



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 May 23, 2024 @ 9:00 am**  
**Microsoft Teams Meeting**

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

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

Council members absent: Kristopher Kennedy, Lindsey Mattson, and Markayla Morris.  
(Council seat 4 vacant)

Others Present:

CAPTRUST: Michael Pratico.

VOYA: Greg Miller, Christopher Collyer, and Jennifer George.

Empower: Brenden Walsh, Brian Morris, and David Hanson.

Corebridge: Anthony Durak, and Clinton J. Hyland.

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

Other:

Agenda Item	Discussion	Action/Next Steps
<b>I. Call to Order (9:01 am)</b>	Management Member, Shonna Poulin-Gutierrez, called the meeting to order.	
<b>II. Introductions</b>		
<b>III. Approval of Minutes (February 22, 2024)</b>		Labor Member, Rebekah Koroski, made a motion to table the February 22, 2024, minutes, seconded by Management Member, Lindsey Mattson. Motion passed.



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**IV. Plan Management & Investment Report**

**a. Michael Pratico – CAPTRUST Vendor Updates**

Information contained in written report. Discussion highlights below:

- Empower Plan Activity Update - Brenden Walsh: During Q1, 2024, the average member balance was over \$104K, with 1,693 participants actively deferring. The provider balance as of 03/31/2024 was over \$300M. There are 2,884 participants with a balance greater than \$0 and 1,191 participants with a terminated balance.

Participant assets for Q1, 2024, total over \$300M – a slight increase since 12/31/2023, however there are about 100 fewer participants in the plan. Fixed is the asset class that holds the largest share of participant assets with over \$118.2M currently invested, which represents 39.4% of participant assets. The “do-it-yourself” strategy is the investment strategy utilized by most participants with 93.6% of participants classified as using it. The average account balance for all participants as of month end is over \$104K – which is above the benchmark by over \$21K and below the top 10% of peers by over \$48K.

- Corebridge (Formally AIG) Plan Activity Update – Anthony Durak: During Q1, 2024, the average member balance was \$77.7K, with 824 participants actively deferring, up from the previous quarter. The provider balance as of 03/31/2024 was over \$122.9M. There are 1,581 participants with a balance greater than \$0 and 757 participants with a terminated balance.

In Q1 there were 146 participant meetings and phone calls – an increase from the previous quarter. There were 34 financial plans completed and 239 interactions with the Corebridge Client Care Center. Overall enrollments are at 17 for Q1, 2024, and during this period 22% of enrollees are engaged in their plan. As of 03/31/2024 we are at over \$122M in assets, with contributions of over \$1M and distributions of over \$3M.

Management Member, **Stuart Turney** asks - Is the negative cash flow age related or fee related?

**Captrust** states - We can have the record keepers look into that.



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	<p>Corebridge continues to get questions from employees about ROTH accounts.</p> <ul style="list-style-type: none"> <li>• <u>VOYA Plan Activity Update – Greg Miller:</u> During Q1, 2024, the average member balance was \$97.5K, with 1,126 participants actively deferring. The balance as of 03/31/2024 was over \$177.2M. There are 1,817 participants with a balance greater than \$0 and 691 participants with a terminated balance.</li> </ul> <p>Employees continue to enroll in Q1, 2024, and between last quarter and this quarter there’s been a 10.71% increase in deferral contributions. Assets grew by almost \$11M and we hit a new quarterly high mark of \$1.6M. Through April, we saw almost \$650K that’s been transferred into the State of Maine plan through Voya. The average participant balance is just over \$97K and the State of Maine is at 68% income replacement.</p>	
<p><b>b. 1<sup>st</sup> Quarter 2024 Performance</b></p>	<p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none"> <li>• <u>Total Plan Assets:</u> Total plan assets for Q1, 2024 increased from Q4 2023 at \$575.4M to \$611.1M.</li> <li>• <u>Total Participants:</u> During Q1 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 \$94.4K. Credit card balances continue to increase, and we are seeing more people dip into their retirements to manage that.</li> </ul>	
<p><b>c. Market Commentary</b></p>	<p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none"> <li>• <u>Auto-Enrollment and Auto-Escalation:</u> Today, 64% of 401(k) plans use auto-enrollment. Ten years ago, this number was 42%. The default rate has continued to increase. In 2012, most plans (52%) auto-enrolled participants at a 3% contribution rate. Currently, 51% of 401(k) plans automatically</li> </ul>	<p><b>Captrust</b> asks; is it possible to add a Money Market Account?</p> <p><b>Empower</b> responds; I will have to look into that.</p>



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escalate participants' default deferral rates. Ten years ago, this number was 40%. The most common maximum deferral rate for 401(k) plans is 10%. In 2012, the most common rates were 6% (44% of plans) and 10% (28% of plans).

