks in the 457 Plan are now using GoalMaker. So we continue to see a nice evolution in this where, you know, going back nine years when this plan first came over to then-Prudential, you have to remember that we had not only GoalMaker, but we also had target date funds.

And then after we saw the success of GoalMaker, the target-dated funds were eliminated, and it's become the asset allocation feature in the plan. And over time, as the education and new participants have come into the system, you've continually seen this number where now we're up to 43 percent. So, you know, when we first started off, it was about 15, 16 percent, so it's made a lot of traction over the years. And you're up to about - so while you've got 43 percent of total participants using GoalMaker, you're still at only about 19.2 percent of total assets in the 457.

You've got a lot of folks that have high account balances that are not using the asset allocation service. Maybe that's a good thing; maybe that's not a good thing. That's another area where our advisory solutions could really reach out to those folks and have tailored conversations just to make sure that they're asset-allocated appropriately for the situation that they're in, and then also take into account all of the other outside assets that they might have as well, their spousal assets, just to make sure that they're really asset-allocated appropriately.

Maybe they should be overweight to equity, or maybe they're way too much in the stable value. That's an area that we all know that we've hit very, very hard over the years where we've targeted those folks that are just 100 percent solely invested in the stable value, and we whittled that number down over the years where a couple of years ago, it was still 14,000 of your participants only in that fund. Now today, we've down to right around 10,000.

So we've made good headway there, but that's another area where I think this additional service can really get in front of those conversations and not just stop at that educational conversation, but really have that advisory conversation and give that fiduciary advice to those participants to really get to the heart of perhaps that is the right decision for you, but perhaps it's not, and really have those meaningful advisory conversations there.

All right. Any other questions for me on the report? I'll summarize with, all four of the plans are very healthy right now. We continue to see good trends in all of the plans. The one area of focus, obviously, that we've talked about for multiple quarters now is just the high amount of rollover-outs and distributions out, which is very common for mature state plans in terms of net activity being a little bit negative, but it's continued to grow a little bit more. I know there's been a lot of conversation at the Board level around how to address that.

But overall, in terms of new enrollments, growth in the plan, continuing to see good trends in terms of GoalMaker usage. We've got really good health with the plan.

So I'll pause there to see if there's any questions. If not, I'm going to turn it over to my colleague, John Mohan, to lead the conversation around our advisory solution.

All right. John, I'm going to turn it over to you. Do you want me to drive here since I've got my screen up, or would you like to take control?

MR. MOHAN: You know what? Let me see if I can take control here, Mike.

MR. McCANN: Okay.

MR. MOHAN: If I struggle with that, then I'll have you take it over. But hopefully I can execute this all right. Can everyone see my screen now?

MR. McCANN: Yep, see it good, John. Thank you.

MR. MOHAN: Okay, terrific. Well, hey, good morning, everyone. Thank you so much for the time today.

John Mohan, I am Vice President of Participant Engagement here at Empower. Been with Empower for about 13 years, and during that time, I've had the opportunity to lead a team of our RPA's and RPC's. So that's an acronym for Retirement Plan Advisors and Retirement Plan Counselors. We have about 350-plus of these individuals across the country that are solely dedicated to the government market space.

So they're meeting with participants every single day, having education conversations, having advice conversations. And so really what we wanted to do today is just give you a little bit of insight in terms of how we've really evolved this model and continue to evolve this model to meet the needs of participants across the country in the public sector space.

So as I'm going through here, if you have questions, feel free to interject. We can make this, you know, a dialogue. So, Mike, if – I can't see hands, so if someone has their hand raised or something like that, if you wouldn't mind just interrupting me, that would be great.

MR. McCANN: Absolutely.

MR. MAHON: Great. Well, I'll start off with something that I think we probably all know, but is really foundational to this conversation, which is the need for advice. We know that participants are getting increasingly worried about the economy, about their personal finances, and as such, they're retirement confidence has actually been waning over the past couple of years. So you look at the trendline on the righthand side of the screen, both for those that are actively working as well those that are already in retirement, for the first time since, you know, going back quite a ways, we actually see some of those confidence levels for both of those segments of the population decreasing.

So, you know, people's concern is mostly rooted in some of the inflationary environment that we've experienced, that people have felt over the past, you know, 12 to 18 months, as well as, you know, I would say, sometimes conflicting but still concerning reports that we hear about, you know, potential market corrections or, you know, potentially heading into something of a recession or suppression. So with that, people feel more uncertain about where they stand in terms of their personal retirement preparedness.

We also know, because when we think about actually talking to participants and actually doing surveys with them, people are not really sure where to get to get answers for these questions. Mike mentioned it earlier around, you know, are they going to, you know, their cousin or someone that they think knows a lot about this kind of stuff.

Many times, you know, they'll go to someone in the workplace who, you know, they think has a good understanding of investing or planning. But the reality is four out of ten folks don't know where to go for financial planning advice. And I would say, even out of those six that do know where to go or think they know where to go, the question is, are they actually going to the right places to get that advice.

The other thing that I think is really interesting in this is, there has been an increasing trend for employees to look to their employer for these types of wellness solutions. So we've seen a lot in the healthcare and just overall physical wellness space, right; people are looking to their employers to provide options there. It's the same thing in the financial wellness space, right? Almost three-quarters of employees now are looking to their employer to provide them some help when it comes to financial wellness and financial advice.

And then, as I've mentioned, we've got a huge team of folks that meet with participants every day. We meet with literally hundreds of thousands of participants each and every year. It's a huge honor and it's a big responsibility. Our team is doing an unbelievable job of really helping folks reach their goals in the most efficient manner. But we also have the benefit of hearing directly from participants, right?

