

Commonwealth of Massachusetts
Not-for-Profit Defined Contribution Committee
for the Massachusetts Defined Contribution CORE Plan

Meeting Minutes

Inaugural Meeting – April 25, 2018 11:00 a.m.
Office of the State Treasurer and Receiver General
One Ashburton Place, 12th Floor Crane Conference Room (West)
Boston, MA 02108

Committee Members Present for all or part of the meeting:

- Treasurer Deborah B. Goldberg, Chair
- Donna Bonaparte, Committee Member
- Jim Klocke, Committee Member
- James “Chet” Riley, Committee Member

Committee Member Not Present:

- Valerie Bassett, Committee Member

Also present for all or part of the meeting were: David Lynch, Executive Director, Defined Contribution Plans; Nicola Favorito, Deputy Treasurer / Executive Director, Retirement Board; Sarah Kim, Deputy Treasurer / General Counsel; Laura Rooney, Director of Operations, Defined Contribution Plans; Emily Robbins, Defined Contribution Plans Counsel; Emily Kowtoniuk, Treasury Deputy Legislative Director; Michael Bergquist, Treasury Policy Analyst; Lisa Cardinal, Associate Sales Director Massachusetts CORE 401(k), Empower Retirement; John P. Fellin, Managing Director of Government Markets, Empower Retirement; and Karl Kroner, Client Relationship Manager, Empower Retirement.

I. Opening/Introductions:

In advance of calling the meeting to order, Treasurer Goldberg advised attendees of recording parameters. Treasurer Goldberg then inquired if anyone present was recording and no one identified themselves as making a recording. With a quorum present, comprised of Treasurer Goldberg and appointed members Mr. Klocke and Mr. Riley, the meeting was called to order by Committee Chair Treasurer Goldberg at 11:16 a.m.

Treasurer Goldberg thanked the Committee Members and added that to her, the CORE Plan (the Plan) is unbelievably exciting. Treasurer Goldberg noted the award won for the development of the Plan and added that among the national group of State Treasurers, there is great interest in helping get people to save for retirement.

- Treasurer Goldberg stated that in effort to better help employees across the Commonwealth, there is an effort to expand coverage and make sure that the next time an employer with 21 employees is interested in joining the Plan, that nonprofit is able to adopt on behalf of their employees.

- Treasurer Goldberg then noted that Mr. Lynch deserves the accolades for keeping the development of the CORE Plan on task. Treasurer Goldberg noted Representative Ann-Margaret Ferrante is a warrior on this and already submitted a letter in support of the CORE Plan to other members of the Commonwealth House of Representatives.
- Treasurer Goldberg then led the room in introductions.

II. Open meeting law/remote participation:

Treasurer Goldberg suggested Ms. Robbins provide an overview but first noted there was a specific request from a Committee Member to consider remote participation.

- Ms. Robbins stated that the Open Meeting Laws were designed with intent to balance transparency with efficiency. Ms. Robbins noted that consistent with Open Meeting Laws, staff had provided notice to the public of the current meeting.
- Ms. Robbins then reminded the Committee Members of the parameters that limit deliberation of the Committee to meetings that are open to the public as this Committee is a public body. In particular, Ms. Robbins noted that deliberation via email would not be allowable since the public has a right to be present at deliberation of the Committee.
- Treasurer Goldberg added that email related to the work of the Committee can be requested by the public through the Freedom of Information Act.
- Ms. Robbins stated that she had provided the Committee Members present with hard copies of the open meeting law materials required by the Office of the Attorney General to be given to them as members of a public body. Ms. Robbins then reminded the Committee members present that these same materials had previously been electronically sent to all Committee members. Per Ms. Robbins, included is an OML certification and Ms. Robbins requested that those Committee Members return the completed certification to her. Ms. Robbins further noted that Committee Members could contact her with questions at any time.
- Next, Ms. Robbins reviewed key considerations for the Committee with respect to allowing remote participation as governed by existing regulation that is designed to allow for participation while still encouraging committee members to attend in person, where possible.

Specifically, Ms. Robbins listed the following as key standards for allowing remote participation:

- Members must all be clearly audible to one another;
- The meeting must have a physical (in-person) quorum;
- If participating remotely, your vote does count;
- Votes must be via roll call when there is a remote participant; and
- Should the Committee vote to allow remote participation, a Committee member may only participate remotely if physical attendance would be unreasonably difficult. According to Ms. Robbins, the Attorney General's office has not

specifically defined what encompasses “unreasonably difficult,” but that in the past remote participation would have been permitted for reasons of illness or geographic location.

- Mr. Klocke asked whether a vote for remote participation should occur. Treasurer Goldberg responded in the affirmative.

