

STATE OF CONNECTICUT  
STATE EMPLOYEES' RETIREMENT COMMISSION  
INVESTMENT SUBCOMMITTEE

DATE: March 3, 2026

LOCATION: VIA ZOOM

Present:

Peter Adomeit, Chairman

Michael Bailey, Trustee

David Krayeski, Trustee

Brian Hill, Trustee

Kimberly Winter, General Counsel, Rose Kallor, LLP

From the Office of the State Comptroller:

John Herrington, Retirement Services Division Director

Agnes Gajowiak

Nicole Wagner

Tom Woodruff

Michael Schneider

From Empower:

Rob Luciano

Michael McCann

Joe Fein

From Segal Marco:

Frank Picarelli

1 (Proceedings began at 0:00 a.m.)

2  
3 CHAIRMAN ADOMEIT: Okay. All right. I call  
4 the meeting to order. This is the State Employees'  
5 Retirement Commission, Investment Subcommittee meeting  
6 being held remotely using Zoom technology.

7 And we already have the attendance. New  
8 Business, Fourth Quarter Performance Review. Segal, it's  
9 all yours.

10 FRANK PICARELLI: Okay. Good morning, this is  
11 Frank. How are you? I'm here to present the performance  
12 of our plan, our investment options for the year ending  
13 December 31st, 2025.

14 Well, we had a another good year of equity  
15 market returns. So, when you go through the reports,  
16 kind of focus on those one year numbers, so I'll walk you  
17 through that.

18 CHAIRMAN ADOMEIT: Frank, I'm having trouble  
19 hearing you. I think you have to cut back the volume a  
20 little bit. Try it again. Yeah, let me re-do it here on  
21 my end as well. Go ahead.

22 FRANK PICARELLI: Hello?

23 CHAIRMAN ADOMEIT: Hello.

24 AGNES GAJOWIAK: Frank? Frank, it's showing  
25 that you're on there twice. Are you logged in? Because

1 there's an echo. No, still there.

2 FRANK PICARELLI: Should I log out and let Mike  
3 take over? Then I'll jump back in. Do you want to do  
4 it that way?

5 KIMBERLY WINTER: I'll try the second Frank  
6 Picarelli. Does that work?

7 FRANK PICARELLI: I had a hard time getting in  
8 the first time.

9 ROBERT LUCIANO: I think with the other one  
10 muted now it might work.

11 MICHAEL MCCANN: Try to talk, Frank, and see if  
12 there's an echo.

13 FRANK PICARELLI: Hello. How are you?

14 MICHAEL MCCANN: Much better.

15 CHAIRMAN ADOMEIT: Yeah.

16 FRANK PICARELLI: Okay.

17 CHAIRMAN ADOMEIT: Yeah.

18 FRANK PICARELLI: Technology at its best. All  
19 right, so let's get to the performance report. Mike,  
20 you'll put it up on the screen?

21 MICHAEL MCCANN: Yes. Can you see it?

22 FRANK PICARELLI: I'll tell you what page to go  
23 to? There you go. Michael, could you just go to page 4?

24 Okay. There you can see that the S&P came in  
25 at 2.6 for the quarter and one year basis, 17.88.

1           So, over three years, the equity S&P 500 was at  
2 23%. The MSCI, another good strong year at 31.22, 4.86  
3 for the quarter and a big turnaround with markets.

4           Emerging markets had a very strong one year at  
5 33.57. When you move to page five and you see all of the  
6 key indices you can see large company growth had another  
7 very good 25 year at 18%, but were down for the quarter,  
8 and you can see that value, large value, was better than  
9 growth 3.81 to 1.12.

10           Small caps came in around 12-13% for the year  
11 and version there, again, the value small value did  
12 better for the quarter than small growth companies. So,  
13 you look at these sectors. Consumer services 33% on the  
14 one year. Financials at 15%. Information technology at  
15 24%. Materials at 10%. And then you can see utilities  
16 and real estate on the downside but up on a one year  
17 basis.