So these are actually direct quotes from some of our advisors as they're meeting with participants, and it's things that, you know, are not surprising, right? You know, I didn't know what I was doing; or, hey, my captain told me to do that; or, hey, this was just the investment that I selected when I enrolled, you know, 15 or 20 years ago, and then never made changes. And then they're looking too to their counselor or their advisor to say, can you just tell me what to do; what changes should I make, right? They're looking for that direct advice.

So as we pivot, one of the things I like to do is, you know, look at this plan. Mike just went over about plan review and highlighted some of these numbers. So just maybe to orient everyone to what we're looking at on the screen here, this is at an asset level. So some of the stats that Mike was throwing out were at a participant level.

So when we're looking at the asset level, what we're looking at on the lefthand side is broken down by age quadrants, so at 29 years and less, 30 to 44 years old, 45 to 59 years old, and then 60-plus. And each one of those bar graphs represents an investment or investor strategy. So that magenta bar is the asset allocation models or GoalMaker. The yellow bars are those do-it-yourself investors.

And so a couple of insights as we're looking at this, 19 percent of participants are using some sort of asset allocation model, right? So the vast majority of - or a good portion of participants - I think it was close to about half, I think Mike had, about 42 percent - of participants are using GoalMaker, but not as much on an asset level. We'll talk a little bit about why that is in a moment.

So 81 percent of folks are selecting their own investments. So they're - you know, when we look at all the assets in the plan, 81 percent of the assets are those folks that are trying to pick which investments make the most sense for themselves. And this is what I think is really interesting, and this is not specific for the State of Connecticut; this is across all of our public sector plans. We have an aging employment base, right? So all of those folks that are selecting their own investments, 95 percent of those assets are with folks aged 45 or older.

So why that's important is a couple reasons. One, as we all get older, life happens, right? We have more dynamic situations. Maybe we get married; we have kids; we have kids in college; we get divorced; we have, you know, expenditures that come up that, you know, maybe we weren't planning for; we have aging parents that we have to account for. All of these different things happen, usually not when we're, you know, 25 or 30 years old, but usually when we're 45 or 50 or 60 years old, we're trying to handle some of these things.

So the need for customization heightens at that point in time, right? The more dynamic the situation, the greater the need for customization. So that's why that's important; that's one reason why it's important. The second reason why it's important is something else that Mike alluded to, is, you know, how do we help folks in the, you know, near-retiree phase and then also post-retirement. It's a huge part of retirement planning now.

I have a slide here that I'll go over in a minute, but when we think about how we help people accumulate assets, it's just as important, maybe even more important, to think about how we help people decumulate their assets in retirement. So we see a huge portion of the population that is doing it on their own, and then also that are getting into that near-retiree and retiree phase.

So the question is, well, how are those folks that are doing it on their own fairing? So before I dive into some of the insights here, I'll share with you this – this is a pretty busy chart; we call it a bubble chart. But let me just explain what this is.

So on the vertical axis, you have the equity exposure, and at the horizontal axis, you have the age of the participants. And each one of these yellow bubbles represents a do-it-yourself participant, okay? The larger the bubble, the higher density of the population at that given point. And then those gray railroad tracks that you see running through there, that is just the hypothetical glide path, right; how should someone theoretically look to derisk their portfolio as they get closer to retirement and in retirement.

And so a couple of things that we see that I'll call out, one, we call – you know, we have this term that we call participants at-risk participants. And those at-risk participants fall into usually two populations: inflation risk, meaning they have no upside or very little upside to capture some of that market growth. So these are participants that have less than 10 percent equity. So these are the people down at the bottom of the screen here.

And then conversely, equity-risk participants. So these are folks that are age 50 and older and have 75 percent equity or greater. And so these are folks that are heading into retirement or getting close to retirement, or potentially are already in retirement, and are still heavily invested in the market. Now, one thing that I like to call out here is, we're not saying that these folks are inappropriately invested, and there might be a very logical reason why they're invested that way, but to something that Mike said earlier, we want to just affirm, right, or confirm, that this is the right strategy for them and where they're at in their lives.

So when you look at the do-it-yourself investors, two-thirds of those do-it-yourself investors are clinging to those risk extremes, either potentially overly invested in the market or not having enough growth potential. And so you see those boxed out there by those red boxes. So, you know, we think there's an opportunity to say, you know, do you have the right strategy, does this align to your long-term goals, and do we have, you know, a thoughtful strategy in place to get you there?

So that brings us to the discussion today, which is talking about some of our enhanced advisory servicing solutions. So first things first, you know, we take a very holistic approach when it comes to delivering education and advice. We believe that education and advice is a right for all the participants, right? We think that should be something that is a standard offering for all of our participants, and something that they should not have to pay for, right?

When you think about our industry as a whole, to be very candid, it's typically an industry that's skewed to people that have a larger amount of investible assets that have higher net worths. Those are the folks that typically the industry has been built around. What I love about what we've built here at Empower is we've really democratized advice for everybody, right? So everyone, whether you have $10,000 in your account and you're just starting out, or you have $400,000 in your account and you're heading into retirement, both of those individuals need advice; it's just going to be a little bit different what type of advice they're receiving. So we believe education and advice should be available to all participants at no cost.

Secondly, as we think about maybe a smaller portion of the population, they might benefit from something like personalized advisory services. So whether that's professionally managed accounts, you know, more dynamic retirement income planning needed through a guaranteed income solution, but obviously there's a population that has a need for that.

And then for those that are really interested in comprehensive financial planning, now this would not be for everyone, but if people have concerns or questions around estate planning or tax planning or, you know, risk management, right, do I have enough insurance coverage, you know, there are folks that do have those needs, and we can also provide that in the context of the plan. So we want to make sure that we have the right solution for every single participant in your plan.

