

Massachusetts Defined Contribution CORE Plan

Minutes of the Commonwealth of Massachusetts CORE Investment Committee June 22, 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 June 22, 2021. Henry Clay, David Lynch, and the Chair Nicola Favorito, being all voting members of the Committee, were in attendance.

Also attending via videoconference by invitation for all or a part of the meeting were Emily Robbins and Sarah Kim of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General (“Treasurer’s Office”), and Chris Behrns, Beth Halberstadt, Ryan Murphy, and Sue Sinclair of Aon Investments USA Inc. (“Aon”).

With a quorum present, Mr. Favorito called the meeting to order at 9:30 a.m. Eastern Time. Roll call: Mr. Lynch, Mr. Clay, 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 June 22, 2021 CORE Investment Committee Meeting (“Agenda”);
2. Minutes of the March 23, 2021 CORE Investment Committee Meeting (“Minutes”);
3. Commonwealth of Massachusetts, First Quarter 2021, Quarterly Investment Review, (hereinafter, “Document 1”);
4. Commonwealth of Massachusetts CORE Plan, Investment Structure Review, June 22, 2021 (hereinafter, “Document 2”); and
5. Aon Quarterly Update, Second Quarter 2021 (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. He advised all parties that should they be unable to hear, they should bring that to his attention. Further, he informed the Committee that the meeting was being conducted via videoconference in accordance with An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency signed into law by Governor Baker on June 16, 2021.

On a motion by Mr. Lynch and seconded by Mr. Clay, the Committee reviewed and approved the minutes from the March 23, 2021 meeting. Roll call in favor of approval: Mr. Lynch, Mr. Clay, Mr. Favorito.

Mr. Behrns presented Document 1 to the Committee. He reviewed the report titled “Market Highlights” and provided details of the state of the overall economy, the domestic and international equity markets, the bond markets and other capital markets as of March 31, 2021 and May 31, 2021, respectively. Mr. Behrns reported on the Plan’s asset allocation and performance of the investments as compared to benchmarks, and other

relevant aspects of the funds offered, considering the Plan's Investment Policy Statement for the periods ending March 31, 2021 and May 31, 2021. In the course of the discussion, Mr. Behrns and the Committee discussed future opportunities to diversify the glidepath of the Plan's Target Date Funds in light of the ongoing asset growth of the Plan.

Mr. Behrns reviewed the Plan's investment fees and noted that with one exception, the fund fees offered in the Plan are at or below the peer median of similar investments. The fund that is the exception, Mr. Behrns noted, is not materially higher than the median and that Aon still considers this a reasonable fee. Mr. Behrns and the Committee engaged in a general discussion of trends in investment managers' pricing of funds in the marketplace, and the wide differential of fees between asset classes. Mr. Behrns commented on the factors that influenced the cost of investments for the Plan and the market in general.

Addressing Document 2, Mr. Behrns led the Committee in a discussion of the asset classes, types, and number of funds currently offered in the Plan, noting changes made to the funds since the last evaluation. Throughout the discussion, the Committee and Mr. Behrns conferred on the following topics:

- Trends in the number of funds offered in 401(k) plans;
- The potential impact either style-based or objective-based funds may have on the number of funds available; and
- Investment products currently available in the marketplace for participants in defined contribution plans to invest in during the spending phase of their retirement.

Turning to the "QDIA Review" in Document 2, Mr. Behrns discussed the Department of Labor ("DOL") regulations related to Qualified Default Investment Alternatives ("QDIA") and noted that Aon's research and experience indicates that Target Date Funds are the most appropriate type of QDIA available to defined contribution plans.

Based on the information contained in the reports and considering the best interests of the participants and beneficiaries in the Plan, Aon made no recommendation to change the investments in the Plan at this time.

Mr. Behrns, Ms. Sinclair and the Committee next discussed the "DC Trends" section of Document 2 including:

- The general impact of both automatic enrollment and auto-escalation on improving participation and increasing savings rates for participants;
- Survey research indicating employees generally want some form of guaranteed income at retirement and the landscape of solutions available to fiduciaries to offer lifetime income funds;
- A framework for understanding the role financial wellbeing may have for participants as they save for retirement, or draw down funds at that time, as well as potential strategies available to help participants, including Aon's research related to the impact of professional investment advice available to participants;
- An overview of recent legislation and non-enforcement policies related to Environmental, Social and Governance (ESG) investing and Aon's approach to incorporating ESG factors into its fund research;
- Strategies for ongoing oversight of recordkeeping fees, noting that the oversight is informed by considering total revenue collected by the recordkeeper and the

spectrum of allegations included in litigation against defined contribution plan fiduciaries;

- Recent DOL guidance to fiduciaries related to cybersecurity and the protection of Plan and participant data, resulting in the Committee's agreement to engage Empower, the Plan's recordkeeper, to discuss Empower's cybersecurity with the Committee directly on an ongoing basis, as it is currently doing with appropriate staff from the Treasurer's Office; and
- Implications of recent defined contribution plan litigation on fiduciary liability insurance policies and premiums, with Ms. Robbins noting that the Treasurer's Office was in the process of renewing the current policy that covers the Committee.

Ms. Halberstadt updated the Committee of the following:

- The US District Court of Middle Florida ruled, after a bench trial, that Aon and its co-defendant, Alight Solutions, acted prudently and reasonably with respect to the allegations of fiduciary breach related to the Citrus Memorial Health Foundation Pension Plan (aka Foundation Resolution Corp. and Foundation Resolution Corp. Pension Committee v. Aon Hewitt Investment Consulting, Inc. and Alight Solutions, LLC);
- Litigation related to the Lowes 401(k) Plan will go to trial at the end of the month and Aon continues to deny any wrongdoing;
- On June 3, 2021 Aon announced the sale of its pension business to the private equity firm, Aquiline, which will not impact the Aon team working with the Plan and Committee; and
- On June 16, 2021, the Department of Justice sued to block Aon's acquisition of Willis Towers Watson; she assured that Committee that these announcements would not affect Aon's services to the Plan and the Committee.

During Ms. Halberstadt's discussion, Ms. Robbins, the Committee, and she discussed the common allegations across Aon's litigation matters, standard reporting practices for investment performance of custom funds, and the Securities and Exchange Commission's regulations that impact performance reporting. Ms. Halberstadt informed the Committee that she will provide an update on any changes to Aon's litigation matters at the next quarterly meeting.

Ms. Sinclair directed the Committee to Document 3, 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 discussed future meeting dates, noting that Empower would be asked to present their firm's cybersecurity policies. Ms. Robbins reminded the Committee that the Committee's mandate is expected to expand to include matters related to the administration of the Plan, and she provided topics to consider for future meeting agendas.

There being no further business to come before the Committee, and with a comment by Mr. Lynch that future meeting dates would be circulated, the meeting was adjourned by unanimous vote of the Committee at 11:00 a.m. Eastern Time on a motion by Mr. Lynch and seconded by Mr. Clay. Roll Call: Mr. Clay, Mr. Lynch, Mr. Favorito.



Committee Member

2/7/2023

Date signed