STATE OF CONNECTICUT

STATE EMPLOYEES' RETIREMENT COMMISSION

INVESTMENT SUBCOMMITTEE

DATE: June 3, 2026

LOCATION: VIA ZOOM

PRESENT:

Peter Adomeit, Chairman

Michael Bailey, Trustee

John Disette, Trustee

Brian Hill, Trustee

OTHERS PRESENT:

Michael Schneider, Office of the State Comptroller

Nicole Wagner, Office of the State Comptroller

Agnes Gajowiak, Office of the State Comptroller

Cindy Cieslak, General Counsel, Rose Kallor

Frank Picarelli, Segal

Michael McCann, Empower

Joe Fein, Empower

Dan Evans, Empower

(Proceedings began at 9:30 a.m.)

PETER ADOMEIT: Good morning, everyone. I'm Peter Adomeit. This is a State Employees' Retirement Commission Investment Subcommittee meeting held remotely using Zoom technology. And Cindy, do you have the attendance, please?

CINDY CIESLAK: I do. And as always, I apologize for everyone's names I mispronounce. I'm still learning. So, this is Cindy Cieslak. Present today we have Chairman Peter Adomeit, Trustee John Disette, Trustee Michael Bailey, Trustee Brian Hill.

We also have Dan Evans, Michael McCann, Joe Fein and Frank Picarelli.

From the Comptroller's Office, Michael Schneider. I believe Nicole is from the Comptroller's Office, so Nicole Wagner and Agnes Gajowiak. And I'm Cindy Cieslak, General Counsel from Rose Kallor.

PETER ADOMEIT: Okay. New Business. A - First Quarter 2026 Performance Review, Segal.

FRANK PICARELLI: Segal. Okay. Good morning. Hi, everybody.

MICHAEL MCCANN: Hey, Frank, your report hasn't gone -- come over to me yet to share.

FRANK PICARELLI: It should be there any second.

MICHAEL MCCANN: Okay.

FRANK PICARELLI: Do you want to go first then?

MICHAEL MCCANN: Yeah, I'll go first. I'll go first, Frank, and then hopefully it comes through my email server while I'm presenting here.

FRANK PICARELLI: Okay.

MICHAEL MCCANN: Can everyone see my screen?

PETER ADOMEIT: I can.

MICHAEL MCCANN: Okay, perfect. All right.

PETER ADOMEIT: Can you make it a little bigger?

MICHAEL MCCANN: Let's see if I can make it a little bit bigger for you there.

MICHAEL MCCANN: How's that?

PETER ADOMEIT: Yeah, that's better.

MICHAEL MCCANN: All right. So I'm going to start on page 3 of our report. This takes a look at all four of the plans on a combined level.

You'll notice that as we ended 3/31, that assets pulled back from just over $9 billion to about $8.75 billion. A lot of that was due to the market volatility that happened in March of this year, which we have certainly made up for in April, May, and the first part of June.

Participant counts continued to modestly grow, where we increased about 1,000 participants in the quarter from just under 107,000 to now just under 108,000 participants.

Moving on to Slide 4, asset allocation remains consistent with the split between equity, bonds, and the stable value position. And the average account balance continues to be very strong across all four of the plans as well.

Next, I'm going to take a look at just 457 plan. For the 457 plan, we ended the quarter at about $4.8 billion in total assets. Again, you see the pullback there as well, but the participants with the balance remains very consistent and same thing here in the 457 plan, the average account balance continues to keep its trend line above $100,000 per participant. You're now also up to about 45% of participants in the 457 plan using GoalMaker.

Let's see, the ARP plan, you're now just shy of $2.5 billion in assets. So you had a little bit of a pullback in the quarter too, but like I referenced earlier for all of the plans, May and June certainly made up for that. Very consistent in terms of the participant count, and then the average account balance continues to grow in the ARP plan as well.

