



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 December 2, 2021 @ 9:00 am
Microsoft Teams Meeting

Council members in attendance: Seth Blodgett, Tracy Bonnevie, Alex Burnett, Rebekah Koroski, Heather Perreault, Shonna Poulin-Gutierrez, Robyn Saucier & Stuart Turney
(Total = 8)

Council members absent: Lindsay Mattson
(*Council seat 6 vacant*)

Others Present:

CAPTRUST: Michael Pratico

VOYA: Greg Miller & Jennifer George

Empower: David Hanson, Tom O'Hare, Robert Pazera & Anthony Verdile

AIG: Anthony Durak & Gregg Libutti

Employee Health & Wellness: Lilianne Ford & Roberta Leonard

Other: Shirley Ezzy

| Agenda Item | Discussion | Action/Next Steps |
|------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| I. Call to Order (9:03 am) | Shonna Poulin-Gutierrez called the meeting to order | |
| II. Introductions | | |
| III. Approval of Minutes (May 27, 2021) | | Tracy Bonnevie made a motion to approve the amended minutes, seconded by Seth Blodgett. Motion passed. |
| IV. Plan Management & Investment Report <i>Michael Pratico – CAPTRUST</i> a. Market Commentary | Information contained in written report. Discussion highlights below: <ul style="list-style-type: none"> Total assets for Q2 2021 over \$620M. Slight Increase from Q1 2021. Total assets for Q3 2021 over \$618M. Slight decrease from Q2 2021. Total participants with a balance decreased slightly from 6,473 to 6,466 in Q3. <u>Empower:</u> Average member balance \$100K, with 1607 participants actively deferring. Balance as of 6/30/21 over | |



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| | <p>\$320M. Average member balance \$100K, with 1582 participants actively deferring. Balance as of 9/30/21 over \$319M.</p> <ul style="list-style-type: none"> • <u>Empower Migration</u>: Scheduled to take place on the weekend of January 22nd & 23rd. Apple based platform, major upgrade from what participants see today including a fully functional mobile app. Empower will retain current investments and interest rates guarantees as the plan has now. Will retain participants history and records. Plan to do a weekend transition with no blackout. Customer service reps are trained on the transition and migration. Communications will be sent out to participants regarding the migration. • <u>AIG</u>: Average member balance \$82K, with 705 participants actively deferring. Balance as of 6/30/21 over \$127M. Average member balance \$81K, with 690 participants actively deferring. Balance as of 9/30/21 over \$127M. Website enhancements have been completed including a mobile app. Advisor engagement, agents were allowed to meet one on one with participants during the summer and are looking forward to being able to meet with larger groups on a regular basis. • <u>Voya</u>: Average member balance \$99K, with 965 participants actively deferring. Balance as of 6/30/21 over \$172M. Average member balance \$98K, with 960 participants actively deferring. Balance as of 9/30/21 over \$170M. Average member balance has increased nicely in 2021. Will continue to schedule online zoom meetings with participants. • <u>Market Commentary Q2</u>: Strong first half. U.S. stocks added to gains in the second quarter. Both large- and small-cap stocks have notched double-digit returns for the year so far, as consumer spending and corporate earnings remain strong. • <u>Stocks and Bonds Q2</u>: Value continued to outperform growth. | |
| <p>b. 2nd Quarter 2021 Performance</p> | <p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none"> • <u>Finding Missing Participants</u>: Missing participants are former employees who leave funds in an employer’s retirement plan but fail to keep their contact information current and are no longer actively engaged in the management of their accounts. | |



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| | <p>Missing participants can hinder the retirement readiness of terminated employees, increase the administrative burden, and cost of the retirement plan, and increase plan sponsor fiduciary risk.</p> <ul style="list-style-type: none"> • <u>Diversity and Inclusion in Retirement/Plan Design</u>: A huge disparity exists between retirement savings of minorities versus Whites, and women versus men. Women and minorities, on average, have lower earnings and lower job tenure, and are more likely to work part-time or seasonal shifts. In our D&I topical series, CAPTRUST examines the actions plan sponsors can take to create more equitable and inclusive retirement benefits for their participants. We start by focusing on plan design features that benefit minorities and women and encourage savings. • <u>Fiduciary Update</u>: With the disruption due to the COVID-19 pandemic, action items related to legislative or regulatory guidance may have been overlooked, such as plan sponsors may reduce the minimum age for in-service distributions for 457(b) and money purchase plans to 59½. • <u>Fiduciary Flash Training; Ensuring Reasonable Fees</u>: Fiduciary training provides a way to minimize risk through education and governance and serves as a critical component to managing a retirement plan. In fact, the Department of Labor often looks for evidence of formal training during plan investigations. A good fiduciary curriculum covers a range of topics—from an overview of ERISA to best practices for monitoring investments. In this installment, we cover the duty to ensure reasonable plan fees, one of the core fiduciary duties required by ERISA. | |
| <p>c. 3rd Quarter 2021 Performance</p> | <p>Information contained in written report. Discussion highlights below:</p> <ul style="list-style-type: none"> • <u>Thoughtful Governance; Committee Design</u>: Effective retirement programs are anchored in prudent and thoughtful governance. Following process, maintaining records, understanding responsibilities, and assigning duties can help minimize the risk of litigation. Many plan sponsors appoint key personnel to establish and manage internal committees. Some | |