So this is just a - you know, maybe you've seen something similar to this in the past, but I think it's important to call out, right? You know, these are two individuals, both aged 50 years old, both retiring in the same year. So if they're in a, you know, available target date fund, they would be placed in the same target date fund. But their situation is wildly different, right? You see Jamie on the left. He's got $50,000 of annual income, while Alex on the right is making double what he's making at $100,000. Jamie has

$75,000 in this account while Alex has $300,000 in her account.

Social security will make up a larger percentage of the income that Jamie needs in retirement because he's a lower wage earner and social security is skewed towards lower wage earners, while for Alex, it's only going to make up 25 percent of that income. And then savings rates, so Jamie is going to be saving a lot more at 12 percent relative to the income, and Alex is going to be saving six percent, but she's already got a lot accumulated.

The investment strategies for those two individuals, while the same age and the same retirement date, will be different and should be different, right? And so that gets us into, you know, why customization and personalization matters. I think you all are very familiar with how, you know, target risk funds work or target date funds work. You know, risk-based funds are taken into one consideration - one thing into consideration, which is that individual's personal risk preference. That is it. Target date fund is factoring in two things: the individual's age, and then how many years they have until retirement.

When we think about a solution like advisory services and in the context of managed accounts, it's factoring in all of the different things that you see here, and all of these different things have an impact on advice, right? What is someone's social security benefit going to be? What is their pension benefit going to be, right? I used to meet with participants and so I've met with thousands, probably tens of thousands of participants. You can meet with a 60-year-old who has an $80,000-pension and a sixty-year-old who has a $30,000-pension. Those planning conversations are wildly different, right? So that is an important factor when it comes to how we think about advice.

The other thing that I like to call out here is the way we have our systems built here at Empower. All of those things that you see in the light blue, those are directly fed from our recordkeeping system into our advice engine. So before that participant does any customized personalization, right, like adding outside accounts or adding in different spending goals, things like their account balance, their contribution, where they live - where they live has an impact on their tax planning and what those tax implications are going to be - their marital status, all of those things are directly fed, so we're already getting a more personalized look at that individual's situation.

The other thing that I like to call out here, when we think about, you know, advisory services or managed accounts, too often people just think of it – and that's why I don't – necessarily don't like that term, managed accounts, because it's just really usually confined to this concept of just professional money management. That is, of course, a component of it, but along with that, you know, comes other planning elements, things like, you know, savings rate, what's the right savings strategy.

A lot of folks need help with, should I save six percent, or do I need to be saving 11 percent to get to my goal? Should I be saving pre-tax, or should I be saving Roth? Those are important planning conversations that we can help participants with.

Withdrawal strategy, so we'll talk a little bit more in detail about this in a minute, but how folks think about spending down those assets in retirement are critically, critically important, huge passion of mine. And then lastly, social security and pension inclusion, so we think about, especially in the public marketspace, if you're not factoring in an individual's pension and their guaranteed income streams, it's really hard to effectively plan for that individual based off of, you know, what they're receiving from their pension.

So I'll hit this point really quickly, and then we'll pivot to kind of how we're delivering some of this advice through our reps. But when we think about spend-down, we actually, as we upgraded our web experience, rolled out this new tool called Smart Withdrawal. So what Smart Withdrawal does is it actually gives a detailed cashflow for a participant. This is customized to them.

So they can answer the questions that every participant has, which is, I need to make sure I don't run out of money, right; that's number one. Number two is, you know, where will my income be coming from in those retirement years? So, you know, is it going to be coming from guaranteed income streams; is it going to be coming from my investments? And then thirdly, as it's coming from those investments, what accounts should I be withdrawing it from?

I've got a Roth IRA; I've got an individual account; I've got my 457 account; which one should I be taking from? We give them that advice right here within this tool. So we're trying to do it so that we're thinking about the tax implications, as well as the investment strategies that go along with those different accounts.

So you can actually click on any given year and see this detailed breakdown of, where is this income going to be sourced from; what's my estimated tax liability, which is very, very important; you know, what are budgeted spending needs for that year? Typically, retirement spending is going to be in there, but maybe there's different events, like I've got three daughters, so maybe it's a daughter's wedding that you're planning for, or higher education expense, something like that. And then lastly, you know, how is that portfolio going to be impacted over the years.

So this is, in my view, a need that every participant has, not even just when you're in retirement, but as you're planning to get to those retirement years. Having this view added in this planning tool is critically, critically important.

Before I go on, I just want to pause here. Are there any questions from the group? Hearing none? Okay. All right. So I've talked about how we've delivered advice here at Empower, and I also talked about how we continue to evolve how that advice is delivered. So something that we've rolled out this year is what we call Advice 2.0. And so this is actually the ability of our reps to give fiduciary recommendations directly to participants in those interactions.

And so what this allows for is a couple of things. First, for that rep to deliver point-in-time investment recommendations, so that one-time portfolio creation that a participant can implement at absolutely no cost to them right then and there. So really what our goal is there is to try to get people in the right portfolios. Again, advice should be free in our estimation, and so that does that. And it reduces any friction, right, so that transaction can take place right then and there.

We know that there's - you know, secondly, we know that there's questions when it comes to, you know, what is the right way to invest my assets, right? When there's things like GoalMaker, managed accounts, target date funds, point-in-time advice, there's different options to get to a created portfolio, we could actually help them with that decision support on how to implement those strategies.

And then lastly, everything we do, it's memorialized with written recommendations; it's delivered to the participant. You know, that transparency, that compliance, that documentation is critically important to how we do things.

So the first thing I like to start with is something we call retirement readiness review. And so the reps that you have on the State of Connecticut Plan will, you know, if you decide to move forward with this, become duly registered. And so that means they'll be registered as a registered rep as well as an investment advisor representative. This allows them to have more advanced planning conversations and do something that we call a retirement readiness review.

