



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

DEFERRED COMPENSATION ADVISORY COUNCIL MEETING
Thursday May 25, 2023 @ 9:00 am
Microsoft Teams Meeting

Burton M. Cross Building
111 Sewall Street
Room 103, A&B
Augusta, ME 04330

Council members in attendance: Alex Burnette, Rebekah Koroski, Lindsey Mattson, David Parent, Heather Perreault, Shonna Poulin-Gutierrez, Stuart Turney
(Total = 6)

Council members absent: Cheryl Dugal
(Council seat 3 vacant)

Others Present:

CAPTRUST: Michael Pratico

VOYA: Jennifer George and Greg Miller

Empower: Brenden Walsh and Marybeth Daubenspeck

Corebridge: Anthony Durak and Gregg Libutti

Employee Health & Wellness: Devon French, Roberta Dupont, Emma-Lee St. Germain, Charles Luce, Kurt Caswell

Other: David Hanson

Agenda Item	Discussion	Action/Next Steps
I. Call to Order (9:04 am)	Shonna Poulin-Gutierrez called the meeting to order	
II. Introductions		
III. Approval of Minutes (March 23, 2023)		Lindsey Mattson made a motion to approve the March 23, 2023, minutes, seconded by Alex Burnette. Motion passed.
IV. Plan Management & Investment Report Michael Pratico – CAPTRUST	Information contained in written report. Discussion highlights below: <ul style="list-style-type: none"> <u>Total Plan Assets:</u> Total plan assets for Q1 2023 increased from Q4 2022 at \$541.4M to \$549M. 	



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1st Quarter 2023
Performance

- Total Participants: During Q1 total participants with a balance remained the same at 6,464.
- Empower Plan Activity Update - Brenden Walsh: The average member balance was \$93K, with 1,684 participants actively deferring. The provider balance as of 3/31/2023 was over \$282.9M.

In Q1 there were 444 moments of engagements with plan participants, 83 sessions were retirement planning, 24 deferrals, an increase of 20 enrollments, and 15 fund allocations.

The focus is asset retention as there are currently 1,300 terminated plan participants with a balance.

- Corebridge (Formally AIG) Plan Activity Update – Anthony Durak: The average member balance was \$68.7K, with 759 participants actively deferring. The provider balance as of 3/31/2023 was over \$112M. There are 1,606 participants with a balance and 833 active participants.
- Corebridge (Formally AIG) Advisor Activity – Greg Libutti: In Q1, 2023 - there were 270 participant meetings and phone calls and 154 written communications. There were 592 members utilizing the website/app. Corebridge was invited to participate in 26 onsite visits or events and employee engagement shows 61.6% of participants engage with a financial professional as of March 2023.
- VOYA Plan Activity Update – Jennifer George: During Q1 the average member balance was \$87K, with 1,070 participants actively deferring. The balance as of 03/31/2023 was over \$153.9M. Voya added 18 new accounts in Q1 of 2023. There are currently 957 participants, and average deferral rates are



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	<p>lower than the industry benchmark at 6.3%. Health plan insights show 33% of participants are on track to exceed 70% of their income in retirement.</p>	
<p>a. Market Commentary</p>	<p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none"> • <u>Back to Basics: Stable Value and General Account Products:</u> Stable Value Fund Objective: Capital Preservation & Liquidity <ul style="list-style-type: none"> ○ Funds invest in high quality, short-to intermediate-term fixed income securities with perceived minimal interest rate and credit risk. They can be housed in a collective investment trust, insurance separate account, or separately managed account. General Account Option Objective: Stable Returns with Full Principal and Interest Guarantee <ul style="list-style-type: none"> ○ Investments are held in a group annuity contract that is supported by the assets of the insurer’s general account (balance sheet includes insurer’s liabilities, surplus, and reserves). • <u>Stable Value Funds VS. Money Market: Market Impact:</u> In response to high levels of inflation, the Federal Reserve rapidly increased its overnight lending rate with a series of eight rate hikes starting in March 2022. Through these hikes, the target fed funds rate increased from 0.00%-0.25% to 4.75%-5.00% as of March 2023. • <u>Market Commentary:</u> After a strong start to 2023, Q1 ended on a high note despite troubling news. In early March, two large banks failed, and policymakers stepped in to keep isolated 	<p>Stuart Turney asks: Is code, [24-A MRS §4603 (3)(D)], applicable to the accounts that we have?</p> <p>Greg Miller states: I will take that away-I don’t know.</p>



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problems from becoming a systemic crisis. Despite the headlines, stock and bond markets were surprisingly calm. In the U.S., large-cap stocks floated upward, with their small-cap counterparts trailing behind.