18           So, healthcare had a real good quarter at  
19 11.68. On the next page is your international equities  
20 world. When you back out, the U.S. was 31%. The broad  
21 indices was at 31%. Europe at 35. When you back out the  
22 U.K. out of Europe you can see that 35%. And Japan at  
23 24%. And when you take the Pacific and back out Japan at  
24 20%. And communication services were down for the  
25 quarter, but everything else had really good strong one

1 year throughout all of the sectors.

2 Page seven is the emerging markets which helped  
3 our American EuroPacific Fund and we'll see that in a  
4 minute, but you can see the numbers at 33.5%. All right?

5 Fixed income; feds lowered the rates, so when  
6 that rate goes down it's going to have an impact on our  
7 rates because the bond yield prices go up and that  
8 affects the yields, so we had a rate cut in the fourth  
9 quarter and we'll see how that process unrolls with all  
10 of the events that are striking our economy with the  
11 tensions and global affairs, inflation, all of those  
12 things and cut back on the tariffs that's been imposed  
13 upon the President. So, that's really quickly where we  
14 are with the markets. So, we'll see in a minute how our  
15 funds stack up to those numbers.

16 Moving into the second half is funds. And I'll  
17 just briefly -- I know that Mike is going to go through  
18 this in detail, but you could see we had significant  
19 growth in our assets. The 457 plan --

20 MICHAEL MCCANN: What page are you on, Frank?

21 FRANK PICARELLI: On page 28.

22 MICHAEL MCCANN: Thank you.

23 FRANK PICARELLI: Sorry.

24 MICHAEL MCCANN: That's all right.

25 FRANK PICARELLI: It's up to almost \$5 billion.

1 We had really significant negative cash flow, \$101  
2 million coming out for benefits disbursements and only  
3 \$57 million going in with new money. You can see that  
4 has an impact across the board, but primarily the one  
5 that we worry about is that Stable Value Fund. So, we  
6 had \$36 million coming out and then \$11 million coming in  
7 transfers.

8 So, as you can see, that net transfer column,  
9 people are moving in and out of the funds, so they're  
10 moving along.

11 Your asset allocations are pretty much  
12 consistent. Really nothing to report. No changes there  
13 on the next several pages.

14 We jump to page 34. We could see that the good  
15 thing is that we're all at zero revenue sharing. And,  
16 you know, now our fees are going to be adjusted once we  
17 go through our contracts for the bid that we just  
18 recently completed. So that'll all be updated  
19 accordingly.

20 You're looking at the 403(b). You could see  
21 that we have \$1.3 billion in assets and \$28 million came  
22 out and \$14 million went in. So continuing the theme of  
23 negative cash flow, where more benefit payments than  
24 initial cash flow and a plan had an appreciation of \$18  
25 million in gains for the quarter.

1           Your balances, again, pretty much contain 23%  
2 of the allocation in Stable Value. Then the next big  
3 fund is your Vanguard Index with 11%. So, everything  
4 pretty much consistent.

5           The 401(a) is on page 42 and that's up to \$2.5  
6 billion. And \$25 million went in, \$46 million came out,  
7 and then again a depreciation of \$40 million for the  
8 quarter. Your allocations consistent. Nothing flags out  
9 for me to report to you.

10          We move now to Tier IV and Tier IV is up to 205  
11 and change in million. We have positive \$10 million in  
12 contribution with only \$1 million coming out. So, the  
13 plan has grown to \$205.7 million.

14          On your asset allocation, only 8% in Stable  
15 Value. The Institutional Index at 10 and then the TIAA-  
16 CREF International Equities at 14 and the American  
17 EuroPacific. So, different allocation from the core  
18 plans that you see.

19          So, there's where we are pretty much with all  
20 of the basic data and your accounts. All of your ending  
21 balance equals your beginning balance, so everything ties  
22 out from period to period.

