

Commonwealth of Massachusetts Employees Deferred Compensation Plan

Minutes of the Deferred Compensation Committee September 24, 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, on September 24, 2024, at the offices of the Commonwealth of Massachusetts Office of the State Treasurer and Receiver General (“Treasurer’s Office”) in Boston, Massachusetts. Attending were John Curran, Robert Sheridan, and via video- and teleconference, Tom Magno, being all the voting members of the Committee.

Also present by invitation were Adrien Denis, David Lynch, Sandra DeSantis Lynch, Joel Massa, Natasha Ralph, and Laura Rooney of the Treasurer’s Office; Chris Behrns, John Flagel, and Beth Halberstadt of Aon Investments USA Inc. (“Aon Investments”); and via video- and teleconference call, Henry Clay of the Treasurer’s Office, Austin Tallent of Aon Investments, and Tamara Langham of Aon Consulting, Inc. (“Aon Consulting”).

The meeting was open to the public.

With a quorum present, Mr. Sheridan called the meeting to order at 11:00 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 – 5, respectively, to these minutes:

1. Minutes of the May 23, 2024 Deferred Compensation Committee Meeting (“Minutes”)
2. Executive Director’s Quarterly Update – 457 Defined Contribution Plan – Q2 2024, (“Executive Director Update”)
3. Quarterly Investment Review, Commonwealth of Massachusetts Deferred Compensation Plan, 2Q 2024 (“Quarterly Highlights Report”)
4. Plan Reviews, Commonwealth of Massachusetts Deferred Compensation Plan (“Plan Reviews Report”)
5. Quarterly Investment Review, Commonwealth of Massachusetts Deferred Compensation Plan, Second Quarter 2024 (for reference only)

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. Magno, approved the Minutes. The approval was unanimously confirmed via roll call: Mr. Curran, Mr. Magno, and Mr. Sheridan.

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

- Plan assets, quarterly contributions, participants, and Roth accounts increased in the second quarter of 2024;
- Requests for Response (RFRs) for Plan providers of custody services and recordkeeping services were issued in June 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;
- SECURE 2.0 Act mandatory are in review with outside counsel to ensure the Plan document is amended to reflect the required changes; and
- SECURE 2.0 optional provisions will be reviewed in future meetings.

Mr. Behrns directed the Committee to the Quarterly Highlights Report and provided an overview of the topics to be addressed during upcoming meetings. At the Committee's request, he agreed to add Retirement Income to the list of future topics. Mr. Behrns 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. He 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. Flagel directed the Committee to the Plan Reviews Report and led the Committee in a discussion of the asset classes, types, and number of funds currently offered in the Plan, and recommended that no changes be made to the Plan's investment structure at this time.

Mr. Behrns led the Committee in a discussion of the Morningstar managed account service currently offered in the Plan, highlighting the risk level assigned to participants, asset class diversification, asset class implementation, manager selection, and terms and conditions. Based upon the materials presented, the Committee concluded that the Morningstar methodology continues to be appropriate for participants in the Plan.

Mr. Flagel discussed the prevalence of Self-Directed Brokerage Windows (SDBWs) in defined contribution plans and the Department of Labor's guidelines for fiduciaries with respect to SDBWs. He further noted that Aon Investments rates Schwab's brokerage capabilities as a "3" on a 1 - 3 scale. After thorough discussion, the Committee concluded, based on the information provided, that it would be in the best interest of the Plan's participants and beneficiaries to continue to offer Schwab's SDBW product, limited to mutual fund investments only.

Following discussion, based on the contents of the Quarterly Highlights Report and Plan Reviews 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 December 2024, with virtual attendance.

There being no further business to come before the Committee, on a motion by Mr. Curran and seconded by Mr. Magno, the motion to adjourn was unanimously confirmed at 12:55 p.m. ET via roll call: Mr. Curran, Mr. Magno, and Mr. Sheridan.