

# **Massachusetts Defined Contribution CORE Plan**

## **Minutes of the Commonwealth of Massachusetts CORE Investment Committee December 1, 2021**

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, via videoconference on December 1, 2021. Attending were Henry Clay, David Lynch, and the Chair Nicola Favorito, being all the voting members of the Committee.

Also attending via videoconference by invitation were Sarah Kim, General Counsel for the Commonwealth of Massachusetts Office of the Treasurer and Receiver General; Beth Halberstadt, Ryan Murphy, John Flagel, and Sue Sinclair of Aon Investments USA Inc. (Aon).

With a quorum present, Mr. Favorito called the meeting to order at 2:03 p.m. Eastern Time. Roll call: Mr. Clay, Mr. Lynch, Mr. Favorito.

The following materials, used throughout the meeting, were distributed in advance of the meeting, and displayed during the meeting as noted:

1. Agenda for the December 1, 2021 CORE Investment Committee Meeting (Agenda);
2. Minutes of the October 19, 2021 CORE Investment Committee Meeting (Minutes);
3. Commonwealth of Massachusetts, Third Quarter 2021, Quarterly Investment Review, (hereinafter, Document 1); and
4. Aon Quarterly Update, Fourth Quarter 2021 (hereinafter Document 2).

Mr. Favorito advised attendees that the meeting was being conducted via videoconference in accordance with the Commonwealth's Open Meeting Law, M.G.L. c.30A, §§18-25 as amended. He then noted the recording parameters under the Open Meeting Law. He inquired if anyone present was recording the session and no one identified themselves as making a recording. He advised all parties that should they be unable to hear during the meeting, they should bring that to his attention.

On a motion by Mr. Lynch and seconded by Mr. Clay, the Committee reviewed and approved the minutes from the October 19, 2021 meeting. Roll call in favor of approval: Mr. Lynch, Mr. Clay, Mr. Favorito.

Mr. Flagel presented Document 1 (Third Quarter 2021, Quarterly Investment Review) to the Committee. He provided details of the state of the overall economy, the domestic and international equity markets, the bond markets, and other capital markets as of September 30, 2021 and October 31, 2021, respectively.

Mr. Flagel and Mr. Ryan reported on the Plan's asset allocation and performance of the investments as compared to benchmarks, the impact of economic and market activity on the fund managers' strategies, and other developments with the Plan's investments and other relevant aspects of the funds offered, considering the Plan's Investment Policy Statement (IPS), for the period ending September 30, 2021. He reviewed the management fees for the investments in the Plan, noting that the fees for all the investments are at or below the medians of the applicable peer groups. Mr. Flagel and the Committee discussed investment fee trends among stable value managers in the institutional marketplace and how they may impact the Plan.

Next, Mr. Flagel informed the Committee that Aon has performed a review of the Investment Policy Statement ("IPS") and is not recommending any changes at this time. He and the Committee discussed the framework of the Plan's current IPS and to what extent it references Environmental, Social and Governance (ESG) considerations. Mr. Flagel and Ms. Halberstadt discussed Aon's practice of integrating ESG principles as part of its research process related to the Plan's investment managers, trends among plan sponsors related to ESG funds offered in §401(k) plans, and the proposed rules recently released by the Department of Labor related to ESG. The Committee discussed feedback they have received from current participants and the community the Plan serves and requested Aon include ESG as an ongoing agenda topic for future Committee meetings.

Following thorough discussion, based on the contents of the documents and the best interests of the participants and beneficiaries in the Plan, Aon, in its role as the discretionary investment manager, indicated no changes to be made to the investments in the Plan at this time.

Ms. Halberstadt updated the Committee on Aon litigation matters. She noted that the plaintiffs in *Reetz v. Lowes* appealed the court's recent decision related to Aon's investment management of the Lowes 401(k) Retirement Plan. The Committee asked her to keep them apprised of any further details related to the court's decision and any other pending litigation involving Aon. The Committee and Ms. Halberstadt discussed the claims commonly included in recent litigation related to defined contribution retirement plans.

Ms. Sinclair directed the Committee to Document 2 (Aon Quarterly Update, Fourth Quarter 2021), presented the information and led a discussion of the matters noted and the effect they may have on the Plan and the Committee.

The Committee scheduled the next meeting for February 10, 2022, at 2 p.m. Eastern Time.

There being no further business to come before the Committee, the meeting was adjourned by unanimous vote of the Committee at 3:00 p.m. Eastern Time on a motion by Mr. Clay and seconded by Mr. Lynch. Roll Call: Mr. Clay, Mr. Lynch, Mr. Favorito.

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Committee Member

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Date signed