

# **Massachusetts Defined Contribution CORE Plan**

## **Minutes of the Commonwealth of Massachusetts CORE Investment Committee May 20, 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 May 20, 2022. Attending for all or part of the meeting 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, 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 9:05 a.m. Eastern Time. Roll call: Mr. Lynch, Mr. Clay, and 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 May 20, 2022 CORE Investment Committee Meeting (Agenda);
2. Minutes of the March 7, 2022 CORE Investment Committee Meeting (Minutes);
3. Commonwealth of Massachusetts, First Quarter 2022, Quarterly Investment Review, (hereinafter, Document 1);
4. Commonwealth of Massachusetts CORE Plan, Investment Structure Review, May 20, 2022 (hereinafter, Document 2); and
5. Aon Quarterly Update, Second Quarter 2022 (hereinafter, Document 3).

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. Clay and seconded by Mr. Favorito, they approved the minutes from the March 7, 2022 meeting. Roll call in favor of approval: 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 March 31, 2022 and April 30, 2022

*Mr. Lynch joined the meeting.*

Mr. Behrns and Mr. Murphy continued to review the information in Document 1, considering the Plan's IPS:

- 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
- Investment management fees for the funds offered in the Plan as compared to medians for each specific asset class

Mr. Behrns and Mr. Murphy responded to the Committee's questions related to:

- General market performance for core private real estate and private equity investments during the first quarter of 2022 and how recent market volatility might influence the asset allocation within the investment strategies; and
- Aon's observations of stable value fund managers and their insurance wrap providers' response to recent market volatility.

Referring to Document 2, Mr. Behrns led the Committee in a discussion of the asset classes, types, and number of funds currently offered in the Plan as part of the investment structure review. Mr. Behrns and the Committee discussed the role of self-directed brokerage accounts (SDBA) and the availability of socially responsible investments in SDBAs, as well as the fiduciary implications of including SDBAs in the Plan's investment menu. Mr. Behrns also compared money market asset classes to stable value funds in terms of the structure of manager strategies, performance, and historical performance during times of market volatility. After thorough review and discussion, Aon recommended that no changes be made to the Plan's investment structure at this time.

Mr. Behrns updated the Committee about the implementation of actively managed fixed income into the Plan's portfolio. He also informed the Committee that Aon is transitioning the global equity index fund to a share class that includes securities-lending in its management. The Committee, Mr. Behrns, and Mr. Flagel discussed compliance implications of the fund changes and considerations related to planning fund changes during times of market volatility.

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. Halberstadt updated the Committee on Aon litigation matters noting that while the litigation against plan fiduciaries continues to be active, there are no updates for the cases referenced in previous Committee meetings.

Referring to Document 3, Ms. Halberstadt and Ms. Sinclair presented the information and led a discussion of the matters noted, including recently issued Department of Labor guidance, the U.S. Supreme Court *Northwestern* decision, pending federal retirement legislation and the effect they may have on the Plan and the Committee.

The Committee scheduled the next meeting for August 4, 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 10:55 a.m. Eastern Time on a motion by Mr. Lynch and seconded by Mr. Clay. Roll Call: Mr. Clay, Mr. Lynch and Mr. Favorito.



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Committee Member

2/7/2023

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Date signed