



Janet T. Mills
Governor

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

Vacant
Labor Member, Co-Chair

Jenny Boyden
Management Member, Co-Chair

DEFERRED COMPENSATION ADVISORY COUNCIL MEETING

Thursday August 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: Jenny Boyden, Rebekah Koroski, Lindsey Mattson, Shonna Poulin-Gutierrez, Mark Roberts, and Stuart Turney.
(Total = 6)

Council members absent: Kristopher Kennedy, Markayla Morris, and David Parent.
(*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.

Employee Health & Wellness: Devon French, Roberta DuPont, Neva Parsons, Emma-Lee St. Germain, Kurt Caswell, 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 <i>(February 22, 2024, and May 23, 2024)</i>	Discussion highlights below: Management Member, Jenny Boyden, states there doesn't seem to be a quorum of members, are we able to vote on minutes? Committee members agree that a vote can be made on the minutes.	Management Member, Jenny Boyden, made a motion to accept the February 22, 2024, minutes, seconded by Management Member, Lindsey Mattson. Motion passed. Management, Jenny Boyden, made a motion to accept the May 23, 2024, minutes as



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	<p>Management Member, Lindsey Mattson, states in the May 23, 2024, minutes there was mention of Captrust when it should have been Empower.</p> <p>Labor Member, Rebekah Koroski, states – Management Member, Lindsey Mattson was absent for February 2024 meeting minutes.</p>	<p>amended, seconded by Management Member, Rebekah Koroski. Motion passed.</p>
<p>IV. Plan Management & Investment Report</p> <p>a. Michael Pratico – CAPTRUST Vendor Updates</p>	<p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none"> <u>Empower Plan Activity Update - Brenden Walsh</u>: During Q2, 2024, the average member balance was over \$104K, with 1,680 participants actively deferring. The provider balance as of 06/30/2024 was over \$297M. There are 2,844 participants with a balance greater than \$0 and 1,164 participants with a terminated balance. <p>As of June 30th, the State of Maine assets, in the records kept by Empower, reached \$297.4M. That's up 3% from where it was on 12/31/2023. The number of participants is 2,844. Of that, about 56% of them (1,680) are active with a balance, and 1,164 are separated from service with a balance. The average account balance is increasing. Participants are invested - 6.7% of the assets are in the target date strategy.</p> <p>Brokerage has low usage with 0.3% of participants and members continue to have a significant amount of the assets in the fixed account, which is earning 4% large CAP. Funds cover 37%. As of June 30, fixed accounts represent 38.22% of the assets with 1,688 participants.</p> <p>Harvard Capital Appreciation is up 10.58%, an increase from 8.6% a year ago.</p> <p>Vanguard Institutional Index is up 21.11% from 19.21% a year ago with roughly 1,700 participants.</p>	<p>Captrust asks whether there a reason we couldn't get more information on the fact-finding discussion. Can we get more data on where that money is going?</p> <p>Voya responds – we can do that.</p> <p>Empower money in motion report, a lot of folks are going through clearinghouses so in that process you lose where it goes.</p> <p>Captrust asks – is the money going through clearing houses staying with Empower representatives?</p> <p>Empower states – we can look further into that.</p>



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Quarterly measurements show 515 engagements with plan participants during the quarter, 239 of them were retirement planning sessions.

- Corebridge (Formerly AIG) Plan Activity Update – Anthony Durak: During Q2, 2024, the average member balance was \$75.9K, with 770 participants actively deferring, down from the previous quarter. The provider balance as of 06/30/2024 was over \$123.6M. There are 1,627 participants with a balance greater than \$0 and 857 participants with a terminated balance.

AIG announced that it has completed the financial deconsolidation of Corebridge Financial, which reflects the culmination of a series of well-planned and deliberate strategic decisions.

Nippon Life Insurance Company intends to acquire a 20% stake in Corebridge Financial from AIG by Q1, 2025. Nippon is globally recognized for its strong performance and corporate reputation.

Corebridge is well-positioned for the future and their four market-leading businesses continue to execute with discipline.

Q2 activity shows 104 meetings with financial professionals, 28 financial plans completed, 122 interactions with Corebridge Client Care Center, and 557 Corebridge website visits.

- VOYA Plan Activity Update – Greg Miller: During Q2, 2024, the average member balance was \$97.9K, with 1,027 participants actively deferring. The balance as of 06/30/2024 was over \$178.5M. There are 1,832 participants with a balance greater than \$0 and 796 participants with a terminated balance.