And so what this is is a detailed planning conversation. So the first thing that we're doing is setting that agenda for the meeting, making sure we understand, you know, what the questions or concerns that this person has, understanding those questions, listening with empathy, and then creating that structured meeting process to make sure that we're moving the ball down the field.

Secondly, we're going to help people with, first and foremost, establishing goals. You'd be amazed at how many people don't know when they're going to retire, don't know - and this is the big one - how much money they need when they're planning for that retirement spending, right? They just have no concept for it. So this is a really important part of that conversation.

We then can build in all of those other

elements, like social security amounts, pension amounts, if they have outside accounts. If they want to build in a spouse or partner into the planning, we can do that for them as well. And then we move into what I call the diagnostic assessment of the meeting. So we're going to assess and answer that question for participants that all participants have, which is, am I on track; am I able to hit the goals that I have for myself in terms of my spending capabilities?

And then lastly, we move into the prescriptive portion of the meeting, which is, okay, I'm not on track; what do I do? Do I increase my savings; do I change my portfolio; do I change kind of how I'm thinking about spenddown; do I adjust my goals? We'll give them those action steps to hopefully improve their situation.

So as we get to this part of the meeting, we actually have something called the Best Interest Profile tool, we call the BIP tool, where we're able to give those specific recommendations, those fiduciary recommendations to participants. So we'll - you know, we'll gather suitability from them on, you know, income, tax bracket, what their objectives are, what their experience is. And then we move into a portion of the tool where we can actually gather specific information on, you know, questions like, do you want help selecting your own investments; you know, do you like making, you know, these investment decisions on your own behalf?

But then there's a couple important questions that we ask, which is, you know, how simple, comparable, or complex their situation is. You know, folks that are more on the simple side, something like a target date fund or GoalMaker are a really good solution for them. Folks that are more on the complex side need more customization, need more tailoring. So that's an important thing to understand.

And then secondly, would you be willing to pay a fee to have this account professionally managed? If someone says no to that, managed accounts would never ever be on the table for that person, right? They're not looking to have a professionally managed solution, but they still need some guidance; they still need some advice. So in this instance, a target date fund or GoalMaker would be the recommendation. Again, I know you guys don't have target date funds in this plan; this is a generic presentation, but I just wanted to call that out.

I want to pause here for a second though to maybe call out something that Mike said. So we saw that about roughly - these are rough numbers - but GoalMaker made up about 19 percent of the assets and about 42 percent of the participants. I think we see a lot of that being borne out here, right? As people get into the plan, they have this great solution like GoalMaker that they can get their portfolio diversified, they can build a - you know, a proper asset allocation within their retirement plan.

But, you know, as they get older, right, as their needs for personalization, tailoring increase, we don't see as much utilization of that, right? And so that's where some greater customization could be beneficial.

So the other thing that we can offer is point-in-time advice. So very similar, you go through the tool. This instance, this person has a complex situation, right? So they have maybe a lot of variables at play here. They still don't want to pay a fee for it; that's okay. We can institute point-in-time advice, which is that one-time portfolio creation where we can actually give them a breakdown of the specific funds in their plan that would make up that portfolio based off of that planning conversation that we had, and we can execute it for them right then and there at no additional cost.

So if you think about, you know, some of those things that I shared with you earlier, going back to those bubble charts, those people that might be a little bit overexposed to risk and those folks that are getting no growth potential, like these are the types of conversations that we think are really, really important to have with participants, to provide them, you know, first and foremost, a plan, and then secondly, provide them a specific solution that would get them to a better spot.

So when we think about the outcomes here, it’s really four possible outcomes when you go through this meeting process. It’s that point-in-time advice, right, that we just went through, GoalMaker or target date fund recommendation; for folks that say, hey, I don’t want to manage this on my own, I’m willing to pay an additional fee to have this managed for me, you get dynamic glide pathing, the spend-down solutions, you know, ongoing rebalanced managed accounts might be a good fit. And then some people might go through this whole process and say, that was very, very helpful, but I’m good; I can actually – I can do this on my own; I’ve got some insights now and I want to continue managing things on my own.

Those are all totally fine solutions, right?

We want to just make sure that we're having these right conversations and providing your participants with the ability to make those changes if they want to, right, provide them the answers to some of the questions we know that they're seeking.

So lastly, I'll just share with you some of the results. This was, as I mentioned, something we rolled out really tailing the last year, beginning of this year. The results have been unbelievable. So as we have these planning conversations and provide those fiduciary recommendations, 72 percent of participants are taking a diversification action. And what we mean by that is they're not changing an investment fund, right; that's not getting a participant diversified. It's they're going to fully use a target date fund; they're fully using GoalMaker; they're fulling using something like a managed account solution 72 percent of the time. And six out of 10 of those times, it's going to a no-cost solution, like point-in-time advice, or like a target date fund, or like GoalMaker.

So the point being is, getting back to really our mission here, which is providing advice to participants, providing them the solutions to the questions we know that they have, and really being that catalyst for action within those interactions. So as I mentioned earlier, all of these conversations are completely wrapped in transparency and clarity, both for the participant as well as for the plan sponsor as well.

So with that, I'll pause and see if there's any questions from the group.

MR. KRAYESKI: Hi, this is Dave Krayeski. How are you?

MR. MOHAN: Hi, Dave.

MR. KRAYESKI: A couple of questions as I was, you know, looking at your chart about the change in management style based on age and some of the services offered. And I know this is probably next to impossible to determine, but do you know if there's any correlation between folks doing things themselves, or potentially the migration we see happening to outside management of folks' assets, to their diversification outside of Empower into various other things; perhaps they've been sold, invested in, gotten into trading themselves or those kind of things?

MR. MOHAN: Yeah.

MR. KRAYESKI: I know that it's difficult to determine, but wondering your thoughts on if that is, in fact, the driving force. So I'll just shut up and listen now.