23          We get into our Stable Value Fund and see where  
24 we are. On page 56, you can see the breakdown for the  
25 year to date around 3.21. The thing to remember is the

1 blended rates for all of the managers was 3.27 for the  
2 quarter and the prior quarter was at 3.9 and then from  
3 April to June, 3.23. So, we were all above that 3% mark.

4 And I'll show you in more detail, Voya separate  
5 accounts are being reported there and then when we move  
6 to the next page you see the October to December rates.  
7 So, when you look at the blended rates are coming at  
8 3.25. Prudential, the general account was at 3.50. So,  
9 you can see the underlying components.

10 So, the separate account came in at 3.12 and  
11 the Prudential general account at 3.5. And then we show  
12 you now the projection where we are now going from  
13 January through March. So, it's a slight decrease to  
14 3.15 from 3.27 the prior quarter. You could see that the  
15 Prudential rate was 3.30 and then the underlying managers  
16 within the portfolio. So right now we're making 3.15  
17 going in the first quarter of 2026.

18 And then we have all of the detailed  
19 information of the funds. Your funds on page 60 are  
20 still, you know, no issues in terms of shifting style,  
21 management changes. I mean, pretty much your lineup has  
22 been solid in that term.

23 On your watchlist page, we'll go through this  
24 in a minute. We got the TIAA-CREF Social Choice and, you  
25 know, it's an index fund, we're getting five basis points

1 but that has certain screens and it has exposures to all  
2 of the markets; large, mid and small. So, we've talked  
3 about that in the past. So, it's been a flagship fund in  
4 your plan for a number of years. So, I mean, that's what  
5 it's expecting to do. It's tracking to its index in  
6 terms of expenses.

7 Good news is the American Funds EuroPacific is  
8 coming off watchlist. We had improved in performance  
9 across all of the periods. So you'll see that in a  
10 minute. So we're recommending that we take that off  
11 going into the next quarter's report.

12 And then the J.P. Morgan is slightly trailing  
13 on some of the indices and that's all a reason related to  
14 a flight for quality. We saw lower quality issues in the  
15 mid cap and now we're seeing a reversal of that in the  
16 first quarter of this year. So, those things with mid  
17 caps and active funds, we see that ups and downs in the  
18 markets.

19 Moving to page 64 is your individual fund  
20 performance and you can see that the fund, when you look  
21 at it based on basically in track of the Stable Value  
22 generated index with our structure, we're coming in at  
23 3.1, Empower at 3.5, the J.P. Morgan's had a good year at  
24 7.8, the Voya at 7.5 and the Voya Core Plus at 7.8. So,  
25 those separate accounts, you know, did pretty well during

1 the year, helping the overall value. Your bond fund  
2 always, you're there.

3 Moving on to the next page. The American Funds  
4 mutual fund is your large cap value doing strong. You  
5 can see here this Social Choice recount, you know, on a  
6 year to date basis it came at 16 points, the index was at  
7 17, and the peer groups have actively managed at 16.4.  
8 So it matches that pretty much. All right. But the  
9 longer term numbers and the three years because of our  
10 policy statement reflect why it's on the benchmark.

11 Your TIAA Growth Fund is doing well, ranks 27.  
12 And that was the new fund that we put in a year ago. So  
13 it's tracking very well at a low cost, coming in at 31%  
14 over a three year period where the active managed funds  
15 were at 28.

16 Here's your J.P. Morgan fund and you can see  
17 that on the five and three years it's 10.2, the index was  
18 12 and the peer group's at 11. On the five year side, it  
19 just beats the index but slightly below the peer groups.  
20 So you're at 9.9 to 10.1. So it's right on the line. So  
21 when you look at the year by year numbers on page 70,  
22 you can see that the J.P. Morgan had a very good '24,  
23 ranked 18. In '23, it was a 57 peer rank, '22, which was  
24 a down year in the markets where the markets were down  
25 12. So, it had a good downside capture compared to the

1 index. And then '21 was a strong year and then '20 is an  
2 off year.