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	<p>Q2 ended with \$178M in assets. Even with the distributions and the market volatility seen in Q2, asset growth is on a positive three-year trend line.</p> <p>There's a little over 1,000 participants that are actively contributing to the 457B plan and a nice increase in employee savings, building on an 11 point increase in the savings growth rate we saw in Q1 and at the bottom of the slide.</p> <p>Members are saving almost 14% more into the 457B than they did last year and transferred about \$223K into their Voya accounts, which brings the year to date total in 2024 to almost \$900K.</p> <p>In Q2 the average plan income replacement is 67% and 37% are on track to exceed 70% of their income in retirement.</p>	
b. 2nd Quarter 2024 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 Q2, 2024 decreased from Q1, 2024 at \$611.1M to \$599.5M. Negative cashflow continues to be about \$10M. Currently money markets are more appealing.• <u>Total Participants</u>: During Q2 there were 6,294 participants with a balance greater than \$0, there were 3,477 participants actively deferring, and 2,817 participants terminated with a balance. There was an overall average balance of \$95.2K. Credit card balances continue to increase, 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 Q2, a solid global economic backdrop supported equities, although euphoria around big tech and	<p>Captrust asks -is it possible to add a Money Market Account?</p>



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artificial intelligence continued to drive relative performance in U.S. favor. The disinflation narrative gained momentum, with many central banks starting to reduce policy rates, a positive for markets, especially those most rate sensitive. Now, political and geopolitical challenges seem poised to capture the narrative and drive volatility, given the number of elections this year. The S&P is up 18% and the aggregate bond index has improved and is at +3%.

- Stocks and Bonds Q2: The U.S. markets continue to be driven by large cap growth stocks and tech stocks and there continues to be an inverted yield curve. We're starting to get to a better interest rate environment. When interest rates were 0% people were able to get a guaranteed 3% and 4% in the State of Maine plan. One of the potential solutions we've talked about is adding money market accounts to each of the record keeping platforms.
- Headwinds and Tailwinds: The economy's resilience continues to surprise amid a robust labor market, ongoing consumer and business spending, and a favorable fiscal backdrop. Higher interest burdens, election uncertainty, and an increasingly narrow stock market landscape could limit future economic activity.
- Fund Line Up: The State of Maine made moves in the past to consolidate the line up so everything is uniform – the only difference is stable value fixed accounts. One of the positives is that the State of Maine have a low cost well diversified fund line up, which is reflected in the score and performance of the line up. The foundation is strong, as are the record keepers.
- Assets & Holdings: There is a large sum of money sitting in Mass Mutual. That's the fixed account with the 4% guarantee. We have a fair amount of money distributed amongst the American funds target date series.

Empower responds- I will have to look into that.

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



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	<p>If we start talking about program enhancements long term as well as auto enrollment and default investments - if you were to auto enroll someone who starts with the State of Maine in their 20s and default them into a 2060 or 2065 target date fund, they will continue to save and invest in that fund over the course of their career.</p> <ul style="list-style-type: none">• <u>Score Card Snapshot</u>: From Captrust's perspective the scorecard looks good. The Euro Pacific Growth fund is marked for review – but Captrust continues to recommend holding that fund. Target date funds continue to be in good standing with a score of 85 and having a good year across all the vintages. There is a full suite of Vanguard accounts. If you just want a simple, straightforward approach to your plan and want to diversify the portfolio at a reasonable cost and if you want to create a super low cost portfolio using just index funds, you can do that with the combination of these 4 Vanguard funds. Overall plan score continues to be good at 89.	
<p>d. Michael Pratico – CAPTRUST Money Market Account</p>	<p>Discussion highlights below:</p> <p>Captrust states - We're in an interest rate environment where money markets are more appealing than some of the fixed accounts that are included in the fund lineup.</p> <p>If people are staying with their Voya representatives and moving it into money markets because of the interest rate environment, perhaps the solution is adding a money market account to the Voya fund lineup.</p> <p>In addition, if the representatives feel like it's in the participants' best interest to move the money to an annuity product again or move the money to a money market product, maybe there's a way to</p>	



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	<p>restructure the fund line up to help incentivize the representatives to keep the money in the plan as opposed to rolling it out of the plan.</p> <p>The interest rate market has changed, and you can get over 5% in a treasury money market account. What is really driving a lot of the negative cash flow is people are looking for the best possible investment product for them, and unfortunately, in some cases it may mean moving the money outside of the plan.</p> <p>One of the potential solutions we've talked about is adding money market accounts to each of the record keeping platforms.</p> <p>Certainly not as simple as adding a money market and allowing people to move money into that because there are provisions. These are called equity wash provisions that would dictate when people can move money into that money market account.</p> <p>Empower suggested adding a money market account, a loan provision, and adding in plan distribution.</p>	
V. Other Business		
a. Review Bylaws	<p>Discussion highlights below:</p> <p>Shonna Poulin-Gutierrez states – I took a look at our records and the same bylaws have been in existence since 2010.</p> <p>There were a few things in the bylaws that are unique. In Article 4.2 the council can establish ad hoc committees; we have not had any of those committees. These meetings need to be held in public sessions.</p> <p>Article 5.2 states - no official business can be held outside of public meetings. Article 5.3 states special meetings of the Advisory Council may be called by Co-Chairs, but this special meeting would still require public notice and that's that seven calendar day requirement. Under</p>	



