

Massachusetts Defined Contribution CORE Plan

Minutes of the Commonwealth of Massachusetts CORE Investment Committee March 10, 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, at the offices of the Massachusetts State Retirement Board in Boston, Massachusetts, on March 10, 2020. Henry Clay, David Lynch, and the Chair Nicola Favorito, being all voting members of the Committee, were in attendance.

Also present by invitation were Emily Robbins of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General and Beth Halberstadt, Chris Behrns, Sue Sinclair and Diane Smola of Aon Hewitt Investment Consulting, Inc. ("AHIC"). Alayna Van Tassel of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General also attended. Mr. Behrns, Ms. Sinclair and Ms. Van Tassel participated via teleconference.

With a quorum present, Mr. Favorito called the meeting to order at 10:05 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 March 10, 2020 CORE Investment Committee Meeting ("Agenda");
2. Minutes of the December 3, 2020 CORE Investment Committee Meeting ("Minutes");
3. Commonwealth of Massachusetts, Fourth Quarter 2019, Quarterly Investment Review, (hereinafter, "Document 1");
4. Underlying Fund Changes, Commonwealth of Massachusetts CORE Plan, (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. Status Report to State Treasurer and Receiver General of Massachusetts, (hereinafter "Document 5"); and
7. 2020 Federal Funding Legislation and the Future of Retirement Plans, Commonwealth of Massachusetts, March 10, 2020 (hereinafter "Document 6").

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.

On a motion by Mr. Clay and seconded by Mr. Lynch, the Committee approved the minutes from the December 3, 2019 meeting. Mr. Favorito also voted for approval.

Upon inquiry from Mr. Favorito, Ms. Halberstadt informed the Committee that on March 9, 2020, AHIC announced that the firm had agreed to combine with Willis Towers Watson, noting the transaction is expected to close in the first half of 2021. She noted that she will be providing updates about the transaction at the quarterly Committee meetings and requested that the Committee contact the AHIC team as questions arise prior to the scheduled meetings.

Mr. Lynch apprised the other Committee members of key metrics of the Plan as of December 31, 2019:

- \$4.4 million in total assets;
- Quarterly contributions of approximately \$873,000, of which an estimated \$450,000 represent employee and employer contributions and the remaining contributions represent individual employee rollovers into the Plan; and
- 74 employers have adopted the Plan.

Mr. Lynch next updated the other Committee members about the status of CORE Plan legislation proposed as House Bill (H.B.) 36, which would extend participation in the Plan to all Commonwealth not-for-profit employers, and not just those with 20 or fewer employees. Mr. Lynch stated that he hopes H.B. 36 will be reported out favorably to Ways and Means by May 1, 2020 and he noted that he will keep everyone apprised as new information becomes available.

Mr. Behrns directed the Committee 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 December 31, 2019. Mr. Behrns 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 ("IPS"). In addition, he commented on the markets' performance since January 1, 2020, focusing on the previous two weeks and discussing the primary drivers of volatility. He noted the market factors and economic sectors AHIC will be monitoring in the short term until the markets stabilize.

Mr. Clay left the meeting.

Mr. Favorito and Mr. Lynch then determined to address the Agenda matters out of order to accommodate Mr. Clay's temporary departure from the meeting and his expected return.

Ms. Halberstadt directed the Committee to Document 6 and discussed of areas of interest related to the SECURE Act signed into law on December 20, 2019. Ms. Halberstadt and the Committee discussed the potential impact pooled employer plans may have on the Plan and the industry of retirement plan providers offering services to public and private plan sponsors.

Ms. Halberstadt informed the Committee there has been no update regarding AHIC's pending litigation matters discussed at the December 3, 2019 meeting, noting that she will report updates to the Committee as they are available at each quarterly meeting.

Mr. Clay re-entered the meeting.

Referring to Document 3, Mr. Behrns informed the Committee that he has performed a review of the IPS and is recommending several changes. Mr. Behrns reviewed those recommended changes with the Committee. In reviewing the "redlined" changes, the

Committee informed him they would further consider the proposed changes. In addition, Mr. Clay requested that Mr. Behrns provide more information related to the proxy voting process used by the fund managers in the Plan. Mr. Behrns agreed to follow up with the Committee prior to the next meeting to discuss the content of the IPS and Mr. Clay's inquiry related to proxy voting.

Ms. Sinclair requested that the Committee review Document 5 outlining the Committee's activities in 2019. The Committee reviewed Document 5 and, upon a motion by Mr. Lynch, seconded by Mr. Clay, and made unanimous by Mr. Favorito, approved the report and agreed to provide it to the appropriate authority as soon as practical.

Mr. Behrns directed the Committee to Document 2, informing them of two structural changes that AHIC, as the 3(38) fiduciary, will be making to the underlying components of the Plan's target date and objective based funds:

- The addition of international small-cap positions within the international and global equity strategies, and
- The transition of the majority of SSgA strategies index funds from funds without securities lending to those that include securities lending programs.

Mr. Behrns explained AHIC's research process behind the changes and identified the timeline in place to implement the changes. In response to an inquiry from Mr. Clay, Mr. Behrns also confirmed that AHIC is satisfied that SSgA is sufficiently evaluating collateral with respect to its securities lending. He then articulated that these changes should cause a slight improvement in fees and results.

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, other than those noted above, to change the investments in the Plan at this time.

There being no further business to come before the Committee, the meeting was adjourned by unanimous vote of the Committee at 11:45 a.m. Eastern Time.


Committee Member

6/26/2020

Date signed