3 So, when you look over that from '20 to '24,  
4 you know, you just have that one off year and that all  
5 affects the rolling number. So, that's all effect to the  
6 manager of the sector, the quality that's held in the  
7 manager. So, hopefully we'll see a little reversal of  
8 that going into the new year.

9 So it's very hard for me to do this because I'm  
10 hearing echoing in background. It's driving me nuts.  
11 So, I hope you were able to hear me clearly. I apologize  
12 for the noise in the background. Got a bad connection.

13 CHAIRMAN ADOMEIT: We could hear you fine on my  
14 end.

15 FRANK PICARELLI: I was hearing like I was in  
16 Yankee Stadium.

17 CHAIRMAN ADOMEIT: Yeah. Okay.

18 FRANK PICARELLI: Any questions?

19 MICHAEL MCCANN: Are you ready? I can -- I can  
20 move over into Empower's update, Peter, if you're ready  
21 for that.

22 CHAIRMAN ADOMEIT: Yes, please.

23 KIMBERLY WINTER: I'm sorry, can I just, can I  
24 just have two people introduce themselves that we have in  
25 the attendance list, or in the participant list? I'm

1 sorry, that I don't have on my invitee list. So I have  
2 Nate Weinstein? So I'm just hoping he could introduce  
3 himself. As well as a phone number, 855-525-8949. Just  
4 not sure whose number that belongs to.

5 CHAIRMAN ADOMEIT: Any response? Should we go  
6 ahead and proceed?

7 KIMBERLY WINTER: Yes, I would say so.  
8 Apologies for the interruption.

9 MICHAEL MCCANN: All right. Yeah, good  
10 morning, everyone. Nice to be here today. I hope  
11 everyone is having a good start to the year 2026. It's  
12 crazy that we're already in March and how fast the time  
13 is flying by.

14 I'll start today on page three of our report.

15 CHAIRMAN ADOMEIT: The speaker is Michael  
16 McCann. Go ahead.

17 MICHAEL MCCANN: Sorry. Yep. Sorry, Peter.  
18 Michael McCann with Empower. So, total participant  
19 assets across all four of the plans crossed the \$9  
20 billion threshold, and we're now up to just shy of  
21 107,000 participants across all four of the plans.

22 Across all four of the plans, asset allocation  
23 remains equity heavy like it has in the prior performance  
24 periods. You're just under about 68% in equity, about  
25 just shy of 25% in stable value, and just shy of about 8%

1 in bonds.

2 You're up to about 61% of total participants  
3 across all four of the plans taking advantage of the  
4 GoalMaker program now. So across all four of the plans,  
5 that continues a nice healthy trend. And you're about --  
6 then you got about 40% of participants still, you know,  
7 doing what we call like the DIY investment, which is  
8 perfectly fine. But those trends both continue quarter  
9 after quarter. And we've had, while Frank highlighted on  
10 some of his slides, we've got, you know, with a mature  
11 plan, outflows across most of the plans, you also still  
12 do have healthy inflows. And then, of course, market  
13 appreciation, which, where you can see if you look at,  
14 you know, March 31st of 2025 across all four of the  
15 plans, you were at \$8 billion. And by December 31st of  
16 2025, you had already gained another \$1 billion across  
17 the plans. So very hefty overall performance for the  
18 year.

19 I'm dating myself here, but I can remember the  
20 first time I came to a meeting with you guys, across,  
21 back then, it was just three plans. The Tier IV Plan had  
22 not been created yet, but we were about \$3 billion across  
23 all of the plans then. So, again, just good, tremendous  
24 growth across the program.

25 The next few slides of my report, I break down

1 the individual slides, but unless there's questions for  
2 me on that, I'm going to skip that today since Frank hit  
3 that all in his updates. And I'm going to move to slide  
4 18.

