

Massachusetts Defined Contribution CORE Plan
Minutes
of the
Commonwealth of Massachusetts CORE Investment Committee
September 4, 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 September 4, 2019. Henry Clay, David Lynch, and the Chair Nicola Favorito, being all voting members of the Committee, were in attendance.

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

With a quorum present, Mr. Favorito called the meeting to order at 1:25 p.m. Eastern Time.

The following materials, used throughout the meeting, were distributed in advance of the meeting (with the exception of Documents 3 and 4) and provided in hard copy at the meeting:

1. Agenda for the September 4, 2019 CORE Investment Committee Meeting;
2. Minutes of the June 4, 2019 CORE Investment Committee Meeting;
3. Commonwealth of Massachusetts, Second Quarter 2019, Quarterly Investment Review, (hereinafter, "Document 1");
4. Annual Fund Allocation Review, Commonwealth of Massachusetts CORE Plan, Third Quarter 2019 (hereinafter "Document 2");
5. CORE Plan Statistics, as of June 30, 2019 (hereinafter "Document 3"); and
6. Aon Quarterly Update, Retirement Legal Consulting and Compliance, Third Quarter 2019, (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.

Mr. Clay and Mr. Lynch reviewed and approved the meeting minutes from the June 4, 2019 meeting. As Mr. Favorito did not attend the June 4, 2019 meeting, he abstained from approval of the meeting minutes.

At the meeting, Mr. Behrns distributed the CORE Plan Statistics, as of June 30, 2019" (Document 3) handout. Mr. Lynch referred the Committee to the document and, providing the Committee with more recent information, reported that as of August 3, 2019, the Plan has:

- Assets of approximately \$3.168 million across 334 participant accounts
- Quarterly contributions representing both employee and employer contributions of approximately \$372,000;

- 51 not-for-profit organizations are participating under the Plan;
- Agreements-in-principle with 10 organizations to participate and are in the process of implementing sponsorship; and
- Another 48 organizations identified as prospective adopting employers have been engaged in initial discussions to consider participation in the Plan; 21 of which have had follow up discussions with the Plan's recordkeeper, Empower Retirement Services.

Mr. Lynch informed the Committee that a small number of participating organizations were challenged to submit contributions to the Plan within the timeframe guidelines noted in the agreement. Mr. Lynch and team with Empower Retirement and NPPG-FS have contacted these organizations to assist with improving their contribution submission process and to provide guidance for contributions deposited outside of the aforementioned guidelines.

Mr. Behrns directed the Committee to Document 1. He reviewed the Committee's annual plan of meeting topics, including today's discussion, and the planned agenda for the December 3, 2019 meeting. He then reviewed the state of the overall economy, the domestic and international equity markets, the bond markets and other capital markets as of June 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. In the course of his discussion, Mr. Behrns reviewed the Plan's investment management fees for all funds offered in the Plan as compared to median expense ratio of a comparable mutual fund universe. Mr. Behrns then reviewed with the Committee the percentage of participant engagement in each of the Target Date Funds, Objective-Based Funds and Managed Accounts.

The Committee noted participant utilization of the Plan's managed account. Ms. Halberstadt suggested the Committee request that Empower prepare a demographic analysis of the managed account participants.

Mr. Behrns directed the Committee to the report 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. During the course of this discussion, the Committee discussed Empower's performance based on feedback from participating employers, the Plan's trustee, Global Trust Company's timeliness of trade execution, and AHIC's reconciliation of Empower's account balances compared to AHIC's Daily Monitoring Reports.

Mr. Behrns directed the Committee to Document 2. With respect to the Plan's Core Options, he discussed:

- Services performed under AHIC's 3(38) delegated management agreement;
- AHIC's "House Views" of asset classes available to defined contribution plans;
- Current asset allocation as compared to AHIC's current delegated client asset allocation for the following objective-based funds:
 - Growth
 - Income
 - Inflation

Continuing with Document 2, Mr. Behrns reviewed the following topics with respect to the Plan's Custom Target Date Funds:

- Services performed by AHIC as the Plan's 3(38) glide path manager;
- AHIC's core beliefs about Target Date Funds; and
- The difference between the Plan's target date fund current asset allocations and AHIC's current delegated target date client asset allocation.

As part of his discussion, he noted asset classes that AHIC typically recommends to their delegated clients that are not yet used in the Plan. He explained that the Plan does not yet meet the minimum fund requirements typically required by fund managers in each of these asset classes. Per Mr. Behrns, as the Plan and the assets in the Plan grow this will be attainable.

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.

Following up to the Committee's request from the last meeting, Ms. Halberstadt updated the Committee on the following:

- AHIC's settlement in principle with Safeway, Inc.
 - AHIC is waiting for the settlement to be filed with the court. As soon as that occurs, the details will be public, at which time AHIC can share them with the Committee.
- Litigation matters with Lowes and FirstGroup America, Inc. (FGA):
 - AHIC believes the allegations will prove to be unfounded and continues to work with all parties involved; no new updates are available since the prior Committee meeting.

At the meeting, Mr. Behrns distributed the "Aon Quarterly Update, Retirement Legal Consulting and Compliance, Third Quarter 2019," that has been identified here as Document 4. 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.

There being no further business to come before the Committee, the meeting was adjourned by unanimous vote of the Committee at 2:33 p.m. Eastern Time.


Committee Member

12/3/19
Date signed