Treasurer Goldberg then asked whether there was a motion to allow remote participation in accordance with the requirements of the Office of the Attorney General’s regulations at 940 CMR 29.10, with that vote applying to all subsequent meetings of the Committee.

- ❖ Motion to allow for remote participation in accordance with 940 CMR 29.10 at all future Not-for-Profit Defined Contribution Committee meetings made by Mr. Riley. Seconded by Mr. Klocke. Treasurer Goldberg also voted in favor of the motion. The motion passed unanimously.

III. Plan Overview – Empower Retirement:

At the invitation of the Plan, representatives from Empower Retirement, who provide recordkeeping services for the Plan, provided an overview of the Plan and their services. Present on behalf of Empower Retirement were Lisa Cardinal, Associate Sales Director Massachusetts CORE 401(k), Empower Retirement; John P. Fellin, Managing Director of Government Markets, Empower Retirement; and Karl Kroner, Client Relationship Manager, Empower Retirement.

Treasurer Goldberg invited Empower Retirement to begin their presentation.

Mr. Kroner thanked the Committee for inviting Empower in to present and reviewed the proposed agenda.

11:29 a.m. Ms. Bonaparte arrives.

- Mr. Kroner provided an overview of the historical context of the development of the Plan and noted approximately 3,000 nonprofits could be eligible to participate.
- Mr. Kroner then reviewed a list of Empower staff who work on the Plan.
- Ms. Cardinal next provided an overview of the type of content typically covered with Employers and noted, in particular, that employers like hearing the Plan is custom for them, while also limiting their fiduciary responsibilities.
 - Treasurer Goldberg asked whether given the popularity of 403(b)s in the nonprofit space, Ms. Cardinal typically differentiated the 401(k) CORE Plan from a 403(b). Ms. Cardinal replied that she did explain, to those nonprofits that asked about the difference, that the 401(k) model allowed for a more cost-advantageous investment structure, using Collective Investment Trusts, which are allowable in 401(k)s to keep costs down. Treasurer Goldberg added that

for organizations considering other plan vehicles, annuities can be very expensive. Ms. Cardinal concurred.

- Ms. Bonaparte asked whether the Plan offered a brokerage window option. Ms. Cardinal replied that feature was not offered yet but may be offered later on. Mr. Lynch added that topic was to be discussed with the Outsourced Chief Investment Officer (OCIO). Ms. Bonaparte next asked how the Plan would know if participants wanted a brokerage option. Mr. Kroner replied that the Commonwealth does offer a brokerage window for the 457 Plan, which has very low participation. Mr. Fellin added that was something the recordkeeper could monitor especially when discussing the Plan with participants. Mr. Riley noted it may be an attractive feature to encourage more active participation for participants. Treasurer Goldberg asked Mr. Lynch to further comment on the use of the brokerage window with the 457 Plan. Mr. Lynch replied that the SMART Plan mutual fund window adoption rate is very low at approximately \$50 million of the \$9.1 billion in SMART plan assets. Less than 1% as a percentage of assets. Ms. Bonaparte stated that interest in the option would likely depend on participant type and added that with the plans she administers, the brokerage window was very popular. Ms. Cardinal noted the brokerage window could be a good solution for those participants with an interest in socially responsible investment options.
- Ms. Cardinal next highlighted one of the key differentiators for the Plan are the low expense ratios on the investment options. Ms. Cardinal added that many more-knowledgeable employers know the expense ratios and annual fees are very reasonable. Mr. Lynch added the low fees on the investment options include a 10 basis point fee for 3(38) investment oversight OCIO services and a 1 basis point fee for the Trustee expense. Ms. Cardinal further noted that so far, employers like the streamlined, limited investment options.
- Ms. Cardinal then began an overview of the eligibility considerations for interested employers.
 - Treasurer Goldberg noted the cap on the number of employees was in place for the time being.
 - Ms. Bonaparte asked whether there was one preferred payroll party the Plan required. Ms. Cardinal replied it could be any provider so long as it was a third-party separate from the nonprofit. Ms. Bonaparte asked whether that requirement was put in place to provide a better data feed. Ms. Cardinal replied in the affirmative and added that specifically the intent was to make certain the Plan had a high level of data integrity in event of audit.
 - Ms. Bonaparte asked whether there were any restrictions on the types of eligible employees. Ms. Cardinal replied that all employees of the nonprofit were eligible, regardless, by way of example, of the number of hours worked.