5 FRANK PICARELLI: Just a quick question, Mike.

6 MICHAEL MCCANN: Sure.

7 FRANK PICARELLI: What is your average account  
8 balance on that \$9 billion asset?

9 MICHAEL MCCANN: The average account balance  
10 varies by plan, Frank, so I always like to look at it by  
11 plan. So let's see here. In the 457 Plan, it's \$112,000  
12 is the average account balance. In the ARP Plan, it's  
13 \$138,000 is the average participant balance. In the  
14 403(b) Plan, it's \$155,000 is the average account  
15 balance. And then in the newest plan, the Tier 4, where  
16 it's just the 1% employer and 1% employee contribution,  
17 that's obviously got the most new participants in it, but  
18 they're all starting at square one, so it's just under  
19 \$6,000 is the average account balance there.

20 FRANK PICARELLI: Thank you.

21 MICHAEL MCCANN: Yep. Page 18 of the report  
22 takes a look at year-to-date contribution totals. \$256  
23 million in contributions before tax, \$44 million in  
24 contributions in Roth. So we, you know, as time goes on,  
25 we see more and more participants taking advantage of the

1 Roth sources within the plan and more and more choosing  
2 to allocate some of their contributions to the Roth  
3 sources. The contributions have been mostly consistent,  
4 with the peak month in 2025 being the month of May when  
5 \$45.7 million were contributed into the plan.

6 Page 20 of the report takes a look at  
7 distribution activity. So, this again is kind of just  
8 highlighting what Frank mentioned in his report, but  
9 putting it into a nice little month-by-month chart that  
10 you can see where for the year you had just under \$500  
11 million across all four of the plans and done in  
12 withdrawals from people that have separated from service,  
13 \$68 million in in-service withdrawals, and about \$37  
14 million in RMD withdrawals. This again, as we've  
15 mentioned in prior quarters, this distribution level is  
16 nothing to be alarmed at. It aligns with what we see as  
17 far as, like, maturity, like the demographics of a plan  
18 like yours and large plans, where you have a significant  
19 portion of your baby boomer population now entering into  
20 that separation of service and retirement phase.

21 Let's see, moving on to page 22, we've got some  
22 loan detail. Loans overall, very, very consistent. The  
23 trend line here for a couple of years now has been that  
24 the population of participants with loans is right around  
25 11 or 12%. Last quarter it ticked up to 12.4% of

1 participants have an outstanding loan. So you've got the  
2 average loan balance is about \$8,600. Folks, we  
3 typically issue between 110 and 130 new loans per month,  
4 and that is a pretty consistent trend. So, nothing  
5 overly going on here in terms of a trend that would be  
6 anything alarming.

7 One slide that I really like to look at in your  
8 plan because it again kind of highlights the maturity of  
9 the plans in one sense, but also the newness of the plans  
10 in the other sense, it's just the breakdown of  
11 participant balances. We break this down in a couple of  
12 ways: folks that are active in the blue, folks that are  
13 separated from service in the purple, and then you can  
14 see, like, the different balance trends. And you know,  
15 part of the reason you have that huge skew of folks with  
16 low participant balances is that Tier IV Plan.

17 That Tier IV Plan, as I've mentioned in prior  
18 quarters, is really also a growth engine for the  
19 Connecticut plans because our team of 7 dedicated reps  
20 really then engages those folks when they're  
21 automatically enrolled into that Tier IV Plan to also  
22 then talk to them about the other plans that are  
23 available to them and, you know, really try to, like,  
24 encourage them if it's something that they are interested  
25 in to also enroll in the 457 Plan. So typically we'll

1 get really good participation where once folks hit that  
2 Tier IV Plan, you'll also see them start to enroll in the  
3 457 Plan and start making meaningful contributions to  
4 that program as well.