MR. MOHAN: No, it's a great question, candidly one that, as I started doing these analyses, and I've been doing those types of analyses for probably about four or five years on plans, that was the first thing that popped into my head.

Maybe they're skewing their, you know, 457 account to a little bit more aggressive because they have assets outside that they're investing a little bit more conservatively, right? That's a logical assumption. The reality is, while we can't - because we don't see everyone's assets outside, as we have increased aggregation and the ability to link accounts outside, we don't necessarily see that bearing out.

It's typically people don't know what to do, so they're leaving their portfolio where it is. In fact, we see - and I've done this analysis on one in particular mega-government plan. We see that, many times, they're just not making any changes, right, not even as simple as normal rebounds, right? So while I would love that to be the case, that they're kind of thoughtfully saying, I'm going to dial back the risk here because I've got risk outside, or I'm going to dial up the risk in here because I've got conservative assets outside, it's not necessarily the case.

MR. KRAYESKI: I guess the question that I was asking a little bit more was about searching for advice outside of it. You know, we haven't had this type of advice available here, and we've seen - you know, we've all gotten the little cards in the mail and folks - we've kind of seen this migration of folks utilizing pay-based services and those kinds of things. And I just wondered if, in part, that was because for a long time, most of what we had available to us through the State was, all right, what are doing with your State account as opposed to individuals asking for an entire landscape of everything they have out there and how to do that—

MR. MOHAN: Yeah.

MR. KRAYESKI: --which is a greater level of service, which is what you're describing here, which is not something I think a lot of State employees knew or had or understood what to do, and may have migrated out.

MR. MOHAN: Yeah. That - so, sorry I misunderstood your question the first time around. That makes perfect sense. So, yes, the answer is yes; we see that a lot, right? When some of these solutions aren't offered in-plan, they're looking elsewhere to get the advice that they need, right, whether it be spend-down, or how do I, you know, manage these investments.

You know, I'll give you a really good example. There's a large mega-plan in the northeast who has been - really adopted advice early. And we look at the assets in their plan. About 50 percent are with active participants and 50 percent are with terminated participants. So what that tells you is, even after people terminate from assets, they're not rolling to an outside advisor; they're not going to seek advice elsewhere and taking those dollars with them. They're saying, I've got retirement plan advisors I can meet with; I've got the planning capabilities here; I can do it at a third or a quarter of the cost; I'd be silly to do so.

So, yeah, we absolutely see some of those trends in the market. Great question.

MR. PICARELLI: Hi. This is Frank Picarelli with Segal.

MR. MOHAN: Hey, Frank.

MR. PICARELLI: How are you guys?

MR. MOHAN: Doing great.

MR. PICARELLI: A lot of new faces out there today. But basically, the world has changed in the defined contribution industry. Through the years, our solution was GoalMaker. GoalMaker basically acted like a target date fund. So with GoalMaker, a participant basically needs to make a number of decisions. He needs to decide if he's a conservative, a moderate, or an aggressive investor. He makes that decision. Then he needs to determine, hey, how long am I going to retire. And then GoalMaker designs and models asset allocations based upon our core investments.

And it's free. It's free in that the funds that are under the hood are the investment management fees there's no specific tag on. So the industry and more and more plans are looking to offer their participants a managed account solution, which is basically a total outsourcing. You relinquish control and you will let these guys run your account. And it takes a holistic approach. They look at all of your retirement, your savings, what you have in individual monies, et cetera.

So an asset allocation for a person in the managed account is going to be completely different, and it's very hard at the end of the day to kind of measure the effectiveness of, gee, you know, just returns. It's not just about returns. It's the total picture.

So, plans, a lot of high-net-worth individuals, you know, like to outsource it, and it's become a popular situation. Most programs, it's offered as an election, so the people who join it, those are the people who have paid for it. It sounds like the distribution channel is going to be the same core representatives that we have today, so they understand all of our current products and they would be able to distinguish - that's a key thing - what they get for the dollars between the two programs.

So, you know, it's an opt-in. You know, you guys have fees for this. You may want to explain that to the committee on what a participant would pay for these services. So I hope that kind of helps kind of tie it in on big picture on what the differences are here between the two and what we're trying to accomplish or understand today.

MR. MOHAN: Yeah, that's great context, right. I actually have a slide on the fees. Do you want me to take 30 seconds and just go over those?

MR. PICARELLI: Yeah, let's get a taste of that.

MR. MOHAN: Sure, sure. So with the addition of advisory services, so something called Online Advice. This is completely free where a participant can self-serve, kind of build out their information and get that customized asset allocation. That's at no cost to them. There's no fee for that.

For My Total Retirement, or managed accounts, there is a cost for that, and here is the fee schedule. So for the first 100,000, it starts at 0.45 percent, so a little bit under a half of percent. Next one—

MR. McCANN: Hey, John, your screen's not popping up.

MR. MOHAN: Oh. Can you see it now?

MR. McCANN: Yep, we got it.

MR. MOHAN: Okay. Sorry about that.

MR. McCANN: That's all right.

MR. MOHAN: So first 100,000 is at 45 basis points; next 150 is at 35 basis points; next 150 is at 25 basis points; and anything over 400,000 is at 15 basis points. So to Frank's point, this is an opt-in. So if someone doesn't want managed accounts, doesn't need it, they don't need to use it, right. For those folks that say, no, I would receive some value, I would like to have this professionally managed on an ongoing basis, you know, they would pay that, and that would come out of the participant's account. So no cost at all to the plan sponsor.

MR. McCANN: Any questions there?

MR. PICARELLI: And we at Segal have worked on this with a number of different vendors when we evaluate and go through our fee process. So these fees are pretty much in line. In fact, they're a little more competitive than what the other players offer in this marketplace.

