

## **Massachusetts Defined Contribution CORE Plan**

### **Minutes of the Commonwealth of Massachusetts CORE Investment Committee December 3, 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 December 3, 2019. Henry Clay, David Lynch, and the Chair Nicola Favorito, being all voting members of the Committee, were in attendance. Mr. Lynch attended via teleconference.

Also present by invitation were Sarah Kim and Emily Robbins of the Commonwealth of Massachusetts, Beth Halberstadt, Chris Behrns, and Sue Sinclair of Aon Hewitt Investment Consulting, Inc. ("AHIC") and Aaron Montaño and Andrew Schumacher of Alliance Bernstein ("AB"). Ms. Kim and Ms. Sinclair attended via teleconference.

With a quorum present, Mr. Favorito called the meeting to order at 11:00 a.m. Eastern Time.

The following materials, used throughout the meeting, were distributed in advance of the meeting and provided in hard copy at the meeting:

1. Agenda for the December 3, 2019 CORE Investment Committee Meeting;
2. Minutes of the September 4, 2019 CORE Investment Committee Meeting;
3. Commonwealth of Massachusetts, Third Quarter 2019, Quarterly Investment Review, (hereinafter, "Document 1");
4. Aon Quarterly Update, Retirement Legal Consulting and Compliance, Fourth Quarter 2019, (hereinafter "Document 2"); and
5. AB Lifetime Income Strategy, Retirement Income and Strategy Overview, November 2019, (hereinafter "Document 3").

Mr. Favorito advised attendees of the recording parameters under Open Meeting regulations M.G.L. c. 30A, §§ 18-25. He inquired if anyone present was recording the session, and no one identified themselves as making a recording.

The Committee reviewed and by roll call of Mr. Lynch, Mr. Clay and Mr. Favorito, approved the minutes from the September 4, 2019 meeting.

Mr. Behrns directed the Committee to Document 1 and reviewed the Annual Work Plan, noting that Empower, the Plan's recordkeeper, is expected to present at the March 2020 meeting. The Committee then determined to take the representatives from AB out of order to accommodate any travel concerns.

Mr. Montaño and Mr. Schumacher joined the meeting. They distributed Document 3 and provided the Committee with an overview of AB's experience in managing retirement income products for defined contribution plans. As part of their discussion, they explained



their product's approach to lifetime income, the role of the insurers and investment managers within the product, withdrawal rates used to calculate individual benefits, and communication strategies AB has available to educate participants about the product.

The Committee and AHIC engaged AB with several questions, including AB's role as a fiduciary in selecting the insurers and investment managers in the product, the product's fees, AB's revenue sharing with the insurers and investment managers, the participant's flexibility to move their account balance between plans and service providers, the recordkeeping and operational responsibilities assumed by AB, and their flexibility to partner with the Empower. Prompted by questions from the Committee, AB explained that in the unlikely event of an insurer fails to provide the guaranteed benefits to participants, the participants will rely on state insurance law to recover promised benefits.

Mr. Montañó and Mr. Schumacher left the meeting. The Committee and AHIC continued the discussion, addressing the following topics: the role AB's product would play in the Plan, AHIC's fiduciary role in recommending similar products, and considerations when assessing how reasonable the product's fees are relative to similar offerings. AHIC informed the Committee that the marketplace of similar products is evolving and offers a spectrum of different features and risks. The Committee asked Mr. Lynch to work with AHIC to determine if it is reasonable to evaluate lifetime income products for the Plan in the near future. AHIC and Mr. Lynch agreed to update the Committee at the next meeting.

Mr. Behrns directed the Committee back to Document 1. He reviewed the state of the overall economy, the domestic and international equity markets, the bond markets and other capital markets as of September 30, 2019. Mr. Behrns also reported on the Plan's asset allocation and performance of the investments held in the Plan as compared to benchmarks, and other relevant aspects of the funds offered, considering the Plan's Investment Policy Statement for the periods ending September 30, 2019 and October 31, 2019.

Mr. Behrns next directed the Committee to the section titled "Compliance" within Document 1. He reviewed AHIC's quarterly oversight activity and affirmed the actions that took place during the quarter. He also reviewed the annual and ongoing oversight initiatives planned for 2019 and provided a status update for each activity. In addition, he explained the findings on reports titled "Reconciliation" and "Target Date Allocation."

The Committee thoroughly discussed the reports reviewed by Mr. Behrns. 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.

Ms. Halberstadt updated the Committee on the following:


- Litigation matters with Lowes and FirstGroup America, Inc. (FGA):
  - No new updates are available since the prior Committee meeting.
- Settlement in principle with Safeway, Inc.
  - AHIC has agreed to a settlement in principle with a class of plaintiffs and have agreed to pay \$500,000.
  - AHIC has steadfastly maintained that these allegations were without merit and this settlement in no way is an admission of any wrongdoing on its part; per

Ms. Halberstadt, the settlement was paid solely to avoid the cost of defending the case at trial.

Ms. Sinclair directed the Committee to the "Aon Quarterly Update, Retirement Legal Consulting and Compliance, Fourth Quarter 2019," that has been identified here as Document 2. Ms. Sinclair presented the information reflected in the report and led a discussion of the matters noted therein and the effect they may have on the Plan and the Committee.

Mr. Behrns briefed the Committee that AHIC and State Street Global Advisors (SSgA) have negotiated favorable fees for securities lending pools associated with the collective trusts offered through AHIC's Delegated Advisory Service. Per Mr. Behrns, AHIC will model the expected fee difference between the current use of non-lending SSgA strategies and the securities lending SSgA strategies that were negotiated. Mr. Behrns and Ms. Halberstadt will inform the Committee of the impact this change, including fees, may have for the Plan. Upon inquiry, Mr. Behrns and Ms. Halberstadt confirmed that the decision to have the Plan participate in securities lending is within the scope of AHIC's fiduciary and discretionary responsibilities as OCIO.

There being no further business to come before the Committee, the meeting was adjourned by unanimous vote of the Committee at 12:50 p.m. Eastern Time. Roll Call: Mr. Lynch, Mr. Clay and Mr. Favorito.

  
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Committee Member  
  
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Date signed