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| | <p>opt for multiple committees to split responsibilities, while others form a singular committee to meet the duties outlined by ERISA. When forming or evaluating a retirement plan committee, there are many factors that contribute to its effectiveness.</p> <ul style="list-style-type: none"> • <u>Fiduciary Update</u>: The Department of Labor’s prohibited transaction exemption (PTE) 2020-02 is an exemption from the rule prohibiting parties providing fiduciary investment advice from receiving payments that create conflicts of interest. The exemption applies to recommendations on rollovers from plans or existing IRAs. PTE 2020-02 was adopted on December 18, 2020 and became effective on February 16, 2021. • <u>Market Mixed in Q3</u>: U.S. large-cap stocks rose slightly, and small-cap stocks fell modestly. Despite recent volatility, they have posted double-digit year-to-date gains thanks to a resilient economy and the U.S. consumer’s health. • <u>Stocks and Bonds</u>: Historically low 10-year treasury. Last 12-months -6.07%. • <u>Economic Outlook Headwinds/Tailwinds</u>: The pace of economic recovery has exceeded expectations, but not without growing pains in the form of rising prices, labor shortages, and supply chain disruptions. • <u>Global Logistics Logjam</u>: Each year, an estimated 225 million steel cargo containers traverse the world’s oceans. But as the complex machinery of a highly interconnected global economy struggles to return to full speed following the pandemic, severe bottlenecks have emerged, leading to shipping delays, bare store shelves, parts and material shortages, and rising prices that threaten to exacerbate inflation pressures. • <u>U.S. Equity Markets</u>: The S&P 500 Index is a market-capitalization-weighted index of U.S. large-cap stocks across a diverse set of industry sectors. The stocks represented in these 11 sectors generated a range of returns for the last 12 months and the most recent quarter. | |
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| | <ul style="list-style-type: none"> • <u>Score Card (100-point scale developed by CAPTRUST)</u>: Yellow flags are marked for review; performance falling below 70%. 50% of the score is driven by the work being done by the investment team. Majority of the funds are in the top 90's with some scoring 100, consistent. No change recommendations at this time. | |
| V. Other Business a. Remote Public Proceedings Policy Heather Perreault – Chair | <p>Discussion highlights:</p> <ul style="list-style-type: none"> • During the last legislative hearings, a law was passed requiring all Boards to come up with a written remote policy plan to continue meeting remotely. This must be voted on in an in-person meeting. The goal is to have one to two council members present where public can attend. A draft is being developed, once finalized it will be sent to the Council members for review. | |
| b. Fee Payment Methodology vs. Flat Fee Model | <p>Discussion highlights:</p> <ul style="list-style-type: none"> • Stuart Turney stated this was brought to his attention from a CAPTRUST webinar. He would like to keep this on the Councils radar to possibly adopt in the future. • Michael Pratico stated CAPTRUST looks to the Department of Labor (DOL) for guidance. DOL has not given any guidance on this. CAPTRUST does support the flat fee model. • Will continue to keep this item on the agenda. | |
| c. Open Discussion | <p>Discussion highlights:</p> <ul style="list-style-type: none"> • Stuart Turney is advocating to add a Roth Savings option for participants. He has developed a letter and would like to offer other Council member to sign off in support. • Heather Perreault stated it is not possible to offer a Roth Savings option with the current State of Maine payroll system. • Heather Perreault asked if a Roth 457 Savings option could be added to the current 457b plan as an option for participants. Greg Miller stated Voya is not able to accommodate this. • Shonna Poulin-Gutierrez stated the Council is down a Chair member due to a member retiring. | <p>Heather Perreault asked Council members if they wish to go into ES. Council members agreed.</p> |
| VI. Adjourn (11:31 am) | | <p>Rebekah Koroski made a motion to adjourn, seconded by Tracy Bonnevie. Motion passed.</p> |



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Next meeting: February 24, 2022