So the one thing I just want to point out though is that - two things, is our contract with Empower, we have onsite reps that are basically salaried rep, and their incentive, to grow the plan and retain assets. If we go forward in a decision on this, we want to make sure that these reps are not going to be compensated for driving more of the assets into this program. So that's got to be, you know, complete independence there and maintained within the contract and disclosed as part of your - you know, your performance standards.

MR. MOHAN: Yeah, and I can confirm with the committee right now that is absolutely the case. There's no incentive for a rep to push an Empower product, the managed account service, anything like that. That's not how they're measured, there's no commissions, and their bonus isn't even tied to the utilization of the managed account service.

MR. McCANN: And just to talk through Frank's point a little bit more, you know, all your participants across the state now work with Scott and the seven dedicated reps across the state. That would be the same reps that are primarily offering the service going forward too. So all the participant relationships that Scott and his team have now have this additional service that they can provide to have those more meaningful conversations.

MR. PICARELLI: Yeah, I see the value of this with minimum distributions, where, right now, if you're on an automatic, they're just looking at the plan. But if you're in a managed account, your minimum distributions may have a different look. Also, the decisions between making Roth and pre-tax, those are big decisions. So when you sit down in the managed account program, you're going to get a better way or a better understanding to help you with those decisions in the managed account than you would get with the other tools, that's for sure.

MR. MANN: And this is Scott Mann. How are you doing, everyone? John, just real quick. You know, obviously, we've been hearing a lot about the transferred wealth from baby boomers. I mean, I would have to imagine if someone does elect managed accounts, that that could potentially help assets not leave the plan because they have an investment advisor, especially with, you know, baby boomer money coming in, they trust the advisors on the plan, so therefore they'd be less apt to go out in the outside public and get their own advisor.

MR. MOHAN: Yeah, absolutely. To the question earlier, we see that a lot, Scott, right. There isn't a need to roll out to an outside advisor if you can get it within the plan and use the scale and the cost reduction within the context of this plan to get the advice and the help they need.

MR. MANN: Because I would say, like right now, to myself and the other counselors on the team, we see at least probably 50, 60 percent of the people that say, hey, should I get an investment advisor outside of the plan; especially those that are getting closer to retirement, they want to go through their distribution options.

So we absolutely are seeing it through the team. So it could definitely be a useful tool for a lot of people on the plan.

MR. McCANN: So how does the committee feel, based on the conversation today, you know, their interest in considering moving forward with this?

MR. KRAYESKI: This is David Krayeski again. So I guess the question would be, what is - well, I should - a few questions. One is, what's the cost to the plan for this type of thing. Two, are there - I don't know what the right word is - but incentives for the counselors to drive business back to the plan in any way, shape or form, or specific investment vehicles? I'd like to kind of know if that's part of the compensation structure or not.

And just I'd probably like to dive in a little bit into this a little further, take a look - play with the tool, if at all possible, just to kind of see what it looks like. That would be my areas of interest. Thanks.

MR. MOHAN: Yeah, I can answer those two questions, Mike, if that's okay.

MR. McCANN: Sure, absolutely.

MR. MOHAN: Yeah, so absolutely no cost to the plan sponsor for this. So this is just something you turn on at the plan level and—

CHAIRMAN ADOMEIT: This is John Mohan speaking. Go ahead.

MR. MOHAN: Yeah, thank you. All of those capabilities, the increased planning, the ability to provide fiduciary recommendations to participants, those are all at absolutely no cost to the plan sponsor or the plan participant. The only time there's a cost incurred is if a plan participant says, yeah, I would like to use the managed account service, and then they would pay for that with the fee schedule that you see on the screen directly from their account.

Secondly, the question around compensation for the reps, for the counselors, there's no incentive and there's no compensation tied to the utilization of Empower products or services. So there is no commissions or component that is incentivizing the reps to use the managed account service.

MR. McCANN: Any other questions?

Peter, is this something for consideration to maybe have the Board think about a vote on, or what do you think is for best next steps?

CHAIRMAN ADOMEIT: Well, that's a good question. There are a lot of complexities in this particular issue here. We would obviously have to have the people on board, and hopefully unanimous or close to it, before we take a vote. But I don't know what the members of the Commission are thinking right now as to how we should proceed.

MR. PICARELLI: Well, it's critical today that they understand, you know, what the product is, the fees, the compensation structure, and the difference. So I think that education today was truly important. And I guess, you know, we could take it to the next step where we, you know, learn a little more about it, address - you know, do we have the majority of everyone here? I noticed John Herrington is not on here, and Tom. This is like the first meeting I don't see Tom. I'm sure he has some thoughts about this too. So—

MR. McCANN: Well, Frank, Brian Hill has his hand up for a question.

MR. PICARELLI: I'm sorry.

MR. HILL: Yeah, more just a comment, reaction to the Chair's comment. Again, Brian Hill speaking. You know, obviously, the goal is to keep people in plan, and if they're seeking this service in some fashion and it's not available within plan, you know, this is offering them something. You know, Dave Krayeski mentioned just a little bit more time to kind of look this over. I would like a little bit more time to think about it.

Frank, I appreciated the commentary you had on the comparison of the fees and that this may be a little bit, you know, more competitive in the market for advisory fees. But, you know, I would like to play around with it, give some more thought to it before officially weighing in, but I think I fully understand, you know, what the goal is and what the structure is.

Thank you.

MR. PICARELLI: That’s great.

CHAIRMAN ADOMEIT: Do you want to table it then until the next meeting?

MR. HILL: I think that makes sense.

UNIDENTIFIED SPEAKER: Yeah.

MR. BAILEY: Yeah, Peter, Michael Bailey here. Yeah, I’m in favor of tabling it. I do like the options that are available for the folks if they do want the managed, but they also have an option for, you know, going their own choices as well. So I do like the options of it, and it seems to be competitive with the fees.