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	<p>section 6.2 - employee representatives are appointed for 3 years, and the council will hold a minimum of 3 regularly scheduled meetings, the statute requires 1 meeting a year.</p> <p>Management Member, Jenny Boyden, states - I do think they need to be updated. The amendment from 2010 has not been rolled into the bylaws, just attached. They need to be put into the document. No issue with meeting more often, the statute references 7 classified employees, one from each bargaining unit, to reflect the correct number of units we have. Note if there is a quorum needed – we need more clarity under the duties and responsibility section.</p>	
b. Name a Labor Co-Chair	<p>Discussion highlights below:</p> <p>Shonna Poulin-Gutierrez states - We are without a Labor Co-Chair, need labor members convening to identify a Labor Co-Chair.</p>	<p>Shonna Poulin Gutierrez asks that a labor member email to identify a labor co-chair.</p> <p>Labor Member, Mark Roberts, volunteered to follow up with an email.</p>
c. Default Investment Option for PRISM, Michael Pratico – CAPTRUST	<p>Information contained in written report. Discussion highlights below:</p> <p>Kurt Caswell states – I am serving as the functional lead and representative of the Office of Employee Health, Wellness, and Workers’ Compensation to ensure the implementation of PRISM is instituted according to the rules of the plan.</p> <p>There are going to be significant improvement for efficiency of the products.</p> <p>The home resource for the administrative elements of the plan will reside in Workday or as I referred to before, in PRISM. The employees will be able to go online and self-serve right into Workday.</p> <p>They will choose whatever contribution deferral level that they want to, and they will not have to go to the platforms for the investment firms in order to do that.</p>	<p>Management Member, Lindsey Mattson, made a motion to recommend a default investment alternative of an age-appropriate target date fund based on a target retirement age of 65, seconded by Management Member, Jenny Boyden. Motion passed.</p>



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There may be occasions that an employee will decide upon the deferral that they would like, but those deferral amounts will be transferred over to whatever firm they choose.

With this discussion, what we have to implement is a qualified default investment alternative investment option.

Labor Member, Mark Roberts, asks - would it be possible to have more than one default and could it be the specific employee's retirement age?

Kurt Caswell responds - The plan right now is to not do any specific employee related coding – just because the preliminary contributions are going into this one qualified default investment alternative account.

Management Member, Stuart Turney, states - I 100% back the auto enrollment, I am just concerned about risk of principal from a fiduciary standpoint.

Management Member, Jenny Boyden, states - I understand the need to have a default investment chosen, being new to the council I'm still unsure of statutory duties.

Management Member, Lindsey Mattson, states - I support the target date.

Captrust states – This is why I brought up that Safe Harbor that the Department of Labor has created for that very purpose. You want to make a good sound fiduciary decision, and the Department of Labor's perspective is there's as much risk of putting them in an investment vehicle.

Labor Member, Rebekah Koroski, states - I personally like the target date funds myself.



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d. Deferred Compensation Plan Advisory Services Request for Proposal Review	<p>Discussion highlights below:</p> <p>Captrust's contract is coming to an end. The request for proposal process has been out and closed recently.</p> <p>We've received the bids already, so we're looking to outline the review committee.</p> <p>The service will not take place till January 1st, 2025, just to give everyone a timeline.</p> <p>We would like to schedule the review process for next month and complete it by the beginning of mid-October to give us enough time to outline the contract details for the first of the year.</p> <p>Labor Member, Rebekah Koroski, states she volunteers.</p> <p>Shonna Poulin-Gutierrez states - She would look to the group before we would roll out working with consultant to review risks of having one vendor.</p> <p>The committee is not opposed.</p>	
e. One Vendor Discussion, Michael Pratico – CAPTRUST	<p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none">• <u>Fiduciary Responsibility</u>: Fiduciaries are tasked with the responsibility of acting solely in the interest of plan participant and their beneficiaries with the exclusive purpose of providing benefits to those individuals.• <u>Plan Information Summary</u>: Common drivers of pricing include plan assets, average account balance, number of participants, participation rate, cash flow, and administrative complexity.	<p>Captrust sent updated version of slides of their presentation.</p> <p>Devon French will forward them to the committee.</p>



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	<ul style="list-style-type: none"> • <u>Evaluating Provider Fees:</u> Investment management expenses are purely the costs of managing fund, and revenue sharing is excluded. Administrative expenses are the costs associated with keeping the records of participant account and services the provider offers to the plan. • <u>Empower Expense Analysis:</u> Empower's current pricing is at 34 basis points - 1/3 of 1% lower costs than that with index 19 basis points. • <u>Corebridge Expense Analysis:</u> Corebridge's current pricing is at 16 basis points and advisor fees are built into that with 12 basis points for all new cash flow 5 conversion points for a full conversion. • <u>Voya Expense Analysis:</u> Voya's current pricing is at 18 basis points , full conversion, 9 basis points. Investment management fees are reasonable, and the record keeping fees above market. 	
f. Open Discussion	<p>Discussion highlights below:</p> <p>No items were brought to the commission.</p>	
VI. Adjourn (11:57am)		Management Member, Jenny Boyden, made a motion to adjourn, seconded by Management Member, Lindsey Mattson. Motion passed.

Next Meeting: December 5, 2024