If I move forward, the 403b plan, very similar, but consistent participant counts, participant consistent average balances, consistent use of GoalMaker, and consistent allocations by asset class.

And then, of course, rounding it out, we have the Tier IV plan, which continues to grow in terms of assets now and then participants with a balance. So this plan is now comfortably north of $200 million in assets, and we are now over 36,000 total participants in the Tier IV plan.

I know that these materials were routed early, and in the interest of time, I didn't dive into the high-level metrics on the four plans that quickly, but I just want to pause and see if there's any questions on the quick hit overview of those four plans before I dive into some other sections of the report. Any questions there?

Alright. I'm now gonna move to slide 18. Eighteen shows contribution activity. Sorry, slide 18. Make sure you guys can see this. This is a cool, cool view. It shows, by month over the last year, the contribution activity, and it breaks it down by participants that are taking advantage of the traditional before-tax source, the Roth source, and then the employer source. So you can kind of see the breakdown and the changes over period over period. Everything seems very consistent, looking at historical trends there. The one thing I would say is, is that what we are seeing with the Connecticut plans and other plans as well, that slowly over time that Roth option is becoming more and more popular. And that's the big thing that I wanted to reinforce there.

On Slide 20, kind of like a similar look, this takes a look at distribution activity. Again, you guys have a very mature plan with a lot of folks that are entering into those retirement years. So, you know, in terms of net activity, distributions versus new money in, the outflows are consistently higher than new money in. But that's very consistent with your plan, especially being a mature plan. And this breaks down by month just what we see in the total amount of the distributions each month and the different types of distribution where it could be folks that are doing the RMDs, the in-service withdrawals, the hardship withdrawals, the QDROs, of course. But the vast majority, month over month, those folks that are separating from service and they're either deciding to just start taking their distributions to fund their retirement or perhaps considering a rollover of some sort.

The next slide that I want to point out is slide '22 on the loans, very consistent in terms of the percent of loans. This is one of the first slides that I wanted to take a look at when I got your quarterly report in my hands. We are starting to see in some other governmental plans the number of outstanding loans and the average loan balance starting to get higher, but your plan is continuing to be very consistent in terms of outstanding loans, participants requesting a loan, and the average loan balance. So I haven't seen that increase hit your plans yet that I've seen in some of our other large government plans. So that's definitely something that I think we should monitor as just an indicator of any participant headwinds that are out there.

All right. And then the next slide, I'm only going to focus on just the 457 plan, unless you'd like me to dive into the other plans, and I can definitely do that. But this just shows for the 457 plan, the GoalMaker participation. And all 4 of the plans are very consistent where quarter over quarter, we continue to see more folks utilizing the service. And the total assets in the service by plan also continuing to increase. So for example, in the 457 plan, like I mentioned earlier, there's just shy of 45,000 participants in the plan. There's now over 20,000 folks in the 457 plan that are using the GoalMaker asset allocation program, and that represents about 22% of the total assets in the 457 plan.

And then you can see how participants have chosen. Do they want to either be in the conservative, moderate, or aggressive allocation of GoalMaker. So everything continues to be extremely healthy on the GoalMaker usage of all 4 of the plans.

Any questions on GoalMaker? So, I would just to summarize today, in terms of plan health, I think all 4 of the plans are very healthy. Overall participant behaviors, this is probably the best news that I would say. So we had the big pullback in March, and then we know April and May have been very successful in terms of what the market rebound has been. But we did not see participants leaving GoalMaker or running to stable value during that March volatility. So participant behavior remained disciplined. I think that's a credit to all the education that you guys put out on your custom website. And then our 7 dedicated reps and all the group meetings and one-on-ones that they have trying to provide that education.

So we did, you know, everyone remained disciplined, contributions remained steady, loan activity remained very controlled, and then GoalMaker continues to be a very critical part of the plan. But I think that when we come back again, assuming that June stays anything like April and May, when we come back with the

Q2 numbers, we'll see a tremendous uptick in terms of total plan assets, average participant balances, and those key metrics that we monitor quarter over quarter.