But I think we need to get, you know, the other folks in here to talk about this in a little more depth.

CHAIRMAN ADOMEIT: Okay.

MR. PICARELLI: That’s a good decision. Right.

MR. McCANN: All right.

CHAIRMAN ADOMEIT: So is there a motion on the table, please?

MR. BAILEY: Bailey, so moved.

MR. HILL: Second, Hill.

CHAIRMAN ADOMEIT: Okay. All in favor, say aye or raise your hand. Opposed, nay or raise your hand. The ayes have it.

Okay, thank you very much for the presentations.

MR. McCANN: Yeah, thank you very much.

CHAIRMAN ADOMEIT: Yeah.

MR. McCANN: Appreciate the great conversation, and we'll bring it back up for the next meeting and see what other questions there are.

CHAIRMAN ADOMEIT: Okay.

MR. McCANN: I think, Frank, you're up next on the agenda. And I've got your presentation ready to pull up, so I'll share my screen again.

MR. PICARELLI: Well, you guys heard a lot this morning, so I'll have to try to keep mine at a very high level. And it's Frank Picarelli from Segal. This is the time where we review our performance of our funds as of June 30. And, you know, as of June, we had pretty good markets, but I just - if you could go to Tab - page on the bottom. And I appreciate you driving my show.

MR. McCANN: Sure.

MR. PICARELLI: Page 4, I think it is. There you go. Hold that up for a minute. There you can see where we are for the quarter. And growth, large growth, continued to do well at 8.3 percent; on a year-to-date basis, 20 percent. Value was slightly down-2.17. And then small growth and small value down in negative territory.

So I went back this morning to take a look at, you know, where we are year-to-date through September 6 with all the volatility that we had in August and in September, our first week of September. And historically, as we get into the fourth quarter, you know, we're in for a choppy period, a lot of volatility. We have a lot going on with inflation, the interest rate environment, the global tensions that are out there, and we've got an election coming on in the fourth quarter.

So as of September – this is not on there – the U.S. S&P 500 where, with all of that, we're up about 14 percent, which is good. Growth and value are running neck-and-neck, 14.6, and 12 percent for value. Small caps, not as strong as large caps, but, you know, that has a lot to do with the interest rate environment that is a struggle with small companies. But they're running about three percent.

In the emerging markets and international markets through September 6^{th} are about eight, seven percent respectively. So for just the month of

September, the S&P is down a negative-4.2 percent.

So, this report, we look at everything as of June. I'm just pointing out that when we look at the fourth quarter, that's going to be a critical quarter to see where we are. So far, you know, we've been riding the volatilities, these 1,000-point swings up and down, and then coming back. But there's a lot of uncertainty and a lot of volatility that we're going to see going forward.

The good news here is that the sectors - well, you can see here that communication services was up; communication industry, up 44 percent on a one-year basis. The IT, which is so big in the growth space, on a one-year basis, up 41 percent, 13 percent for the quarter. Materials were down. Consumer discretionaries were kind of flat.

But those are all of the things that our managers, our J.P. Morgan funds, our small cap funds, et cetera, they all, you know, deviate plus or down from the various sectors. And then they, lo and behold, pick the best stocks within those sectors.

Moving on to the fixed income charts on Page - I think that's - there you go - you can see here that the U.S. interest rate on the aggregate was year-to-date basically flat; on the one-year, up 2.63; and that the high-yield was really the more risk spectrum of the bond market, performed well at 10.44 percent.

So a lot of good reading, a lot of good numbers in the report. In the interest of time, I'm going to move on to the core report. And we have a section here in terms of litigation and fees, and all that is all related to the way clients move to a more transparent fee arrangement. And I think we have that pretty much covered. There's one fund that it may take a little long for today to do, that we still get revenue-sharing from, the J.P. Morgan fund, but, you know, we have a solution around that, and I'll give you more details in a subsequent meeting on that.

So, Michael, if you could go to Page 27, and I'm just going to quickly hit on these numbers. This is your 457 Plan, which is up to 4.3 million dollars. You did have a negative cashflow. But the big thing is that cashflow on the Stable Value Fund. As we all know, we want to keep those assets in there. It was imperative during this rising rate environment that we basically were able to get a little more cashflow out of our existing plan, and that's been a drain.

So what was positive, we had 28 million dollars going in in transfers. That was a jump out on me. But again, 35 million dollars in withdrawal offset by 11 million dollars in contributions. So, there's a good snapshot of where you are. That number under miscellaneous represents excess payroll contributions where people exceed their limits, and then it goes in and it has to be adjusted and returned. So all that, the good thing is that the money beginning and ending period is all balancing out.

On Page 28 is your asset allocation, and the theme has just been consistent. So, you know, a lot of this has to do with the GoalMaker, but basically the Stable Value Fund has 30 percent of the money, the Vanguard Index Fund has 14 percent of the money; that TIAA-CREF Large Cap Growth, which we did a lot of work with this year, has 18 percent. So those are the big funds with the majority of the assets. And then, you know, you have about a five percent in your International Funds. But everything, pretty consistent, nothing new or shifts in terms of the utilizations.

When you get to Page 33, and I'll touch on this real quickly, is the expenses of your plan. And we're hoping too, our friends at Empower, if we do put the managed account in the plan and it's a good win/win for everyone, that there would be an opportunity to look at our fee that we've contracted of 2.85 and see whether or not, you know, we could have some adjustments there as a result of that.

But the one thing here that's always been on my mind, had a lot of conversations, is that J.P. Morgan fund is the only fund that basically has revenue-sharing. By that, in that fee that the participants pay, 75 basis points, that fund manager gives us 10 basis points in revenue. So all of the other funds have an explicit fee, so you're like a fee-leveling plan; they all pay 2.85. However, the J.P. Morgan fund has a 65-basis-point version at zero revenue sharing.

