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 March 23, 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, Heather Perreault, Shonna Poulin-Gutierrez, Stuart Turney (Total = 8)

Council members absent: Tracy Bonnevie, Cheryl Dugal
(Council seat 6 vacant)

Others Present:
CAPTRUST: Michael Pratico
VOYA: Jennifer George and Greg Miller
Empower: Brenden Walsh and David Hanson
Corebridge: Anthony Durak and Gregg Libutti
Employee Health & Wellness: Devon French, Roberta Dupont, Emma-Lee St. Germain, Kurt Caswell
Other: Markayla Morris, Shirly Elias Ezzy

Agenda Item	Discussion	Action/Next Steps
I. Call to Order (9:02 am)	Shonna Poulin-Gutierrez called the meeting to order	
II. Introductions		
III. Approval of Minutes ***(December 1, 2022)***		Rebekah Koroski made a motion to approve the December 1, 2022, minutes, seconded by Alex Burnette. Motion passed.
IV. Plan Management & Investment Report ***Michael Pratico – CAPTRUST*** **a. Market Commentary –**	Information contained in written report. Discussion highlights below: • Total Plan Assets: Total plan assets for Q4 2022 increased from Q3 2022 at $536.5M to $541M.	

	• Total Participants: During Q4 total participants with a balance remained the same at 6,464. • Empower Plan Activity Update - *Brenden Walsh*: The average member balance was $91K, with 1,676 participants actively deferring. The provider balance as of 12/31/2022 was over $279.6M. In Q4 there were 453 moments of engagement, 457 plan participants, 46 meetings on increasing the deferrals, 6 meeting for enrollment, and 165 retirement planning sessions. • Corebridge (Formally AIG) Plan Activity Update – *Anthony Durak*: The average member balance was $67K, with 737 participants actively deferring. The provider balance as of 12/31/2022 was over $109.3M. 130 enrollments year-to-date. • Corebridge (Formally AIG) Advisor Activity – *Greg Libutti*: There were 161 participant account reviews for the 4th quarter, and 18 onsite visit events. Participant engagement create individuals who make sound investment. There are four advisors in the State of Maine who have a high engagement with employees. Asset allocation shows there is a good percentage in the fixed account. The biggest percentage in the fixed accounts are 50+ age demographic. • VOYA Plan Activity Update – *Jennifer George:* During the 4th quarter the average member balance was $83K, with 1,065 participants actively deferring. The balance as of 12/31/2022 was over $147.5M. Voya added 90 new accounts in 2022. There are currently 1,000 participants, a 6% increase in savings, and 85% of new contributions are going into equities. Average participant account balance is double the national benchmark at $83k income replacement ratios. In addition - internet activity and mobile net usage is extremely strong.	

	• Secure Act 2.0: Congress reached a bipartisan, bicameral retirement bill called SECURE Act 2.0 of 2022. With more than 90 provisions, the impact to the retirement industry is extensive. Increase in the required minimum distribution age to 73 for those who attain age 72 between January 1, 2023, and December 31, 2032, and age 75 for those who attain age 74 after December 31, 2032. Catch-up contributions made after December 31, 2023, must be made as Roth contributions with an exception for employees earning $145,000 or less. There are several optional provisions as well including employers allowing matching contributions to be made as Roth contributions, effective immediately. • Fiduciary Update: Float income is the earnings accrued by a service provider that handles plan assets while awaiting deposit or distribution. Plan sponsors should understand their provider's float policy, particularly when float income is retained as part of its compensation. Recent Department of Labor retirement plan audit questionnaires included questions on cybersecurity. With no standardized audit guidelines, it is difficult to know if these questions will be part of future audits, but plan sponsors should prepare accordingly. • Impacts of the Final Environmental, Social, and Governance Rule: On November 22', the Department of Labor released its final rule designed to clarify a path forward for retirement plan fiduciaries to incorporate environmental, social, and governance factors into their investment selection and monitoring process. The Department of Labor made it clear that fiduciaries may consider environmental, social, and governance factors when making investment decisions and exercising shareholder rights. There is no requirement to incorporate these considerations.	