- Market Commentary: All major U.S. stock indexes posted gains, with the growth style outperforming the value style across market capitalization tiers. Small-cap stocks lagged, as they tend to be the most sensitive to Federal rate cut expectations.
- Stocks and Bonds Q1: In 2023, the Magnificent 7 grew their earnings 5%, while the remaining 493 stocks in the S&P 500 Index saw a 3% decline in earnings per share. While 2024 is expected to be more profitable for the broader S&P 500, Magnificent 7 companies are still projected to contribute 40% of overall earnings growth. U.S. Treasury yields moved higher to begin the year as investors came to terms with the likelihood of fewer Federal Reserve rate cuts in 2024.

Mortgage rates took a slight step up and remain high, but the housing market is showing signs of recovery.

Performance for core bonds was moderately negative for the quarter as yields moved higher. Credit spreads narrowed slightly.

- Headwinds and Tailwinds: Solid economic activity, including a robust labor market and continued consumer and business spending, has diminished recessionary fears. While the Federal government is likely to start lowering rates in 2024, the timing of such moves remains unclear. Consumers and the U.S. government face a higher interest burden on outstanding debt, potentially weighing on economic growth. These challenges could be offset by the Treasury's liquidity infusions and artificial intelligence (AI)-led productivity gains.

**Captrust** states - Voya and Corebridge, I need you to look into that as well.



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The prospect of lower interest rates and AI-fueled productivity gains for corporations has inspired high optimism among investors. This translates to high valuations and may create volatility if reality falls short of elevated expectations. Businesses and consumers continue to show resilience. Expectations for a soft landing have pivoted to a no-landing outlook where inflation fears continue to subside while economic growth reaccelerates.

- Fund Line Up: If you're in a target date fund, you're getting an age-appropriate asset allocation strategy, professional management at a reasonable cost and automatic de-risking which is 95% of a successful investment strategy. There's a lot more planning work that needs to be done when you start to approach retirement, but for someone who's starting in the workforce, in their 20s - during their 30 years in the workforce, just having their money in an age-appropriate target date fund is a really good choice.
- Assets & Holdings:
  - Captrust: Distribution of assets is at about 40% in guaranteed account, assets are divided, and are fairly large in the Vanguard Institutional Index. Harvard Capital Appreciation has the largest equity holding and plan assets increased from \$289M to about \$300M.
  - Voya: Voya has about 26% of funds in a fixed account, while Harvard Capital Appreciation, another large holding, saw an increase of plan assets from \$167M to almost \$168M.
  - Corebridge: Corebridge also has a lot of money sitting in fixed accounts (3%) and has seen a growth in plan assets from \$118M to \$123M.



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	<ul style="list-style-type: none"> <li>• <u>Score Card Snapshot</u>: The snapshot shows one fund marked for review. There are no concerns over the 3-year performance – which is in good standing. Pure true value fund fixed accounts continue to be in good standing. When we look at the competitiveness of the yield, it's interesting. While 4% and 3% fixed rates aren't competitive relative to some other options that are available out there, relative to other fixed accounts, those are very competitive rates we're seeing: fixed or stable value yields down in the low to mid 2% range, State of Maine is at the 3% to 4% range. The average plan score is strong.</li> <li>• <u>Fiduciary Update</u>: On January 17, 2024, the Department of Labor (DOL) published a list of frequently asked questions to help plan sponsors administer their pension-linked emergency savings accounts (PLESAs). These short-term savings accounts are established and maintained within defined contribution plans. On January 18, 2024, the Department of Labor issued a proposed regulation on automatic portability transactions as directed by the SECURE 2.0 Act.</li> </ul>	
<p><b>d. Michael Pratico – CAPTRUST Vendor Fee Benchmark</b></p>	<p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none"> <li>• <u>Vendor Fee Benchmark</u>: The State of Maine plan is a governmental plan that is not governed by the Employee Retirement Income Security Act of 1974 (ERISA), but we follow ERISA as a best practice. All of the things that ERISA says we should do from a fiduciary management perspective; we're doing on the State of Maine plan. This includes quarterly reviews, monitoring the funds, monitoring the performance, a part of that is also monitoring the fees and expenses. We have to run an annual feed benchmark cycle that we follow at this point.</li> </ul>	



