

Massachusetts Defined Contribution CORE Plan
Minutes
of the
Commonwealth of Massachusetts CORE Oversight Committee
August 4, 2022

The Commonwealth of Massachusetts CORE Oversight Committee (Committee), the fiduciary committee for the Massachusetts Defined Contribution CORE Plan (Plan), met, pursuant to notice, via videoconference on August 4, 2022. Attending were Henry Clay, David Lynch, and the Chair Nicola Favorito, being all the voting members of the Committee.

Also attending via videoconference by invitation were Sandra Lynch, Associate General Counsel of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General; Chris Behrns, Ryan Murphy, John Flagel, and Sue Sinclair of Aon Investments USA Inc. (Aon); and Angela Antonelli of the Georgetown Center of Retirement Initiatives.

With a quorum present, Mr. Favorito called the meeting to order at 10:06 a.m. Eastern Time. Roll call: Mr. Clay, Mr. Favorito and 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 August 4, 2022 CORE Investment Committee Meeting (Agenda);
2. Minutes of the May 20, 2022 CORE Investment Committee Meeting (Minutes);
3. Commonwealth of Massachusetts, Second Quarter 2022, Quarterly Investment Review, (hereinafter, Document 1); and
4. Annual Fund Allocation Review, Commonwealth of Massachusetts CORE Plan, August 4, 2022 (hereinafter, Document 2).

Mr. Favorito advised attendees that the meeting was being conducted via videoconference in accordance with the Commonwealth's Open Meeting Law, M.G.L. c.30A, §§18-25 as amended. He then noted the recording parameters under the Open Meeting Law. 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 during the meeting, they should bring that to his attention.

On a motion by Mr. Lynch and seconded by Mr. Clay, the Committee approved the minutes from the May 20, 2022 meeting. Roll call in favor of approval: Mr. Lynch, Mr. Clay and Mr. Favorito.

Mr. Behrns presented Document 1 to the Committee. Mr. Behrns and Mr. Murphy reviewed the information in Document 1 and reported on the following, among other matters, considering the Plan's Investment Policy Statement (IPS):

- The state of the capital markets and economy, as of June 30, 2022;

- Asset allocation in the Plan;
- Performance of the funds over various periods as compared to benchmarks, the impact of economic and market activity on the fund managers' strategies, and other developments with the current investments in the Plan for the quarter ending June 30, 2022 and provided commentary about the one-month period ending July 31, 2022; and
- Investment management fees for the funds offered in the Plan as compared to medians for each specific asset class

The Committee asked Mr. Behrns and Mr. Ryan to analyze the Plan's recent cash flow to determine if there have been any significant changes during the recent period of market activity. They agreed to report their findings to the Committee prior to the next meeting.

The Plan's total assets as of June 30, 2022 are \$15.2 million that covers 1,181 participants across 145 adopting employers.

Mr. Behrns informed the Committee that there were three fund transitions within the Target Date Funds (TDFs) and Objective Based Funds (OBFs) within the month of July 2022:

- The SSgA Global All Cap Ex-US Index fund moved from a gross-of-fee vehicle to a net-of-fee vehicle. The fee is the same; however, it's more operationally efficient for Aon to utilize a net-of-fee vehicles
- The Wellington Core Bond Fund replaced the SSgA US Bond Index Fund to have access to active management in core fixed income
- The SSgA Global All Cap Equity Index moved from a non-lending vehicle to a securities lending vehicle. The fee lowered from 6bps to 5.25bps

At the Committee's prompting, Mr. Behrns reported that the Plan's investment managers have not proposed fee reductions over the past quarter. Mr. Behrns noted that the expense ratios reported in Document 1 include Aon's discretionary management fee, Global Trust Company fee and investment management fees, while the universal median fee benchmark in the report represents only investment management fees. The Committee discussed the timing and process of fee negotiations for the Plan's other service providers.

Referring to Document 2, Mr. Behrns noted that Aon completed its annual evaluation of the strategies used in constructing the Plan's TDFs and OBFs. He indicated that Aon will not be changing the allocations to the TDFs and OBFs at this time and will be evaluating the introduction of core private real estate more closely in the second half of 2022.

Mr. Behrns reported on the current asset allocation of the Plan's funds, allocation of plan assets across adopting employers, and the potential impact these may have on both the Plan's IPS and Aon's "house views" on asset classes available to the Plan. He discussed the current and potential future strategy allocation for the CORE Growth Fund, the CORE Income Fund, and the Core Inflation Fund. Mr. Behrns informed the Committee that the implementation of the policy changes for the TDFs reported to the Committee at the December 18, 2020 meeting had been completed earlier in 2022 and reported on targeted future changes to the TDFs.

Following discussion, based on the contents of the document and the best interest of the participants and beneficiaries in the Plan, Aon, in its role as the discretionary investment manager, addressed no changes to be made to the investments in the Plan at this time.

Mr. Behrns updated the Committee on Aon litigation matters and noted that Aon has been named in two class action lawsuits regarding a cyber event that occurred on February 25, 2022 which impacted a limited number of systems. He informed the Committee that once the event was identified, Aon reported it to the Securities Exchange Commission the following business day. He reported that Aon's systems were secured promptly after identification of the event and actions necessary to prevent all further access by the unauthorized third party were completed. He further noted that Aon's investigation led to evidence that the unauthorized party exploited a zero-day vulnerability and that the information obtained by the unauthorized third party has been deleted. Mr. Behrns confirmed that the clients and participants whose personal information was temporarily obtained have been notified.

Ms. Sinclair updated the Committee on germane provisions of pending bills in Congress, including the Securing a Strong Retirement Act (also referred to as "SECURE 2.0"), Retirement Improvement and Savings Enhancement to Supplement Healthy Investment for the Nest Egg Act ("RISE & SHINE Act"), Enhancing American Retirement Now ("EARN Act"), and the Emergency Savings Act of 2022. In addition, she referenced several topics appearing in Aon's upcoming quarterly newsletter including diversity, equity and inclusion considerations for retirement plan design, a pilot correction program offered by the Internal Revenue Service, recent litigation related to cybersecurity in retirement plans, and considerations related to fiduciary liability insurance for employers participating in Pooled Employer Plans.

The Committee discussed the next meeting's agenda and requested Mr. Behrns ask Empower, the Plan's recordkeeper, to present to the Committee about participant behaviors and Plan operations. The Committee scheduled the next meeting for November 3, 2022 at 10:00 a.m. Eastern Time.

There being no further business to come before the Committee, the meeting was adjourned by unanimous vote of the Committee at 11:15 a.m. Eastern Time on a motion by Mr. Lynch and seconded by Mr. Clay. Roll Call: Mr. Lynch, Mr. Clay and Mr. Favorito.



Committee Member

2/7/2023

Date signed