

# **Massachusetts Defined Contribution CORE Plan**

## **Minutes of the Commonwealth of Massachusetts CORE Investment Committee November 6, 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 November 6, 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, Ryan Murphy, Sue Sinclair and Diane Smola of Aon Investments USA Inc. ("Aon").

With a quorum present, Mr. Favorito called the meeting to order at 8:37 a.m. Eastern Time. Roll call: Mr. Clay, Mr. Lynch.

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 November 6, 2020 Massachusetts CORE Defined Contribution Investment Committee Meeting ("Agenda");
2. Minutes of the June 26, 2020 Commonwealth of Massachusetts CORE Investment Committee Meeting ("Minutes");
3. Commonwealth of Massachusetts, Second Quarter 2020, Quarterly Investment Review, (hereinafter, "Document 1");
4. Annual Fund Allocation Review, Commonwealth of Massachusetts CORE Plan, November 6, 2020 (hereinafter, "Document 2");

The following materials, used throughout the meeting, were presented to the Committee during the meeting:

1. DRAFT Investment Policy Statement for the Massachusetts Defined Contribution CORE Plan, "red-lined" (hereinafter "Document 3") and
2. Aon Quarterly Update, Fourth Quarter 2020 (hereinafter "Document 4").

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

On a motion by Mr. Clay and seconded by Mr. Lynch, the Committee reviewed and approved the minutes from the June 26, 2020 meeting. Roll call in favor of approval: Mr. Clay, Mr. Lynch, Mr. Favorito.

Mr. Behrns presented Document 1 to the Committee via videoconference. He reviewed the one-year meeting schedule and workplan suggesting topics planned for upcoming meetings. The Committee asked Mr. Behrns to invite representatives from the Plan's recordkeeper, Empower, and the Plan's managed account provider, Advised Assets Group, LLC ("AAG") to the next meeting. They asked that Empower and AAG present an annual review of the managed account offering and an analysis of participant usage.

Mr. Behrns displayed the report titled "Market Highlights" and reviewed the state of the overall economy, the domestic and international equity markets, the bond markets and other capital markets as of June 30, 2020. He also commented on market activity and reactions to-date. Moving to the report titled "As of June 30, 2020, Asset Allocation and Performance," 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"). At the Committee's prompting, he discussed how the performance benchmark for the CORE Retirement Funds (Retirement Allocation – 2060) were formulated and explained why it is an appropriate representation of the peer universe of the Plan's target date funds. During the discussion, Mr. Behrns and the Committee noted the relatively high percentage of assets in the CORE Capital Preservation Fund and managed accounts, as compared to the remaining Objective Based Funds. He next reviewed and commented on the report titled "As of September 30, 2020, Asset Allocation and Performance" providing general commentary on the Plan's fund performance.

Directing the Committee to the "Investment Fee Analysis" report in Document 1, Mr. Behrns reviewed the investment fees noting the expense ratio for funds in the Plan are considered reasonable compared to institutional peers.

Mr. Behrns next directed the Committee to Document 2. With respect to the Plan's Objective-Based Funds ("OBFs"), he informed the Committee that Aon completed its annual re-evaluation of the strategies behind the Plan's OBFs and will be adjusting the asset allocation of the CORE Growth Fund, CORE Income Fund and the CORE Inflation Fund. As part of the discussion, he explained the rationale behind the adjustments based on Aon's best thinking. The Committee asked Mr. Behrns and Ms. Halberstadt to discuss the prevalence of OBFs among other plans. Mr. Behrns also noted that Aon will continue implementing the asset allocation for all OBFs with passive investment strategies given the asset base of the Plan. He informed the Committee of Aon's next steps to work with the fund managers and the trustee to alter the asset allocation and inform Empower of the changes in order to update the funds' fact sheets available to participants.

He also discussed future asset classes that may be available to the Plan as the total assets increase over time. In the course of his discussion, he shared Aon's current thinking related to the investment strategies of each of the asset classes and potential approaches to include these asset classes into the OBFs over time.

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, Aon made no recommendations to change the investments, other than the allocations to the OBFs, in the Plan at this time.

Mr. Behrns displayed Document 3 to the Committee. Noting the Committee's suggested IPS edits from the June 26, 2020 meeting, Mr. Behrns discussed Aon's proposed language relating to how Aon notifies the Committee of investment changes. After thorough discussion of the proposed language, on a motion by Mr. Lynch and seconded by Mr. Clay, the Committee agreed to approve and recommend the formal adoption of the language as proposed. Roll call: Mr. Lynch, Mr. Favorito, Mr. Clay.

Ms. Halberstadt updated the Committee regarding pending litigation matters with Lowes, FGA and Schneider Electric, noting that no additional information has become available since the prior meeting. As the suits progress, she will provide the Committee updates at these quarterly meetings.

Displaying Document 4 via videoconference, Mr. Behrns and Ms. Sinclair 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 asked that Aon discuss the proposed Securing a Strong Retirement Act of 2020, generally referred to as "SECURE Act 2.0," at the next quarterly meeting.

There being no further business to come before the Committee, the meeting was adjourned by unanimous vote at 10:00 a.m. Eastern Time. Roll Call: Mr. Clay, Mr. Lynch, Mr. Favorito.

Nicola Favorito  
Committee Member

December 18, 2020  
Date signed