

Commonwealth of Massachusetts Employees Deferred Compensation Plan

Minutes of the Deferred Compensation Committee May 23, 2024

The Deferred Compensation Committee (the “Committee”), the oversight committee for the Commonwealth of Massachusetts Employees Deferred Compensation Plan (the “Plan” or the “SMART Plan”), met, pursuant to notice, via video- and teleconference call, on May 23, 2024. John Curran and Robert Sheridan were in attendance, both being voting members of the Committee. Voting member Tom Magno was not present.

Also present by invitation were Henry Clay, Adrien Denis, David Lynch, Sandra DeSantis Lynch, Joel Massa, Natasha Ralph, and Laura Rooney of the Commonwealth of Massachusetts Office of the State Treasurer and Receiver General (“Treasurer’s Office”); Chris Behrns, John Flagel, Beth Halberstadt, and Austin Tallent of Aon Investments USA Inc. (“Aon Investments”); Tamara Langham of Aon Consulting, Inc. (“Aon Consulting”); and Matt Gleason and Marie Mastro from Goldman Sachs Asset Management (“Goldman Sachs”). All attendees participated via video- and teleconference call.

The meeting was open to the public.

With a quorum present, Mr. Sheridan called the meeting to order at 10:15 a.m. ET.

The below materials were distributed in advance of the meeting and displayed during the meeting as noted. Copies of these materials are attachments 1 – 7, respectively, to these minutes:

1. Minutes of the March 7, 2024 Deferred Compensation Committee Meeting (hereinafter “Minutes”);
2. Executive Director’s Quarterly Update – 457 Defined Contribution Plan – Q1 2024, (hereinafter, “Executive Director Update”);
3. Quarterly Investment Review, Commonwealth of Massachusetts Deferred Compensation Plan, 1Q 2024 (hereinafter, “Quarterly Highlights Report”);
4. Draft, The Commonwealth of Massachusetts Employee Deferred Compensation Investment Policy Statement, Revised as of May 23, 2024 (hereinafter, “IPS Draft”);
5. Capital Preservation Overview, Commonwealth of Massachusetts SMART Plan, May 23, 2024 (hereinafter, “Capital Preservation Overview”); and
6. Goldman Sachs, Asset Management, Stable Value, May 23, 2024 (hereinafter, “GSAM Stable Value Report”).

In addition, the following document was distributed in advance of the meeting but not reviewed during the discussion:

7. Quarterly Investment Review, Commonwealth of Massachusetts Deferred Compensation Plan, First Quarter 2024.

Mr. Sheridan noted that the meeting is being conducted via video- and teleconference call in accordance with Chapter 2 of the Acts of 2023 signed into law by Governor Healy on March 29, 2023. He advised attendees of the recording parameters under the Open Meeting Law M.G.L. c. 30A, §§ 18-25 and applicable regulations. Mr. Sheridan instructed the Committee and guests to notify the meeting members if any part of the meeting was not audible via video- and teleconference call. Attendees confirmed that no one is recording the meeting.

The Committee reviewed and, on a motion by Mr. Curran and seconded by Mr. Sheridan, approved the Minutes. The approval was unanimously confirmed via roll call: Mr. Curran and Mr. Sheridan.

Referencing the Executive Director Update, Mr. Lynch provided the following updates:

- Plan assets and Roth balances increased in the first quarter of 2024, but quarterly contributions decreased during that same period;
- Information regarding the increase in rollover activity has been requested from Empower, the Plan's recordkeeper;
- The transition from the Ashmore Emerging Market Blended Debt Total Return Collective Investment Fund to the Prudential Emerging Markets Debt Blend Strategy was completed on April 1, 2024;
- Requests for Response (RFRs) for Plan providers of custody services and recordkeeping services are expected to be issued in June of 2024;
- RFRs will be issued to pre-qualify one or more firms to build the bench of qualified managers to provide Large Cap Blend, Small Cap Equity, Large Cap Growth, Large Cap value, High Yield, and Unconstrained Fixed Income investment manager services;
- Proposed legislation to allow automatic enrollment in governmental plans filed under Senate Bill S.1698 and House of Representatives Bill H.2517 have both been referred for study; and
- SECURE 2.0 Act mandatory and optional provisions are in review with outside counsel to ensure the Plan document is amended to reflect the required changes.

Ms. Halberstadt joined the meeting.

Mr. Behrns directed the Committee to the Quarterly Highlights Report and provided an overview of the topics to be addressed during upcoming meetings. He reviewed the contents of the report, highlighted the status of current projects, provided a fund manager update, and summarized the fund manager due diligence meetings Aon and Treasurer's Office staff have completed to date in 2024.

Mr. Flagel reviewed the current state of the overall economy, the domestic and international equity markets, and the bond markets.

Mr. Behrns led a discussion of the investments offered in the Plan, noting situations in which there are exceptions to, or comments on, the targeted performance, company structure or other relevant aspects of the funds offered against the Plan's Investment Policy Statement (IPS).

Mr. Behrns led a discussion of the investment lineup's ratings report card, which reflects funds on the "closely monitored list" for the quarter. He reviewed the funds on the list and noted that Aon Investments recommends no changes at this time.

Mr. Behrns informed the Committee that Aon Investments has performed a review of the IPS and is recommending several changes, as outlined in the IPS Draft. He reviewed the recommendations and after discussion, and on a motion by Mr. Curran and seconded by Mr. Sheridan, the Committee agreed to recommend the State Treasurer approve the IPS. The recommendation was unanimously confirmed via roll call: Mr. Curran and Mr. Sheridan. Mr. Behrns agreed to provide a copy of the updated IPS to the Committee following the meeting.

Mr. Behrns directed the Committee to the Capital Preservation Overview and led a discussion of stable value versus money market funds, noting that Aon Investments still prefers stable value as the capital preservation option in defined contribution plans. He also reviewed the current stable value market environment and key characteristics of the Capital Preservation Fund (SV Fund) offered in the Plan, including the market-to-book ratio and crediting rate, and compared them to those of other stable value collective trust funds.

Mr. Gleason and Ms. Mastro joined the meeting.

Mr. Gleason directed the Committee to the Goldman Sachs Report and provided the Committee with an overview of the firm's organizational structure and differentiators, assets under management, and the investment team's experience. He reviewed the objectives, process, portfolio construction, maturing and broad market strategies, and wrap contract implementation for a Stable Value solution.

Ms. Mastro provided an overview of the fixed income market and reviewed the SV Fund, including cash flow, diversification, market-to-book ratio, and performance.

Mr. Gleason and Ms. Mastro left the meeting.

Following discussion, based on the contents of the Quarterly Highlights Report and in the best interest of the participants and beneficiaries in the Plan, the Committee made no recommendations for changes to the Plan's investment lineup at this time.

Ms. Rooney confirmed the next meeting will be in person, with virtual attendance as an option, and will be scheduled for September 2024.

There being no further business to come before the Committee, on a motion by Mr. Curran and seconded by Mr. Sheridan, the motion to adjourn was unanimously confirmed at 12:05 p.m. ET via roll call: Mr. Curran and Mr. Sheridan.