

# **Massachusetts Defined Contribution CORE Plan**

## **Minutes of the Commonwealth of Massachusetts CORE Investment Committee June 26, 2020**

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 26, 2020. 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 were Emily Robbins and Sarah Kim of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General and Beth Halberstadt, Chris Behrns, Sue Sinclair and Diane Smola of Aon Investments USA Inc. (“Aon”).

With a quorum present, Mr. Lynch called the meeting to order at 1:10 p.m. Eastern Time. Roll call: Mr. Lynch, Mr. Clay.

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 26, 2020 CORE Investment Committee Meeting (“Agenda”);
2. Minutes of the March 10, 2020 CORE Investment Committee Meeting (“Minutes”);
3. Commonwealth of Massachusetts, First Quarter 2020, Quarterly Investment Review, (hereinafter, “Document 1”);
4. Commonwealth of Massachusetts CORE Plan, Investment Structure Review (hereinafter, “Document 2”);
5. DRAFT Investment Policy Statement for the Massachusetts Defined Contribution CORE Plan, “red-lined” and “clean” versions, (hereinafter, “Document 3” and “Document 4,” respectively);
6. Charter of the Core Fiduciary Committee for the Massachusetts Defined Contribution Core Plan (hereinafter “Document 5”)
7. Massachusetts Defined Contribution CORE Plan Allocation and Delegation of Responsibilities (hereinafter “Document 6”); and
8. Aon Quarterly Update, Second Quarter 2020 (hereinafter “Document 7”).

Mr. Lynch 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 the Order Suspending Certain Provisions of the Open Meeting Law, G. L. c. 30A §20 issued by Governor Baker on March 12, 2020.

Mr. Favorito joined the meeting.

The Committee reviewed and approved the minutes from the March 10, 2020 meeting. Roll call: Mr. Favorito, Mr. Lynch, Mr. Clay.

Mr. Behrns presented Document 1 to the Committee via videoconference. He reviewed the one-year meeting schedule including topics planned for upcoming meetings. Presenting the report titled "Market Highlights" he reviewed the state of the overall economy, the domestic and international equity markets, the bond markets and other capital markets as of March 31, 2020. 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 ("IPS"). He next reviewed the investment fees noting the expense ratio for funds in the Plan are considered reasonable compared to institutional peers. Lastly, Mr. Behrns commented on the Plan's performance through the month of May 2020.

At Ms. Robbins's prompting, Mr. Behrns and Ms. Halberstadt discussed the actions that Aon has taken to ensure the safety of its employees and that business operations impacting the Plan continued without disruption resulting from the coronavirus outbreak. They also noted that Aon has not experienced service disruptions from but has continued to monitor the business partners Aon works with to support the Plan, including State Street Global Investors.

Addressing Document 2, Mr. Behrns reviewed the asset classes, types, and number of funds currently offered in the Plan. During the course of the presentation, he discussed:

- Aon's DC investment philosophy;
- Survey data noting the number of funds offered in 401(k) plans and how participants make decisions;
- The fund construction of the objective-based funds offered in the Plan;
- Fee reductions for Aon's advisory fee (effective April 30, 2020) and State Street Global Advisors investment management expenses that went into effect May 31, 2020;
- Aon's ratings of the underlying managers;
- Aon's beliefs related to Qualified Default Investment Alternatives; and
- Considerations for fiduciaries when considering Environmental, Social and Governance (ESG) oversight across the Plan's investment structure.

Mr. Behrns noted that Aon will be making no changes to the Plan's investment structure at this time.

The Committee, Mr. Behrns and Ms. Halberstadt discussed at length oversight considerations of including one or more funds in the Plan with specific ESG factors. The Committee noted that while there have been inquiries from a small number of participating employers and participants requesting similar fund or funds, it would be difficult to identify ESG factors or funds representing all constituents across the Plan. Mr. Behrns and Ms. Halberstadt discussed the types of ESG investing, generally, including ESG integration as well as the viability of adding an ESG fund. Mr. Behrns then elaborated on the Department of Labor's recent guidance related to ESG investing and the potential impact on the Plan and the Committee. Mr. Favorito requested the Committee review this topic at a later meeting for further consideration.

In a discussion of Document 3, Mr. Behrns reintroduced Aon's recommended edits to the IPS discussed at the March 10, 2020 meeting. Mr. Favorito suggested including language

related to how Aon notifies the Committee of investment changes. Mr. Clay was in agreement. Ms. Robbins and Mr. Behrns decided to discuss after the meeting to determine if acceptable language could be drafted for the Committee while following the guidelines of Aon's Investment Management Agreement. They agreed to follow up with suggested language.

Based on the information contained in the reports and considering the best interests of the participants and beneficiaries in the Plan, Aon made no recommendations, other than those noted above, to change the investments in the Plan at this time.

Mr. Behrns displayed Document 5 on behalf of Ms. Robbins. She explained that at the Plan's inception, it was the Treasurer of the Commonwealth of Massachusetts's intention to have this Committee address the Plan's investment oversight and a separate Committee to discuss administrative matters. Ms. Robbins presented the possibility that given the scale of the Plan to-date that the Committee expand the current scope of oversight to include administrative aspects of the Plan so there would be one single Committee instead of two. Ms. Robbins noted that this would be at the discretion and approval of the Treasurer but wanted to open this up to the Committee for input. Mr. Favorito motioned in support of repurposing the Committee so that its oversight includes both the investments and administration. Mr. Lynch and Mr. Clay agreed. Ms. Robbins agreed to report back to the Committee once approved by the Treasurer and the Committee's Charter has been updated.

Ms. Halberstadt updated the Committee there has been no additional information available regarding pending litigation matters with Lowes and FGA. She informed the Committee that in late May 2020 Aon was named in litigation brought by current and former participants of the Schneider Electric 401(k) Plan claiming a breach of fiduciary duties related to collective investment trusts managed by Aon. Noting that Aon denies the claims, she agreed to update the Committee as at each quarterly meeting as new information becomes available.

Ms. Sinclair referred to Document 7 and discussed the recent guidance related to the Coronavirus Aid, Relief and Economic Security Act and referred the Committee to the document for review at a later time.

There being no further business to come before the Committee, and with a comment that future meeting dates would be circulated, the meeting was adjourned by unanimous vote of the Committee at 2:40 p.m. Eastern Time. Roll Call: Mr. Clay, Mr. Favorito, Mr. Lynch.

Nicola Favorito  
Committee Member

November 6, 2020  
Date signed