

Massachusetts Defined Contribution CORE Plan

Minutes of the Commonwealth of Massachusetts CORE Investment Committee March 5, 2019

The Commonwealth of Massachusetts CORE Investment Committee (the "Committee"), the fiduciary committee for the Massachusetts Defined Contribution CORE Plan (the "Plan"), met, pursuant to notice, at the offices of the Massachusetts State Retirement Board in Boston, Massachusetts, on March 5, 2019. Present were Nicola Favorito, David Lynch, and Henry Clay, being all voting members of the Committee.

Also present by invitation were Caitlin Gossett, Christina Media, and Emily Robbins of the Commonwealth of Massachusetts and Chris Behrns, Sue Sinclair, and Kevin Vandolder of Aon Hewitt Investment Consulting, Inc. (AHIC).

The meeting was called to order at 12:20 p.m. ET.

Mr. Behrns previously distributed the following reports, copies of which are Attachments 1 through 4 to these minutes, respectively:

1. "Commonwealth of Massachusetts, Fourth Quarter 2018, Quarterly Investment Review,"
2. "Status Report to the State Treasurer and Receiver General of Massachusetts,"
3. "Aon Quarterly Update, Retirement Legal Consulting and Compliance, First Quarter 2019," and
4. "Financial Preparedness Uncovered, Knowledge from Aon's The Real Deal 2018."

Referencing Attachment 1, Mr. Behrns and Mr. Vandolder reviewed the state of the overall economy, the domestic and international equity markets, the bond markets and other capital markets at December 31, 2018. They provided commentary about the economy and markets for the months of January and February 2019.

Mr. Favorito joined the meeting at 12:25 p.m.

During the review of Attachment 1, Mr. Behrns reported on the following, among other matters, considering the Plan's Investment Policy Statement:

- The Plan's asset allocation,
- Performance of the investments held in the Plan as compared to benchmarks and other relevant aspects of the funds offered,
- Investment management fees for all funds offered in the Plan,
- Affirmation of the quarterly activities that occurred as a part of AHIC's due diligence in oversight of the Plan's assets, and
- A progress report of the annual oversight activities of the Committee.

Mr. Behrns noted that the Plan's trustee, Global Trust Company (GTC), failed to carry out target date fund reallocation instructions directed by AHIC, which were directed to go into

effect on February 1, 2019. AHIC's team, as part of daily monitoring of the Plan's fund allocation, reported the missing transaction to GTC on February 6, 2019. Mr. Behrns and AHIC's team worked with GTC to reallocate the funds to the appropriate targets soon thereafter, and the new allocations went into effect in February 14, 2019. Mr. Behrns discussed with the Committee procedures in place at GTC to prevent similar situations in the future. The Committee requested that AHIC provide a summary of similar events as part of future quarterly affirmation reporting. Mr. Behrns agreed to do so.

Mr. Behrns informed the Committee that a change to the Target Date Funds' glide path allocation went into effect in February 2019, and AHIC is in the process of working with the Plan's recordkeeper, Empower Retirement Services (Empower), to update the Plan's fund fact sheets, and participant communication and education materials.

The Committee thoroughly discussed the reports reviewed by Mr. Behrns and Mr. Vandolder. Based on the information contained in the reports, and considering the best interests of the participants and beneficiaries in the Plan, AHIC made no recommendations to change the investments in the Plan at this time.

The Committee voted to approve the meeting minutes from the December 3, 2018 meeting.

Mr. Behrns directed the Committee to a document titled "Investment Policy Statement for the Massachusetts Defined Contribution CORE Plan," a copy of which is included in Attachment 1 to these minutes. He informed the Committee that AHIC has reviewed the document and recommends no changes to it at this time.

Mr. Vandolder updated the Committee of the Securities Exchange Commission's (SEC) fact-finding inquiry related to AHIC's marketing materials and custodial fees charged to clients. He indicated that the SEC questioned AHIC's approach to disclosing the firm's total assets under management. The SEC provided guidance to AHIC about future reporting of assets under management of which AHIC has agreed to and is in the process of implementing. He also noted that with regard to the two pending lawsuits in which AHIC was named as a defendant, AHIC had no update at this time. Mr. Behrns and Mr. Vandolder agreed to provide updates related to the lawsuits to the Committee as they become available.

Ms. Sinclair directed the Committee to Attachment 2 of these minutes. She informed the Committee that AHIC would draft the Status Report for Committee for the Committee's review and approval each year. The Committee reviewed, discussed and approved Attachment 2 and agreed to submit the report to the State Treasurer and Receiver General.

Ms. Sinclair presented the information reflected in Attachment 3, and led a discussion of the matters noted and the effect they may have on the Plan and the Committee. The Committee requested that Ms. Sinclair and Mr. Behrns prepare an annual calendar of Committee agenda items and include an annual report from Empower. The Committee also requested to receive a copy of future Aon Quarterly Updates via email.

Ms. Robbins informed the Committee that a member of the public, one hour before the start of the meeting, requested to participate in the meeting via conference call. The Committee discussed the request and agreed to work with Ms. Robbins to recommend

policy guidelines related to similar requests in the future. The Committee agreed to continue this topic at the next Committee meeting.

Mr. Clay left the meeting at 1:30 p.m.

Referencing Attachment 4, Mr. Behrns presented the survey information and led a discussion of the matters noted and the effect they may have on the Plan and the Committee. The Committee agreed to share the report with the Statutory Committee.

Ms. Robbins informed the Committee that the Plan's Determination Letter has been issued by the Internal Revenue Service. As she had been informed of the approval shortly prior to the start of the meeting, she will inform the Committee, prior to the next meeting, whether the Determination Letter requires any changes to the Plan's document.

There being no further business to come before the Committee, the meeting was adjourned at 1:50 p.m.



Committee Member


Date signed