5           Pages 25 through 36, I break down the GoalMaker  
6 usage by plans. In the interest of time, I'll just focus  
7 on just the 457 Plan starting on page 25. That just  
8 again gives really good overall indications of kind of  
9 the theme here. Every time we look at GoalMaker, where  
10 we're now up to 45% of participants in the 457 Plan are  
11 utilizing GoalMaker, those 45% of participants, that  
12 represents 21% of plan assets within the 457 Plan. You  
13 have 51% of those participants choosing the moderate  
14 strategy. So remember, participants can choose the  
15 conservative, moderate, or aggressive. And that trend  
16 line, as you can see, has just continued to continue on  
17 that nice upward trajectory as new folks enter into the  
18 program, of selecting GoalMaker as their asset allocation  
19 service. So, you see those same trends across the other  
20 plans as well. But I thought I'd just highlight the 457  
21 today. Any questions on GoalMaker before I move on?

22           So, to wrap up my comments for today, what I  
23 would say is that, you know, overall across all four of  
24 the Connecticut plans, I think that it's financially very  
25 healthy and growing. Despite, as I mentioned earlier,

1 with the significant distribution activity with the  
2 inflow of new money in along with what the market's done,  
3 the plans are still definitely growing. Tier IV is  
4 definitely the growth engine that will lead to great  
5 things down the line, especially as those, you know, new  
6 hires that are in that plan continue to do what they're  
7 doing in terms of adopting, also enrolling in the 457  
8 Plan.

9 GoalMaker continues to be widely utilized as  
10 we're now up to about 60% of participants utilizing the  
11 GoalMaker service. So that continues to pay dividends  
12 from all the years back when that program was first  
13 implemented into the plans. And then the distribution  
14 patterns and the loan patterns continue to remain stable  
15 and manageable. So no alarms there as well.

16 So, you know, overall, I think we've got a  
17 really good, healthy mix of all four of the plans, and  
18 all the trend lines continue to be very, very healthy  
19 right now as we sit here today in March of 2026. So I'll  
20 pause there and see if there's any questions for myself  
21 or my other colleagues on the line from Empower.

22 All right, I'll turn it back over to you,  
23 Peter, if there's no other questions.

24 CHAIRMAN ADOMEIT: Okay. I have a question for  
25 John Herrington. Do we do a motion to accept the report,

1 John? He was here. John?

2 JOHN HERRINGTON: I'm still here. Yes. No.  
3 Right. Typically there would be a motion if we were  
4 changing something with respect to the investments, but  
5 just in terms of this presentation of the information  
6 there typically is not a vote to accept the report.

7 CHAIRMAN ADOMEIT: Okay. So no decision is  
8 made.

9 JOHN HERRINGTON: Correct.

10 CHAIRMAN ADOMEIT: Yeah. Thank you very much.  
11 Okay. I guess we need a motion to adjourn then, right?

12 FRANK PICARELLI: Can I make a recommendation  
13 since we're on here now, is it possible? And then, John,  
14 Agnes, and Tom, if we could call back in and kind of  
15 discuss issues related to transition.

16 JOHN HERRINGTON: Yeah, I think it would be  
17 helpful if we could schedule that meeting. I have a 10  
18 o'clock that I need to get to right now, actually.

19 FRANK PICARELLI: So we'll work with Agnes to  
20 schedule the date?

21 JOHN HERRINGTON: Correct. Yeah, I mean, it's  
22 possible that we could just schedule something later this  
23 afternoon, but I just have a meeting at 10.

24 CHAIRMAN ADOMEIT: Okay.

25 FRANK PICARELLI: I wanted to catch you before

1 you took off.

2 CHAIRMAN ADOMEIT: Okay.

3 BRIAN HILL: Mr. Chairman, this is Brian Hill.

4 I make a motion to adjourn.

5 DAVID KRAYESKI: Mr. Chairman, David Krayeski.

6 I second that motion.

7 CHAIRMAN ADOMEIT: Okay. All in favor, say aye  
8 or raise your hand. Opposed nay. It's never opposed.

9 It's unanimous. The ayes have it. Thank you. Very nice  
10 report. Take care. Very nice report.

11  
12  
13 (Meeting adjourned at 0:00 a.m.)  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

