



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 December 7, 2023 @ 9:00 am
Microsoft Teams Meeting

Burton M. Cross Building
111 Sewall Street
3rd Floor, Room 300
Augusta, ME 04330

Council members in attendance: Alex Burnette, Rebekah Koroski, Lindsey Mattson, David Parent, Heather Perreault, Shonna Poulin-Gutierrez, Mark Roberts, and Stuart Turney
(Total = 8)

Council members absent: Kristopher Kennedy, Markayla Morris
(Council seat 3 vacant)

Others Present:

CAPTRUST: Michael Pratico

VOYA: Greg Miller

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)	Roberta DuPont called the meeting to order	
II. Introductions		
III. Approval of Minutes (September 28, 2023)		Lindsey Mattson made a motion to approve the September 28, 2023, minutes, seconded by Rebekah Koroski. Motion passed.
IV. Plan Management & Investment Report a. <i>Michael Pratico - CAPTRUST</i>	Information contained in written report. Discussion highlights below:	Shonna Poulin-Gutierrez Asks: With regards to calls - who are you tracking?



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**3rd Quarter 2023
Performance**

- Total Plan Assets: Total plan assets for Q3, 2023 decreased from Q2 2023 at \$565.3M to \$544.2M.
- Total Participants: During Q3 there were 6,335 participants with a balance greater than \$0, 3,475 participants actively deferring, and 2,812 participants terminated with a balance. There was an overall average balance of \$85,904.
- Empower Plan Activity Update - Brenden Walsh: During Q3, the average member balance was \$93.8K, with 1,706 participants actively deferring. The provider balance as of 9/30/2023 was over \$275.7M. There are 2,937 participants with a balance and 1,231 participants with a terminated balance.

For the Q3 there were 340 engagements with employees. There are 308 users using the mobile app. Enrollments from 07/01/2023 to 09/30/2023 include 61 employees. Our contributions are up to \$2.6M in the 3rd quarter. For all government plans in an aggregate, through 11/20/2023, quarter to date, with an 81% service level. There were approximately 23,000 calls with an average speed of answer of 38 seconds.

- Corebridge (Formally AIG) Plan Activity Update – Anthony Durak: During Q3, the average member balance was \$68.7K, with 763 participants actively deferring. The provider balance as of 9/30/2023 was over \$112.2M. There are 1,632 participants with a balance and 869 participants with a terminated balance.
- VOYA Plan Activity Update – Jennifer George: During Q3 the average member balance was \$86.8K, with 1,096 participants actively deferring. The balance as of 9/30/2023 was over \$156.2M. There are 1,799 participants with a balance and 703 participants with a terminated balance.

Brenden Walsh responds: Government plans - If you want specifically how many Government plans, I can get that information for you.

Michael Pratico asks: Do you know the average age of the State of Maine participants on the Corebridge platform?

Anthony responds: No-but I can get it.

Michael Pratico asks: Do you know the average age of the State of Maine participants on the Voya platform?

Greg Miller responds: I can get you the information.