I'll pause there. Frank, I saw that your report just came through, so I'll pull that up here in a minute, but I'll pause there and I'll see if there's any questions for me.

MICHAEL BAILEY: Hey, Mike. Michael Bailey here.

MICHAEL MCCANN: Yeah.

MICHAEL BAILEY: I don't know if you can -- couldn't just give us a quick overview of Tier IV, looking at maybe trends that are happening with participants, or just a quick overview. We have some concern about the plan, some of the risks that are assessed, and just wondering where that stands at this point.

MICHAEL MCCANN: Yeah. So, for the Tier IV plan, again, this -- so going back the history of this plan when it was created in, I believe it was 2017 or 2018, the vast majority of participants in this plan, it's the like 1% employee contribution, the 1% employer contribution. So the money in on this plan is very small. However, it's also for all new hires after those dates. So we've seen tremendous growth in terms of participants with a balance in this plan and then the assets growing as well. But you'll also notice compared to the other plan, because it's just a very low employer and employee contribution, the average balance is very low. That will continue to change over time as more and more folks stay in the plan.

The huge thing that we have always leveraged the Tier IV plan for, in working with Agnes and her team, is trying to have conversations with those participants that, Hey, this is a -- going to be a nice sum of money that is going to grow over years. However, let's take a look at what you're really looking for as far as a lifestyle of retirement. And as a result of that, we've continued to see tremendous amounts of those folks that are in the Tier IV plan then also enrolling and doing supplemental contributions to the 457 plan, which is exactly what you want to see as far as good, healthy participant behaviors. So that would be kind of like the high level of the Tier IV. The other thing with the Tier IV is the default option in the Tier IV is GoalMaker. So in the Tier IV, unlike the other plans where you're like in the 30s or the 40s for GoalMaker usage, the Tier IV plan continues to be 96.6% of participants in Tier IV are using GoalMaker. So they're sticking with what the default is for the vast majority of those folks. So they're definitely, compared to the other plans, in terms of like what you would want in terms of asset allocation, they're by far and away exceeding that by using the GoalMaker tool. Is that what you were looking for, Michael?

MICHAEL BAILEY: Yeah, that's good. That makes a lot of sense to me for those new employees coming on board and what they have, you know, what they have to look for and deal with. So, you know, that makes a lot of sense. So no, yeah, that's just what I was looking for. Thank you, Michael.

FRANK PICARELLI: Michael, just looking at my performance report in terms of your asset allocation and utilization of your plan, I guess this is supportive of GoalMaker. You have only 9% going to stable value, so that means your participants are moving into funds. The Vanguard index funds have 11% of the total. The next biggest fund is your international TIAA-CREF fund, which has 13%. Your small caps have 8.8%, and that Vanguard index is at 11%. So, you know, they're using the other funds more or less with a lower allocation. Stable value, which is good.

MICHAEL MCCANN: All right, Frank, I think I have successfully pulled your report up. Can you guys all see?

FRANK PICARELLI: Yeah, better you than me. Okay. All right, it's Frank Picarelli. I'm here to report the performance of your funds as of March 31st, and I want to bring you up to date with the markets through the end of May. But as Michael has indicated, let's go look at the June report. But it's nice to see how our funds weathered this storm in down market periods, how our down capture ratios work out.

