

Massachusetts Defined Contribution CORE Plan

Minutes of the Commonwealth of Massachusetts CORE Investment Committee March 7, 2022

The Commonwealth of Massachusetts CORE Investment Committee (Committee), the fiduciary committee for the Massachusetts Defined Contribution CORE Plan (Plan), met, pursuant to notice, via videoconference on March 7, 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 Sarah Kim, General Counsel, and Sandra Lynch, Associate General Counsel of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General; Chris Behrns, Beth Halberstadt, Ryan Murphy, John Flagel, and Sue Sinclair of Aon Investments USA Inc. (Aon).

With a quorum present, Mr. Favorito called the meeting to order at 2:04 p.m. Eastern Time. Roll call: Mr. Lynch, Mr. Clay, Mr. Favorito.

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 March 7, 2022 CORE Investment Committee Meeting (Agenda);
2. Minutes of the December 1, 2021 CORE Investment Committee Meeting (Minutes);
3. Commonwealth of Massachusetts, Fourth Quarter 2021, Quarterly Investment Review, (hereinafter, Document 1);
4. CORE Plan, Managed Accounts Review, March 7, 2022 (hereinafter, Document 2);
5. Status Report to State Treasurer and Receiver General of the Commonwealth of Massachusetts, (hereinafter, Document 3); and
6. Aon Quarterly Update, First Quarter 2022 (hereinafter Document 4).

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 most recently by Chapter 22 of the Acts of 2022. 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 reviewed and approved the minutes from the December 1, 2022 meeting. Roll call in favor of approval: Mr. Lynch, Mr. Clay, Mr. Favorito.

Mr. Behrns presented Document 1 to the Committee. He provided details of the state of the overall economy, the domestic and international equity markets, the bond markets, and other capital markets as of December 31, 2021 and discussed year-to-date market activity through March 6, 2022. At the Committee's prompting, Mr. Behrns informed the Committee that the Plan's holdings are passively managed and less than 1% of the Plan's assets are held in Russian securities. Mr. Behrns explained the changes made to the benchmark for international funds because of the recent conflict between Ukraine and Russia. Mr. Behrns noted that both Aon and the investment managers will continue monitor the Plan's holdings.

Mr. Behrns reported on the Plan's asset allocation and performance of the investments as compared to benchmarks, the impact of economic and market activity on the fund managers' strategies, and other developments with the Plan's investments and other relevant aspects of the funds offered, considering the Plan's Investment Policy Statement, for the period ending December 31, 2021 and January 31, 2022.

Mr. Behrns informed the Committee that the Plan's asset values meet the minimum investment threshold to invest in actively managed fixed income investment products and Aon will replace the passive core fixed income exposure with active management within the CORE Target Date Funds and CORE Income Fund. The Committee requested Aon engage with the Plan's managed account provider to determine if the active strategy can also be made available in the Plan's managed account program. The change is expected to be completed before June 30, 2022, and Mr. Behrns will provide the Committee an update at the next meeting.

Mr. Behrns also noted that the Plan's asset values also meet the minimum investment threshold to invest in core private real estate investment products. Given the liquidity restrictions of the funds available to the Plan, Mr. Behrns informed the Committee that Aon will not be introducing core private real estate investments to the Plan's portfolio at this time. The Committee discussed the potential impact this may have for the Plan and asked Aon to inform them when core private real estate investment options become available for implementation in the Plan.

Mr. Behrns reviewed the management fees for the investments in the Plan, noting that the fees for all the investments are at or below the medians of the applicable peer groups.

Directing the Committee to Document 2 (CORE Plan, Managed Accounts Review), Mr. Behrns led the Committee in a discussion of the Morningstar managed account services currently offered in the Plan (through Advised Assets, LLC), highlighting the risk level assigned to participants, asset class diversification, asset class implementation, manager selection, and terms and conditions. He also provided an overview of the participant engagement and account customization of the product.

During the discussion, Mr. Behrns offered recommendations to monitor the managed account service's marketing activities, enhance participant customization and negotiate fees. The Committee and Mr. Behrns discussed the other managed account offering available at the Plan's recordkeeper and the education available to participants about the significance of customizing a managed account. Based upon the materials presented, the Committee concluded that the Morningstar methodology continues to be appropriate for participants in the Plan.

Following thorough discussion, based on the contents of the documents and the best interests of the participants and beneficiaries in the Plan, Aon, in its role as the discretionary investment manager, indicated no changes, other than those noted above, to be made to the investments in the Plan at this time.

Ms. Sinclair referenced Document 3 (Status Report to State Treasurer & Receiver General of the Commonwealth of Massachusetts and informed the Committee that the Status Report outlines the Committee's activities in 2021. The Committee reviewed and approved the report and agreed to deliver it to the Office of the Treasurer & Receiver General. On a motion by Mr. Clay and seconded by Mr. Lynch, the report was approved. Roll call: Mr. Lynch, Mr. Clay, Mr. Favorito.

Ms. Halberstadt updated the Committee on Aon litigation matters. She noted that the plaintiffs in *Reetz v. Lowes* appealed the court's October 2021 decision related to Aon's investment management of the Lowes §401(k) Retirement Plan. She provided an update regarding the previously referenced case, FirstGroup America Inc., noting that a trial date has been set for April 2023. She further noted that there are no updates for the previously referenced cases of Schneider Electric and Astellas US LLC. Ms. Halberstadt informed the Committee that a participant of Pennsylvania Public School Employees Retirement System brought a suit against Aon in June 2021 alleging breach of fiduciary duty and Aon has entered a motion to dismiss.

Mr. Lynch left the meeting.

Ms. Sinclair directed the Committee to Document 4 (Aon Quarterly Update, First Quarter 2022). She presented the information and led a discussion of the various matters noted and the effect they may have on the Plan and the Committee. These included the recent U.S. Supreme Court *Northwestern University* decision, guidance issued by the U.S. Department of Labor related to retirement plan data and proposed ESG rules.

Mr. Lynch returned to the meeting.

The Committee requested Aon schedule the next quarterly meeting for mid-May 2022.

There being no further business to come before the Committee, the meeting was adjourned by unanimous vote of the Committee at 3:30 p.m. Eastern Time on a motion by Mr. Lynch and seconded by Mr. Clay. Roll Call: Mr. Lynch, Mr. Clay, Mr. Favorito.



Committee Member

2/7/2023

Date signed