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	<p>We are seeing a rebound in account balances in Q3. Total contributions in the plan are up about 2.5%. We are trending to do about \$2M into the plan.</p>	
<p>b. Market Commentary</p>	<p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none"> • <u>Roth Feature</u>: This provision has been delayed for 2 years. State of Maine’s plan does not have a Roth feature, so we had talked about the various options, which included adding a Roth feature could be challenging. I think the decision was made to potentially suspend catch up contributions for a period of time. • <u>Fiduciary Training</u>: We do ask that any new committee members that join us take the fiduciary training. We then try to incorporate components of fiduciary training into each of our quarterly reviews as well. • <u>Target Date Funds Benchmarking</u>: We've changed the way that we look at Target date funds or specifically benchmark target date funds slightly in the past. Our quarterly reviews show the target date funds were categorized as either conservative, moderate, or aggressive. Based on the asset allocation strategies of the target date funds, you would fall into a specific category. Now the vast majority are managed through retirement, and we have dropped those conservative, moderate and aggressive categories. • <u>Secure Act</u>: Organizations that offer to catch up provision need to direct those catch-up contributions for anyone making \$145,000 a year to a Roth feature. Maine was in a unique position where this was going to be difficult to administer. One of the other changes to the Secure Act is that State of Maine and their plan are able to force out balances under \$5,000. If employees choose not to roll their money into another investment, we can force them out of the plan that has been raised starting 11/2024 to \$7,000. 	<p>Michael Pratico asks: To the State of Maine – How many terminated participants have balances under \$7K?</p> <p>Heather Perreault responds: I would like to ask the record keepers to bring us information on that.</p> <p>Michael Pratico states: I can follow up with the record keepers.</p> <p>Heather Perreault states: I'd like to see the number of accounts that fall under that threshold and then ask the other committee members for some discussion and how they feel about that. We need more detail around the numbers.</p> <p>Michael Pratico asks: Tony, Brendan Gregg, if you could feed that back through me and copy the state as well-then we can compile that data.</p> <p>Anthony Durak states: Will do.</p> <p>Shonna Poulin-Gutierrez states: I can look back historically, within the last five years we did a similar look back because this population was also in question, however, I don't think that there was action to move forward with changing those accounts.</p>



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- Market Commentary: Harvard Capital Appreciation is a domestic equity large cap growth fund with a high concentration of the top 10 holdings in big tech names which benefited State of Maine participants in 2019 and 2020 as well as 2020-2021. Harbor Capitol was up over 56% and ended 2022 in the 83rd percentile. To date, Harbor Capital appreciation is up 40 / 45% in absolute terms and it's beating 96% of the peer group. Short-term underperformance is below the 50th percentile, but to emphasize, we think that you have solid funds in the State of Maine plan and continuing to be patient when there are periods of underperformance is important.
- Stocks and Bonds Q3: The S&P 500 - through the close of the quarter was up 13%, international equity up 7.5% and international benchmark up about 13% year to date which is great news. Previously it had been in the negative for over 2 years, however, year to date it is up about 2.9%.
- Headwinds and Tailwinds: Experts across the economic landscape are drawing opposing conclusions from the same set of economic data, showing that conflicting signals across critical variables can support nearly any position. Is economic growth resilient (GDP) or weakening (GDI)? Is the rare bear-steepening of the inverted yield curve driven by economic momentum or credit concerns? Will the economy capture the productivity enhancements from AI to support today's high equity valuations, or is it too early to know? Given these questions, investors should remain vigilant, diversified, and prepared for a wide range of potential outcomes.
- Fund Line Up: The State of Maine funds that may be struggled a bit last year are doing well, however, there is underperformance from a handful of the funds. We continue to



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	<p>have a cautious outlook on the overall economy and recognize that things have improved.</p> <ul style="list-style-type: none"> • <u>Assets & Holdings</u>: We don't have any change recommendations to any of the individual holdings or the target date series. Each of the guaranteed accounts are all in good standing. The yields continue to be competitive relative to other stable value or fixed income options that are out there on the marketplace. • <u>Score Card Snapshot</u>: All funds remain in good standing, with the exception of the Euro Pacific growth, however the overall the Fund lineup continues to be strong. We had a significant market rotation from growth to value and then back to growth again with which active managers struggled. There have been similar scorecards with three-year underperformance, however it's not something to be concerned about. 	
V. Other Business	<p>Discussion Highlights:</p> <ul style="list-style-type: none"> a. Roth Options: State of Maine has taken steps within the new HRMS system to make sure Roth is included within the build and are in touch with the state controller about the catch-up option so we will be prepared. b. Open Discussion: There were no additional items brought to the board. 	
VI. Adjourn (10:31 am)		Lindsey Mattson made a motion to adjourn, seconded by Rebekah Koroski. Motion passed.

Next Meeting: February 22, 2024