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	<p>We went through this data about a year ago and then prior to that we went through an exercise where we benchmarked the fees and also went to the next level of not only benchmarked fees, but we looked at what would those fees look like in a single record keeper environment.</p> <ul style="list-style-type: none"> <li>• <u>Provider fees</u>: The fees are investment management expenses, which are very low. There are administrative expenses and those are for record keeping and administration. The administrative expenses from Empower, Voya, and Corebridge are high.</li> <li>• <u>Fee comparison</u>: The focus is on institutional retirement plans and it allows us to create what we think is a really robust database to compare fees and expenses to. Our database includes 401K plans, 403B and both governmental and non-governmental 457B plans. When you look at the database numbers, they're going to look low.</li> </ul>	
<p><b>V. Other Business</b></p>	<p>Discussion Highlights:</p> <p><u>Open Discussion</u>:</p> <p>Management Member, Heather Perreault questions what kind of services we want to offer employees. Captrust questions whether there is enough value there. Management Member, Heather Perreault states if we were to go out to bid it would be for a sole record keeper so that we would have a lower overall record keeping fee, which Captrust agrees with as the record keepers are currently competing for assets and having a single record keeper is more attractive from a pricing perspective.</p> <p>There are several ways to structure this, we can have a single record keeper for all new deposits, but people who are currently vested with</p>	<p><b>Captrust</b> states they would like to go through the same exercise they went through years ago and ask each plan what their pricing would look like if they were to go single record keeper and what the service model would look like under both scenarios (all new assets or all assets). This could be arranged between now and the next meeting.</p> <p>Management Member, <b>Heather Perreault</b> agrees it makes sense to go through that process, but would like to confer with Management Member, <b>Shonna Poulin-Gutierrez</b> first.</p>



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Voya, Corebridge, and Empower, can keep their money where it is currently. This would allow us to look at other plan features like auto-enrollment, auto-escalation, ROTH, which is a big missing component to the plan even though administratively it is not possible to add at the moment.

Captrust states they would like to go through the same exercise they went through years ago and ask each plan what their pricing would look like if they were to go single record keeper and what the service model would look like under both scenarios (all new assets or all assets). This could be arranged between now and the next meeting.

Management Member, Heather Perreault agrees it makes sense to go through that process, but would like to confer with Management Member, Shonna Poulin-Gutierrez first.

Captrust states they would like to look at the ramifications of adding a money market account to each of the record keepers and what the yield would look like. We would like to discuss this at the next quarterly meeting. We would love details from each of the record keepers regarding where those distributions are going.

Management Member, Stuart Turney states; we were discussing a cash flow issue earlier and what stood out to me were e-trade and Schwab, whose platforms are outstanding, and offerings are voluminous. With the age and demographics of the Maine State employees, I think we will be really pressed to keep these accounts as people enter retirement. The fee, I am not against, is now very visible, but with Schwab there are no fees, and think we need to get creative if we want to avert that negative cash flow.

Captrust responds; I agree, I would just add that it's the interest rate environment – when those fixed accounts were guaranteed 3% and 4%, which was meaningful when money markets were 0%. If I am in a fixed interest allocation, there are other more attractive options out there.

**Empower** asks - with the Secure Act, are there amendments needed for 457B plans? Do we know who the State of Maine is using for plan documents and if there is any work being done on bringing them up to speed for the Secure Act?

**Roberta Dupont** responds, I will take that as a takeaway and get back to you.



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<b>VI. Adjourn (10:48am)</b>		Labor Member, Rebekah Koroski, made a motion to adjourn, seconded by Labor Member, Mark Roberts. Motion passed.

**Next Meeting: August 22, 2024**