	• Economic Outlook: Inflation has receded from its 40-year high witnessed earlier in 2022, and the Federal Reserve remains committed to lowering inflation to its long-term target.	
b. 4th Quarter 2022 Performance	Information contained in written report. Discussion highlights below: • Industry Updates: Congress reached a bipartisan, bicameral retirement bill called SECURE Act 2.0 of 2022 and President Biden signed it into law as part of the $1.7 trillion government funding bill. With more than 90 provisions, the impact to the retirement industry is extensive. Much of the legislation is focused on increasing retirement savings and coverage. • Headwinds and Tailwinds: The economy has yet to feel the impact of 2022's 4.25% rate hikes. The Federal Reserve is also expected to shrink its balance sheet this year, with uncertain impact. The Federal Reserve's focus is to return inflation to its 2% long-term target. • Market Commentary Q4: Investors grew optimistic over the first half of the fourth quarter, anticipating the Federal Reserve was near the end of its tightening cycle. However, the excitement faded as Chairman Powell cautioned that conditions would need to remain restrictive for some time. The asset class return shows the importance of a diversified portfolio. The funds that performed well in 2019-2020 stepped back in 2022. • Stocks and Bonds Q4: US Stocks were up 7.5% in the 4th quarter and bonds were up 2%. Inflation overall has gone down from 9% to 5% range. The target is 2%. Bond portfolios have been restructured appropriately and hopefully we will see inflation numbers go down. • Assets & Holdings: We saw a jump in percentage of assets in the fixed account from 41% to about 48%, thanks to that	

	strong 3% guaranteed account. About 42% of the plan assets sitting in that strong fixed account with a 3% guarantee. • Score Card Snapshot: The scorecard continues to look clean, and the fund is good standing at an 80. The pure relative performance is under the 50% percentile. It was a tough year in 2022 but the portfolio still looks good. The only change suggested would be to offer a style pure mid cap value, style pure mid cap growth.	
V. Other Business **a. Open Discussion**	Discussion Highlights: a. Addressing Financial Wellness and Coordination of 457B Education for State of Maine Employees – *Roberta Dupont:* • Financial Wellness and Coordination of 457B Education Wellness Update: Roberta is working closely with WellStarME to collaborate in using their scheduling tool to set up structured meetings for all 3 of the deferred compensation vendors to supply agents per region per quarter. In April on the 3rd Wednesday of the month, between 10am to 2pm, to supply space at two locations per region. This will be a larger conference room space for all 3 vendors can interact with employees in a structured space regarding education, financial wellness. We are looking to schedule for a complete year and potentially increase frequency or move to a bi-monthly schedule. Information for these events will be promoted on the Employee Health and Wellness website, on the Employee Health and Wellness Calendar, as well as the retirement page, where we keep the deferred compensation information. We could even potentially put this information on our WellStarME website and utilize Constant Contact to email employees.	*Roberta Dupont states:* I will need a point person for each vendor to report out to with the specifics on the dates, rooms, availability – who can also report back with information such as, how many employees attended, what the need was, etc. *David Hanson states:* The 3rd week of April is April vacation with the schools in Maine. I don't know if that is going to be a tough week with people out of work. I just wanted to make note. *Roberta Dupont responds:* I will take that back to the group.

b. Open Discussion:

- Plan Expense Formulary Discussion:

  Shonna Poulin-Gutierrez asks *for thoughts and comments on CAPTRUST providing more data and the committee looking at the full landscape of the plan expense formulary.*

  Stuart Turney states*, the formulary is odd being that it is asset based and that we don't get really any guidance. Typically, with asset based you would get some management. I am also concerned it might drive away retirees. If you can avoid a fee by moving to another vendor it only makes sense to leave. I am worried that the asset base is very punitive.*

