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# **Commonwealth of Massachusetts Employees Deferred Compensation Plan**

## **Minutes of the Deferred Compensation Committee March 11, 2025**

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 March 11, 2025, via video- and teleconference. Attending were John Curran, Tom Magno, and Robert Sheridan, being all the voting members of the Committee.

Also present by invitation were Adrien Denis, Bridget Hickey, David Lynch, Sandra DeSantis Lynch, Joel Massa, Natasha Ralph, and Laura Rooney of the 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 Aylon Ben-Shlomo and Keri Hepburn of Aristotle Capital Management.

The meeting was open to the public. Present was Gordon Branum, a Massachusetts Health retiree.

With a quorum present, Mr. Sheridan called the meeting to order at 10:00 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 December 16, 2024 Deferred Compensation Committee Meeting ("Minutes")
2. Executive Director's Quarterly Update – 457 Defined Contribution Plan – Q4 2024, ("Executive Director Update")
3. Quarterly Investment Review, Commonwealth of Massachusetts Deferred Compensation Plan, 4Q 2024 ("Quarterly Highlights Report")
4. Annual Multi-Manager Fund Allocation Review, Commonwealth of Massachusetts SMART Plan ("Multi-Manager Report")
5. Aristotle Capital Management, Commonwealth of Massachusetts ("Aristotle Report")
6. Quarterly Investment Review, Cmlth of Massachusetts Deferred Compensation Plan, Fourth 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. Magno and seconded by Mr. Curran, 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 fourth quarter of 2024;
- Rollover activity increased in the fourth quarter of 2024;
- Requests for Response (RFRs) from providers of custody services were reviewed, and State Street was selected to replace the incumbent, Northern Trust;
- Responses to the Requests for Response (RFRs) from providers of recordkeeping services are currently in review;
- 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 provisions 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.

The Committee discussed the education materials on the participant website and mobile app, with the consensus being that it is not intuitive or user friendly and there are instances where incorrect information is being provided in the materials. Mr. Lynch agreed to review these comments with Empower, the Plan's recordkeeper.

Mr. Branum joined the meeting during the above discussion.

Mr. Behrns directed the Committee to the Quarterly Highlights Report and provided an overview of the topics to be addressed during upcoming meetings. Mr. Behrns reviewed the contents of the report, highlighted the status of current projects, provided fund manager updates, and summarized the fund manager due diligence meetings Aon Investments and Treasurer's Office staff have completed to date.. He also provided a target date fund update, noting the addition of the 2070 fund and the consolidation of the 2010 fund into the Retirement Allocation fund, effective January 1, 2025.

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

Mr. Branum left the meeting during the above discussion.

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. Behrns reviewed the management fees for the investments in the Plan, comparing them to those of the applicable peer groups.

Referring to the Multi-Manager Report, Mr. Behrns informed the Committee that Aon Investments has performed a review of the multi-manager fund investment options to ensure the current construct is appropriate for participants. He noted the review includes, among other items, an analysis of the fund managers' relationship within the investment options, consideration of fees, performance, risk, diversification benefits, and Aon Investments' manager ratings. Mr. Behrns confirmed that Aon

Investments is not recommending any changes at this time and reminded the Committee that four of these mandates will be undergoing RFR later in 2025.

Following discussion, based on the contents of the Quarterly Highlights Report and Multi-Manager 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.

Mr. Ben-Shlomo and Ms. Hepburn joined the meeting and introductions were made.

Referring to the Aristotle Report, Ms. Hepburn provided the Committee with an overview of Aristotle's organizational structure, firm process and philosophy, assets under management, and the experience of the investment team.

Mr. Ben-Shlomo provided a portfolio overview including portfolio composition, purchases and sales, and portfolio characteristics of value equity investments.

Mr. Ben-Shlomo and Ms. Hepburn left the meeting.

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 11:50 a.m. ET via roll call: Mr. Curran, Mr. Magno, and Mr. Sheridan.