So good story with all of our investments, but the old news is the war broke out in early March. So we have a lot of global uncertainties during this period of March. We had the issues with the oil prices and the fluctuation of oil and how that's affected the markets. A lot of unknowns with respect to tariff regulations and inflation hovering over us. So those were the big elements that affected the markets. And if you go to page 5, Mike, just take a look at what transpired here, is that you could see that all of the U.S. equities for the quarter were down. The S&P was down 4.3%. Growth was down, which was such a big run on growth. A lot of growth companies didn't get much of the run during this particular first quarter. And they were down almost close to 10%, but value came back on a positive note at 2.10%. And then you can see small caps were also down, but value small value companies were up close to 4%. So you gotta really look at those 1-year numbers over a 1-year cycle where we are with the S&P at 7.8%. Now, looking at it through the end of May, the S&P is up 11.6%. Growth companies turned back during April and May, and they're up to 9%. Large values are up at 13.4%. Small caps are in 17.4% for growth and 17.8% with value in the international markets. I'll talk about that in a minute.

Internationals through May 31st are up 8.3%. Emerging markets are up 27%. So in the month of May, the S&P came back 11.3%. So good news there. You could see that the sector is the only positive sector in the quarter was energy, was up very strong. You could see that finances were down, health care was down, information technology, which on a 1-year basis, very small large caps have a lot of exposure there, was down 9.13% quarter to quarter. So yeah, we're down for the quarter, but positive news for April and May. Hopefully that trend will continue through the months.

We had a Fed announced -- a new Fed chair, Mr. Walsh, joining on board, and we'll see how that may impact our future rate and cut. I think the concern with inflation, you know, they may take a steady course with that and kind of keep things consistent. So, more to come with that as we move to the second quarter.

Mike, if we could just go quickly to page 6, just to show the international flavor on what's going on. And there you can see that the world, when you take out the U.S., was down almost 2%, but good numbers on it on a 1-year basis. The UK up 25%. Europe developed 19%, but really no robust or differentials during that quarter. But again, good comeback on a year-to-date basis through June 1st. There you could see the sectors involved in the international equities and how you can see here that energy, again, continuing the theme as the hot sector across the board.

On page 7 is the emerging markets. Emerging markets have good runs the last couple of years, and that helped our American Euro Pacific, which had some exposure there. But on a 1-year basis is up at 29%, Asia at 28%, Latin America at 57.38%. That all impacts our international fund.

Fixed income indices are on the following charts. I'm not going to go through them in detail other than to report that, you know, we have a blended stable value fund where we're up in the 3s, and all of these bond positions were pretty much negative for the quarter.

On a year-to-date basis, the U.S. aggregate is flat. The 1-3 Treasury rate is less than a percent. And high yields, the most risk spectrum of the bond markets, are up slightly at 1.6%. So we'll look at our funds in a minute. So that's briefly a high-level capture of the markets at 3/31 and where we are as of June 1st.

The next section of our report is our defined contribution kind of market update, and it starts on page 13. And I know that Michael works with John and Agnes on various things related to this. You know, there was some proposed changes to statement delivery rules, and, you know, Mike, you may want to comment on what our practice has been with respect to paper or electronic copies, et cetera. So I believe, you know, we have a process in place, and you may just want to give us -- make a comment on this with respect to the proposed changes to statement delivery rule.

MICHAEL MCCANN: Yeah, I mean, I think that everything remains very consistent in terms of for the Connecticut plans, people have to choose paper, or I should say they have to opt into electronic delivery, or the default is paper. So I don't anticipate any changes with regards to SECURE 2.0 with that.

MICHAEL MCCANN: Frank, anything you would add there?

FRANK PICARELLI: I think, you know, we're following the course and the outreach is, you know, getting participants more and more, we're moving to an electronic world and, you know, participants are constantly notified that statements are out there. They have the online ability to even get this information on a quarterly basis. So I just wanted to make note of that. We're following that.

On the next page, page 16, is this whole topic now. I'm sorry? I'm sorry. Is the issue on alternative investments and private equity type of investments in defined contribution plans. You know, one thing I just want to point out is we have that 403 plan, which is restricted to mutual funds, and we follow all of our plans utilizing that philosophy. So whether or not, you know, this is going to hit DC plans is a long way to go. The big issue is liquidity, the daily pricing of this, but this is something that you've been hearing -- you may hear a lot of buzz about and talk more and more evolves. We'll keep you guys abreast of what's transpiring in that area.