But what happens here is that 10 basis points that you get, or 84,000 dollars, to this plan in this fund, they collect the 2.85 for the administration, and then the rest, that difference, goes to your budget to run the plan. That's my fee, auditor's fee, any kind of external fees above and beyond that you fund for. So there's an opportunity here to move that to 65 and zero, and then basically, if we did do that, we had no fee concession, that 2.85 would have to be up to 3.10.

So if we made that adjustment across the board, and the projections that I provided John Herrington a while back, your fees would have to be 3.10. So I was thinking ahead and laying out the table that if you should do the managed account, maybe there is an opportunity, Michael, to look at that, and we can make recommendations to move in a more healthy direction with respect to this and clear up this one fund. So I just wanted to touch on that quickly today to give you an idea what that issue is. Okay?

The rest of the funds are all good, your 403(b). If there's not any questions, I'll move on real quickly. Your 403(b) Plan has 1.1 billion in assets, and everything is pretty much the same. Your 401(a) Plan, which is on Page 41, has 2.1 billion in assets. And your Tier IV Plan has grown through time, and your Tier IV has 117.8 million dollars in assets. So everything basically is pretty much on line.

So with that, I just want to quickly hit the Stable Value and just let you know where we are with our rates, because this is a very important fund, and this is on Page 56. And at the end of the day, the blended rate for the quarter is 2.92. You can see what the separate accounts are for the various bond managers was 2.8. So the blended funds are coming in at 2.92. The Empower fund that we have our stable value is at 3.25. So the net crediting rates, you can see from the separate accounts. The separate accounts are coming in at 2.75. That's the two Voya funds and the J.P. Morgan fund, and then the - so separate accounts, projecting at 2.75 and the Prudential at 2.6.

So on the next page, here's a good chart to show you the rate from July to September. So we're going to be at 3.03, and Empower is giving us 3.25 out of that. And then you can see, again, reiterated all of the other funds. Our fund allocation is consistent with our guidelines. I give you a whole analysis of each of the funds, the underlying holding, securities, et cetera, and everything is pretty much consistent.

On Page 61, I just want to point out that we have the one fund, the bond fund, the Metropolitan West Total Return Fund, our research in the process of doing a detailed report on them. They recently had their CIO resign; there is a succession plan. In addition to that, there was a Wells notice on the way they were doing some trades on some securities. And, you know, the reports that I'm reading is that they basically hired an independent auditor. They are following industry best practices.

So it's a concern that we were looking at and we were addressing. This just recently happened. I'm expecting to get more detail. The Segal Company has put it now on hold for, you know, new money or new investments in that fund. So more to come with that.

And that just – that's good news to that. You know, we're on top of that, and we have, you know, a research team that looks into those details. So I will keep you abreast of that as we move into the fourth quarter.

And then on pages – the next page starts on Page 63. You can see where, when we roll up stable value, over three years, we're right on line with the stable value indicator. You know, we're averaging 2.4, all those ins and outs. Over a five-year period, we beat it 2.5 to 2.3.

The MetWest Fund, it's kind of like on the borderline, but basically over five years, we come in at 0.1. The index is at 0.2 and the peer groups at 0.1. So, you know, we're right on average, very good seven-year return. Over the one-year side, you were at 2.9 and the other active managers were at 3.1.

So all in all, even the one fund that you have on watchlist is the J.P. Morgan Fund, which is on Page 65, and the reason why we have it on the watchlist is because of the five-year number and the three where it's below the index. So over three years, it's 4.3; the index did 3.7; and the peer groups did 5.4. So we got a rank of 63. And the same holds for the five-year. But basically, on the one-year side, we're coming back in line. And when you go back to Page 70, is the best chart, and you look at the year-by-year performance of the funds, you get one bad year, one or two bad years over a ten-year period, that kind of affects the numbers.

So when you look on Page 69, you can see in the year ’23, we were ranked 55; in ’22, we did better than the index; we hit the peer groups; a very good year in ’21. And then ’20 is the year in which, you know, we had a bad year where the fund came in at 0.4. So once that rolls off, you can see that fund will align. So we have a very strict policy, like a formula approach, to putting our funds on watchlist where we want it to beat its indices and peers all with that three- and five-year period, and then, you know, when you isolate it year-by-year. That’s why I like those charts at the end that provide that data.

So I really did this real fast. I knew you had a lot thrown at you today. But overall, you know, we got good results going into the fourth quarter, and we’ll see what happens with the 12/31 review.

All right, thank you. Any questions?

CHAIRMAN ADOMEIT: Okay. Anything further?

MR. PICARELLI: Thank you. Thank you for your time today.

CHAIRMAN ADOMEIT: So I guess we’re at

adjournment.

MR. BAILEY: Bailey, so moved.

CHAIRMAN ADOMEIT: Is there a second?

MR. HILL: Second, Hill.

CHAIRMAN ADOMEIT: All right. All in favor, say aye or raise your hand. Opposed, nay or raise your hand. It's unanimous; the ayes have it.

Thank you all very much for your reports.

UNIDENTIFIED SPEAKER: Thanks, everyone.

CHAIRMAN ADOMEIT: Much appreciated.

UNIDENTIFIED SPEAKER: Be well, all. Take care.

UNIDENTIFIED SPEAKER: Thank you.

CHAIRMAN ADOMEIT: Bye, all.

MR. PICARELLI: Thank you.

UNIDENTIFIED SPEAKER: Thank you.

MR. PICARELLI: Enjoy the fourth quarter.

(Adjourned at 10:22 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 9:02 a.m. on September 9, 2024.

Karin A. Empson

Karin A. Empson

10/01/2024

Date