  Michael Pratico responds*, we can do that evaluation for the next quarterly meeting when we can look at the flat fee for each of the record keepers and compare it to the asset-based fee.*

  Stuart Turney asks*, is there any kind of enthusiasm about the Roth?*

  Shonna Poulin-Gutierrez responds*, there are some research elements that our office and administrative capacity will be looking into and will have more information to share in the coming months.*

  Rebekah Koroski states*, I would like for Michael to bring back information. My thought that going to a flat fee would help with people with higher balances, it might be prohibitive in helping people start out.*

	Stuart Turney asks*, to build off Rebekah's point, is there any possibility that the State would pick up deferred compensation fees up to a certain level?* ***Michael Pratico responds****, usually part of the exercise is to look at and establish a certain threshold where you would waive fees or account balances under $10K by spreading out the fee to other account holders. The other option is what Stuart suggested, the State picking up the fee.* ***Shonna Poulin-Gutierrez asks*** *for thoughts, comments, or feedback on the Roth.* ***Lindsey Mattson asks****, are Roth's something any employee can do outside of their employment with the State of Maine?* ***Michael Pratico responds****, the Roth IRA and the Roth Savings option within a plan are very different. With the Roth IRA you have income limitations and a much lower threshold of contribution amount. Functionally, they do work the same.* ***Lindsey Mattson asks****, under the SECURE Act, employees making over $145k annually would have to contribute to the Roth, is that correct?* ***Michael Pratico responds****, yes, that is correct.* ***Stuart Turney states****, the only risk is overcontribution so you would want a disclaimer that says there will be penalties.* ***Shonna Poulin-Gutierrez asks****, Michael, can you speak to some of the technical aspects of what it could look like for members of our plan that are already contributing?*	

***Michael Pratico responds**, the overall limitations are the same. The challenge is the internal systems that are preventing you from designating monies post tax.*

***Shonna Poulin-Gutierrez asks**, can you speak to the responsibility of the employer for insuring someone has both options, not to go over the limit?*

***Michael Pratico responds**, you are monitoring contribution limits already. In theory it shouldn't be any additional challenge. The overall limits still apply, you are just directing your sources differently.*

***Roberta Dupont responds**, it is a manual process.*

***Stuart Turney states**, when I said the burden of contribution would be on the employer, I meant that, if we were to use that system, someone is going to have to insure that savings account slot used for the Roth does not go over limit.*

***Shonna Poulin-Gutierrez responds**, we do have some complications in our current system.*

***Alex Burnette asks**, if someone has an individual Roth IRA account outside of this program, do those limits have anything to do with the Roth savings account?*

***Michael Pratico responds**, this is an in-plan Roth savings option, it has no impact on your Roth IRA eligibility.*

***Heather Perreault responds**, beyond the challenges of implementing a Roth program, an equal challenge is going to be developing the communications to educate employees.*

***Kurt Caswell asks**, this group has in the past had these conversations regarding adding a Roth component and the*

	consensus is that they would like to have that added. The main hurdle is the administrative side and being able to set it up in the current system available to us. The timing on this was contingent on the new HRMS system being implemented. This might be a good opportunity to use that future resource to be able to vote and plan on the implementation. ***Heather Perreault asks****, the required implementation date is December 31st, 2023, correct?* ***Michael Pratico responds****, the catchup contributions for people making over $145K a year need to be made by a Roth. You either need to accommodate that or figure out a way to not allow this demographic to save via the catchup contribution. We need to get this in place for 2023 for the contributions in 2024.* ***Heather Perreault asks****, if someone making more than $145K a year is making catchup contributions, do they have to segregate that from a regular contribution on January 1st, or do we have to wait until we hit the regular contribution limit and that's when we say, now it must start going into Roth?* ***Michael Pratico responds****, as soon as that first contribution is made it must be made post tax.*	
VI. Adjourn (11:32 am)		Rebekah Koroski made a motion to adjourn, seconded by Stuart Turney. Motion passed.

Next Meeting: May 25, 2023