On page 15, you may be hearing news about Trump accounts, and, you know, I don't think this is -- this would be kind of a separate cash balance type of plan, but that's out there. I think Empower could comment more than I on the utilization of what's going on within their client base. But we're really, you know, all we know it's out there and it's available. That, you know, would be something that could be sponsored by the state if you want to go down that route.

So, other than that, I think everything that we've got in place and what Mike and his team does working with Agnes and John, we pretty much cover the spectrum of keeping us abreast of the SECURE Act and following the appropriate provisions and communicating these things to our participants as they become available and as the committee takes action.

Mike did a great job in reviewing my next section of the report which highlights all of your plan activity. And basically, nothing really has changed from period to period. I'm always concerned that your beginning balances tie out to your ending balances period to period. So we basically are doing an audit to ensure the integrity of that. These are participant accounts. Participants have access to these accounts. You can see that participants do inter-fund transfers, so they're moving in and out. That's a combination of participants doing it on their own and GoalMaker taking some action. Your cash flow, as I've always reported, has been more on the negative side. So more is coming out for disbursements, and, you know, there's reasons for that. We've been tracking that. But everything basically ties in from beginning to ending period. Your asset allocations have been pretty much consistent. The only droppage in the percentages on the charts attached after each plan is basically attributable to the market fluctuations.

So, unless there's any questions, the utilization is important when we do fund changes. It's good to know our exposure, how many participants are in a particular fund. So, if you're using your funds, funds are spread across the board. You know, you do have a pretty good low allocation to stable value compared to other governmental plans. So that's all the functionality of the GoalMaker, getting people to diversify.

So, if there's no other questions, I think Mike's reports, my report, all tie in and reconcile different good news, good information to help you understand the appreciation and growth of your program from period to period.

If we jump -- if there's no questions, we could jump to page 47. And there's a snapshot of where we are with our blended fixed income fund. You could see that on a 1-year basis, we're coming in at 3.21%. You could see the general account that we have in place on a 1-year basis was 3.45%. And then you could see the blended rates of each of the managers when you blend it all from period to period. So we're pretty much from like 3.15 for the first quarter and then last year 3.27, 3.19, and the last quarter that you could see in '25, around 3.23. And then you see the breakdown of the Voya separate accounts and how that blends into the overall rates, and basically they're all within 3+ doing well.

On the following page, 48, shows the crediting rate from January to March. So when you take all of our amount managers and you blend all of the rates, we're averaging 3.15%. And then you can see the net crediting rates from each of the managers with the Empower product contributing 3.30 and the separate accounts at 3.16. And then moving forward, because we declare our rates at the beginning of the period, and that has an impact on how we factor the rates with respect to calculating these separate account products, you could see that our blended rate from April through June is at 3.28%. So we bumped a little from period to period, first to second quarter.

Your allocations on page 50, next page is pretty much consistent and in compliance with your policy guidelines. And the next several pages outlines all of the attributes of your current stable value. We monitor Empower's credit rating, the ability, the owner, the guarantees of the general account, and everything has been consistent since these contracts have been established.

On page 53 is your menu. You can see we have a nice consolidated menu. I go -- I look at this because I go into my research to say, hey, did any managers change? Did anybody shift out of their mandate? We have 18 funds on this. We've got J.P. Morgan has been on and off the watch list, but there's a story behind that. So basically of 18 funds, with the exception of that Social Choice fund, which, you know, has some screens, mandates, it has mid-small cap exposure. And that's a key thing to understand, that a lot of these TIAA-CREF large cap funds, they have -- when they say they're growth or they're in a specific mandate, they have exposure to large, mid, and small. So we saw that, you know, mid and small had a little variation in the first quarter and how that may tip a little of that exposure. But overall, you know, a good clean lineup. You know, you can see it's solid as moving forward.