- Stocks and Bonds Q1: Value held up better than growth in last years market. This year, everything has rotated to growth. Inverted yield curve has 10-year treasury yields at 3.47% and 1-year U.S. Treasury Yields at 4.62%.
- Headwinds and Tailwinds: The fed is really trying to get inflation under control. Unemployment is low. The tool they will use to do that is raising interest rates. The feds target inflation is 2% and is currently at 9%. The market expectation is that there will be a pause on interest rates hikes. The uncertainty in the debt ceiling is causing a lot to turmoil market. If there is a resolution the markets will react negatively. Consumer goods inflation is easing. The best guess scenario is that we will enter a recession, which should be short and mild.
- Assets & Holdings: In 2022 things held up well for participants. There was small growth in plan totals from \$279M in 2022 to \$282M currently in 2023.
- Score Card Snapshot: American funds target date funds are doing well with a score of 89. The plan performance success rate shows the average plan score is doing well at 93.
- State of Maine Pricing Scenarios: The way that record keeping is paid for is through an asset-based fee. The fees paid will be determined on the amount of money in account. The current environment is a multiple record keeper environment with a flat fee. Second is consolidate record keepers, and 3rd has a hybrid, consolidate recordkeeper for all new contributions, and leave old contributions alone.



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	<ul style="list-style-type: none"> ○ Empower <ul style="list-style-type: none"> Scenario 1: <ul style="list-style-type: none"> ➤ Current Multi-Vendor Arrangement with 4% Guaranteed Product Scenario 2: <ul style="list-style-type: none"> ➤ Current Multi-Vendor Arrangement with Custom Stable Value (CSV) Product Scenario 3: <ul style="list-style-type: none"> ➤ Empower as Sole Recordkeeper, VOYA and COREBRIDGE FROZEN All Plan Assets and Plan Participants to Empower with Custom Stable Value (CSV) Product Scenario 4: <ul style="list-style-type: none"> ➤ Empower as Sole Recordkeeper, New Participants and New Contributions only to Empower with Custom Stable Value (CSV) Product ○ Corebridge <ul style="list-style-type: none"> Scenario 1: <ul style="list-style-type: none"> ➤ Exclusive Provider for all assets and contributions: 0.07% (7 basis points) \$45.50 Scenario 2: <ul style="list-style-type: none"> ➤ Exclusive Provider for all future contributions 0.12% (12 basis points) \$46 Scenario 3: <ul style="list-style-type: none"> ➤ Remains one of no more than three providers 0.15% (15 basis points) \$91 ○ Voya <ul style="list-style-type: none"> Scenario 1: <ul style="list-style-type: none"> ➤ At current profitability (where we are today) 18 bps Asset Based Fee, is equivalent \$163 per head Scenario 2: 	
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	<p>➤ Full conversion –map all assets (including Voya’s existing assets) and all new flow goes to Voya’s new 457b product. \$83 per head</p>	
<p>V. Other Business a. Open Discussion</p>	<p>Discussion Highlights:</p> <p><u>Open Discussion:</u></p> <ul style="list-style-type: none"> • Anthony Durak asks: Secure Act Roth Contributions: • Michael Pratico responds: If you want to continue to have catchup contributions in your plan you do have to offer a Roth option because the secure act regulates that. Currently it is a very complex feature. It may be helpful for record keepers to see how many people have catchup provisions. To suspend those contributions there is a process to go through. • Shonna Poulin-Gutierrez states: There is research that needs to be conducted to see what the potential is with the State population given the salary band. The current payroll system is very limited. We are continuing to have discussions regarding a new HRMS system, but it will not be in place before January 2024. • Greg Miller states: I can provide a listing if individuals who have contributed over \$22.5K, and those who did a 50K catch up in 2022 • Anthony Durak states: I can resend Shonna the document showing the 2022 catch up figures, which will not include the salary level. • Shonna Poulin-Gutierrez states: I would like that catch up info from each record keeper in the next 30 days <p><u>Seats:</u> Seats need to be filled; we are waiting on seats to be appointed. We are still working with the Governor’s office to move on this.</p>	<p>Anthony Durak to send Shonna Poulin-Gutierrez the document showing the 2022 catch up figures, which will not include the salary level in the next 30 days.</p>



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VI. Adjourn (10:38 am)		Lindsey Mattson made a motion to adjourn, seconded by Rebekah Koroski. Motion passed.
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Next Meeting: September 28, 2023