



Janet T. Mills
Governor

STATE OF MAINE
Deferred Compensation Advisory Council
61 State House Station
Augusta, ME 04333-0061

Vacant
Labor Co-Chair

Heather Perreault
Management Co-Chair

DEFERRED COMPENSATION ADVISORY COUNCIL MEETING

Thursday February 22, 2024 @ 9:00 am

Microsoft Teams Meeting

Burton M. Cross Building
111 Sewall Street
4th Floor, Room 400
Augusta, ME 04330

Council members in attendance: Rebekah Koroski, Lindsey Mattson, David Parent, Heather Perreault, Shonna Poulin-Gutierrez, and Mark Roberts.
(Total = 6)

Council members absent: Kristopher Kennedy, Markayla Morris, and Stuart Turney.
(*Council seat 4 vacant*)

Others Present:

CAPTRUST: Michael Pratico.

VOYA: Greg Miller, and Jennifer George.

Empower: Brenden Walsh and David Hanson.

Corebridge: Anthony Durak.

Employee Health & Wellness: Devon French, Roberta DuPont, Emma-Lee St. Germain, and Charles Luce.

Other:

Agenda Item	Discussion	Action/Next Steps
I. Call to Order (9:01 am)	Shonna Poulin-Gutierrez called the meeting to order.	
II. Introductions		
III. Approval of Minutes (December 07, 2023)		Rebekah Koroski made a motion to approve the December 07, 2023, minutes, seconded by Lindsey Mattson. Motion passed.
IV. Plan Management & Investment Report a. Michael Pratico – CAPTRUST Vendor Updates	Information contained in written report. Discussion highlights below: <ul style="list-style-type: none"><u>Empower Plan Activity Update - Brenden Walsh:</u> During Q4, the average member balance was \$99.2K, with 1,688	



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participants actively deferring. The provider balance as of 12/31/2023 was over \$288.8M. There are 2,912 participants with a balance and 1,224 participants with a terminated balance.

Participant assets for Q4 are up about \$6M, however there are about 100 fewer participants in the plan. The “do-it-yourself” strategy is being utilized by 94.3% of participants, and “target-date” strategy is being used by 5.5% of members. The majority of participants of the plan (48%) are 60 years old or older. There are currently only 48 members utilizing the plan that are under 30 years old. There is hope that those demographics will grow with the addition of a ROTH option.

- Corebridge (Formerly AIG) Plan Activity Update – Anthony Durak: During Q4, the average member balance was \$72.6K, with 764 participants actively deferring. The provider balance as of 12/31/2023 was over \$118.7M. There are 1,634 participants with a balance and 870 participants with a terminated balance.

In Q4 there were 109 participant meetings and phone calls. There were 15 financial plans completed and the website/app usage shows 493/99 unique participants. Overall enrollments had a high number of 112 in 2022, but in 2023 there were 78 which is closer to average. Employees engagement shows 101 members engaged with advisors.

- VOYA Plan Activity Update – Greg Miller: During Q4 the average member balance was \$92.6K, with 1,104 participants actively deferring. The balance as of 12/31/2023 was over \$167.7M. There are 1,810 participants with a balance and 706 participants with a terminated balance.

Employees continue to enroll in Q4 2023, and in a 5-year span there was a 5% increase. Annual client reviews are



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	encouraged. Employees saw a \$25M appreciation in market value. Distributions from a total dollar perspective was more than we saw last year, up 25% from last year. There were 7,060 members terminated with an account balance and 76 terminated members with an account balance less than \$5K. There were 130 new members enrolled in the plan in Q4.	
b. 4th Quarter 2023 Performance	<p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none">• <u>Total Plan Assets</u>: Total plan assets for Q4, 2023 increased from Q3 2023 at \$544.2M to \$575.4M.• <u>Total Participants</u>: During Q4 there were 6,356 participants with a balance greater than \$0, there were 3,556 participants actively deferring, and 2,800 participants terminated with a balance. There was an overall average balance of \$90,534. Credit card balances are high right now and we are seeing more people dip into their retirements to manage that.	
c. Market Commentary	<p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none">• <u>Market Commentary</u>: In 2023 there has been a real rotation back to positive growth. U.S. Large-Cap Stocks were up 26% in 2023 following a really strong quarter of almost 12% year-to-date. Developed International Stocks are up to almost 19% from 10.5% in the previous year, as well as Emerging International Stock, have risen to 10.3%. Wages have increased and consumer spending is up.• <u>Stocks and Bonds Q4</u>: In 2024 we're optimistic that we are going to get that economic soft landing and avoid a recession. We continue to think that it's a really well-structured fund lineup you have from stable value all the way up to small cap blend. The most likely scenario in 2023 was that a recession was in part because of that yield curve inversion. Unemployment numbers remain strong, corporate earnings	



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remains strong, and inflation did come down dramatically.