On page -- on the following page is the watch-list funds, and that American Euro Pacific is off. We had good returns. It's benchmarked more towards the appropriate indices as a growth manager. So that's coming off the watch list. So really you're going to be down to the TIAA Choice Fund and the J.P. Morgan Fund, which is first quarter ranked 55. We'll take a look at that in more detail in a minute.

So really you're looking at that J.P. Morgan as a fund with the long-term issues not meeting the benchmark in peer groups. We keep it really down to the digit because we want a really strong bogey to really monitor our funds and understand what's going on.

On page 55, we start the fund review. I'm not going to go through this in detail. The first section is all of your stable value managers and how they, you know, map up to the core bond strategies that are their mandate. So the stable value fund is running on 3.1, and the industry average of similar size plans within that world are right in line with that.

Moving on, Michael, to the next page, you could see the American Mutual funds. It was your large value fund. It didn't do well in the quarter, and that's going to affect that 1-year number. And that's primarily because of the quality play and sector concentration of that fund. So that wasn't in vogue. You know, they were looking for more risquÃ© ends of the markets that got more of the returns in the first quarter. But overall, that's going to be balancing out, is tracking well through the end of May.

Moving on to the next page is the J.P. Morgan fund, and you can see for the quarter when the market was down it held its weight. It didn't do as well as the index, but it ranked pretty much in line with its peer groups. So on a year-to-date basis, it's 55 amongst its peer groups. But on that 3-year side, we're in at 11 and the peer groups are at 11.9. A lot of that has to do with J.P. Morgan in terms of its more quality play and buying, you know, more quality, higher-priced stocks and its concentration area.

When you look at it on page 61 -- flipping to page 61, over a 5-year basis, you could see it had a down year in '25, but then again, very good performance in '24, '23, '22 when the markets were tanking and they were all down. It had a loss of 8% where the index and peer groups were down, so it tracked well in down periods against its indices, and in '21, it had a good year. So over that 5-year period is really isolated to the last year. So I think that fund is going to, you know, it's on track. It's performing well now through the end of May, and we'll expect to see a turnaround with that and balance out those numbers. But all good numbers to report as you look through it on each of the funds.

So I went through it quickly. And if you have any questions, I'm more than happy to address. I think, you know, our lineup has stood well through the years. I think the structure is good in offering an asset in every other core asset. Classes in capitalization, which keeps that diversification theme very important. Combination of active management and index funds at a lower cost. So I think those year-by-year numbers are really good to look at and you can see how things fluctuate.

Any questions? With that, I would conclude, you know, the review. Looking forward to seeing everything at 6/30. Three, four more weeks to go, right?

PETER ADOMEIT: Are you through, Mr. Picarelli?

FRANK PICARELLI: Yes, I conclude my report.

PETER ADOMEIT: Okay, Mr. McCann?

MICHAEL MCCANN: I'm all good, Peter, thank you.

PETER ADOMEIT: Okay, so there's no decisions that we have to make apparently. Am I correct?

FRANK PICARELLI: That's correct.

PETER ADOMEIT: Yeah, okay, so I guess we have a motion to adjourn. Thank you.

JOHN DISETTE: I'll make that motion.

MICHAEL BAILEY: Bailey, I'll second.

PETER ADOMEIT: All in favor say aye or raise your hand, and it's always unanimous. Thank you all very much. MICHAEL BAILEY: Right on.

PETER ADOMEIT: Take care. Bye now.

(Meeting adjourned at 10:12 a.m.)

REPORTER'S CERTIFICATE

I, Wendy Malitsky, do hereby certify that the foregoing is, to the best of my skill and ability, a true and accurate transcript of the State Employees' Retirement Commission, Investment Subcommittee held on June 3, 2026.

Wendy Malitsky

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Wendy Malitsky, Notary Public

My Commission Expires March 31, 2030