- Headwinds and Tailwinds: From a headwinds perspective, high credit card balances, the cost of servicing that debt, and the housing market continue to be difficult areas because of high interest rates. Interest rates went dramatically higher. The result inflation wage growth continues to be strong as well as productivity with the incorporation of AI. We continue to be cautiously optimistic for 2024.
- Fund Line Up: State of Maine has what we consider to be high quality, best in class, actively managed funds along with a full suite of index funds. We have a bond index, institutional index, and a developed market or international index for people who really want to focus on low-cost investing as well as a better suite of target date funds. We believe 90% of investment success is properly allocating and de-risking funds.
- Assets & Holdings: In Q4 - The Mass Mutual Guarantee Account (Empower) show 48% of plan assets at the start of the year, 42% at the end of the year with positive growth of \$279M to \$289M. Voya, by comparison purposes 40% to 80% in target date funds with positive growth of \$147M to \$168M. Corebridge total plan assets growth also increased from \$109M to \$119M.
- Score Card Snapshot: The total score shows the vast majority of your funds, with one exception, remain in good standing. The Euro Pacific growth fund remains marked for review, which we have no concerns about. It's managed by a massive team with a number of resources at the American Funds Group. The impact on this fund has been largely similar to the other funds. Any time you see market rotations you're going to see short-term underperformance and that's what we're looking at with the Euro Pacific Growth Fund as well as all of the funds where you see that due diligence. The good news is



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	<p>that if you look at the short-term performance across all of these funds, it's really good.</p> <ul style="list-style-type: none">• <u>Target Date Funds Benchmarking</u>: American funds continues to be one of the top actively managed target date funds on the market. They offer a well-diversified portfolio at a reasonable price and the performance has been good, which is reflected in that overall score of 90 so far. Year-to-date CAPTRUST pulled a couple different vintages. The 2030 vintage, which would be someone gearing up for retirement in the next few years, that fund is operating in the top 20th percentile peer relative and the 2060 fund. Someone who's really just starting off a more heavily equity-based portfolio is operating in the top quartile. The guaranteed accounts are all in good standing and stable accounts are currently a better choice than money markets.• <u>Passive Investments</u>: State of Maine has a full suite of low-cost index funds available all through Vanguard. If we have a participant that is really focused on low-cost investing, they can structure a fund line up using the Vanguard index funds and get a fund lineup that is as low as you could possibly get.• <u>Plan Performance Success Rate</u>: Since CAPTRUST has been involved in this plan, we have not had to make one performance-based fund change. We usually see this happen once every couple years. You've just had a remarkably stable fund lineup. It's been carefully selected and performs well, has reasonable expenses, and covers the critical asset classes as well.	
V. Other Business	<p>Discussion Highlights:</p> <ul style="list-style-type: none">• <u>Managed Accounts</u>: If you are a person who's approaching retirement, you might be in a 2025 or 2030 target date fund. Those target date funds are managed based on your age and based on the amount of time that you have until retirement -	<p>Michael Pratico asks: What do we need to suspend the current managed accounts with Corebridge?</p> <p>Anthony Durak responds: Just an email from Shonna Poulin-Gutierrez.</p>



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so they derisk. Another option is that people can self-select. This mean you're going to look at the different asset classes as well as the different funds that are available. You'll need to decide whether you want active or passive or a mix assets and hopefully derisk that over time. Currently, 44% of all plans offer managed account services.

In State of Maine program, managed accounts are available on the Corbridge platform. The selecting and monitoring of a managed account is a fiduciary act. Does the State of Maine want this turned on as a feature or is it appropriate for managed accounts to be available at all? Our recommendation would be to suspend new participants for the Corebridge accounts who currently have 230 utilizing managed accounts and \$7M in assets.

Currently, there are not enough members in the quorum to take a vote. We are looking to fill the seats so we can have a proper vote.

Open Discussion:

- **Greg Miller asks:** Can we get an update on the new payroll system?
- **Heather Perreault responds:** There are still a few key elements to complete, but testing is going well.
- **Shonna Poulin-Gutierrez responds:** Kurt Caswell is currently doing a lot of testing and has the ROTH on his schedule.
- **Heather Perreault asks:** Can the ROTH contributions be combined with the regular contributions, or will the Roth option need to be a separate file and a separate payment?

Heather Perreault asks: Could we get the age distribution from all of the record keepers?

Shonna Pouling-Gutierrez: Yes, we will coordinate that on our side.



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	<ul style="list-style-type: none">• Brenden Walsh responds: It could be the same file – but a separate source from the pre-tax, which you are currently doing, you'd have a separate source for ROTH.• Roberta Dupont responds: We do meet on that periodically and discuss the plan.	
VI. Adjourn (10:48am)		Rebekah Koroski made a motion to adjourn, seconded by Lindsey Mattson. Motion passed.

Next Meeting: May 23, 2024