- Ms. Bonaparte then asked whether participants were vested immediately. Ms. Cardinal replied in the affirmative.
- Treasurer Goldberg noted the priority was to get all employees of participating nonprofits saving and stated that women make up a majority of the employee population in nonprofits, while also making less money and living longer. Treasurer Goldberg noted that when she speaks at senior housing complexes, she often notices few men, but many women, are in attendance.
- Ms. Cardinal then noted the employer contribution options included both a match structure option or non-elective contribution option and added both contribution options have been selected by employers. Ms. Cardinal further noted the motive of the employers vary and while some want to encourage participation with a match, others see the non-elective contribution as a method to better bolster their benefit package.
 - Treasurer Goldberg responded with interest and asked Mr. Klocke for his opinion on whether he thought one structure would be most popular with employers. Mr. Klocke replied that some would not be in a position to make any contribution and added that the critical components for getting employers to adopt would be making the process simple, straight-forward and easy.
 - Mr. Riley asked for confirmation that the employee needs to opt out of the Plan if they do not wish to participate. Ms. Cardinal responded in the affirmative and added that the non-elective employer contribution, if offered by that employee's employer, will be made on behalf of all eligible employees regardless of the employee's decision to make contributions.
 - Ms. Bonaparte then asked for confirmation the investment default for the Plan participants is the suite of target date funds. Ms. Cardinal replied in the affirmative.
- Ms. Cardinal then provided a brief overview of the Plan defaults and prospecting efforts to date, which include:
 - Initial email from Mr. Lynch and letter from Treasurer Goldberg
 - Monthly emails
 - One-on-One meetings with nonprofits
 - Group meetings with multiple nonprofits
 - Word-of-mouth connections and network-building
- Mr. Kroner stated the partnership between Treasury and the Massachusetts Nonprofit Network (MNN) is a great success and had been from the outset. Mr. Klocke added that the efforts felt like mutual success for both entities.

- Mr. Fellin provided an overview of the investment line-up for participants investing in the Plan options directly, or in those investments offered through the Managed Account service.
 - Mr. Riley asked whether participation in Managed Accounts was costly for participants. Mr. Fellin replied that the cost was about 45 basis points. Mr. Lynch added that the added cost was on a sliding scale starting at 45 basis points and decreasing to as low as 15 basis points with certain price break points as participant account balances increase.

Mr. Fellin stated in closing that he thanked the Committee and noted Empower was proud to be a part of the CORE Plan.

11:55 a.m. Empower departs.

IV. Marketing and Outreach Strategy Development:

Treasurer Goldberg turned the Committee members' attention to discussing how to spread the work about this one-of-a-kind plan. Treasurer Goldberg noted the Office of Economic Empowerment within Treasury had many initiatives underway and that she connected the CORE Plan to many of those efforts. In particular, Treasurer Goldberg cited the college savings plans, which are focused on getting children to start saving early, and noted that as a part of that program, children learn about the importance of saving for retirement. Treasurer Goldberg added it was a topic she is very passionate about and complimented Mr. Lynch for the work he continued under two Treasurers to develop the Plan.

- Mr. Riley thanked Treasurer Goldberg for the appointment to the Not-for-Profit Defined Contribution Committee. This appreciation was echoed by Mr. Riley and Ms. Bonaparte.

Treasurer Goldberg next stated that while the Plan is a fabulous thing, it is not yet on the front page of the Globe. Treasurer Goldberg then noted that the Plan should be on the front page and asked for comment from Mr. Lynch and Mr. Klocke on how to get information about the Plan out to people, and noted the MNN conference where the Treasurer spoke about the Plan.

- Mr. Klocke agreed with the need to continue to get the word out about the Plan and suggested the 2018 MNN Conference would be a good place to promote the Plan. Mr. Klocke added that MNN had other avenues including a monthly email letter where the Plan information could be shared again as well.
- Mr. Klocke next noted that, specific to Treasurer Goldberg's question about the Globe, at one point in earlier stages of development of the Plan, Sacha Pfeiffer at the Globe had been interested in the story. Mr. Klocke further added that MNN would love to work with Treasurer Goldberg to get coverage of the Plan in the Globe. Mr.

Klocke further added that there are people at Globe who are interested in financial literacy issues so that may good be a connection.

- Treasurer Goldberg asked Ms. Bonaparte for comment on whether people of color have less in retirement savings. Ms. Bonaparte replied in the affirmative and cited the Globe Spotlight series on the impact of income disparities on people of color.
- Treasurer Goldberg noted she wanted to elevate the coverage of the Plan and other issues to Shirley Leung in an effort to go beyond the business pages.
- Treasurer Goldberg noted she could bring in the Treasury Communications team to help brainstorm on the publicity of the Plan. Mr. Klocke agreed that it made sense to have a follow-up conversation soon.
- Treasurer Goldberg then suggested one good strategy could be to highlight a specific nonprofit, committed to their mission, whose employees now benefit from the Plan. Mr. Klocke noted Katie Johnston would love that type of story.
- Mr. Riley asked for confirmation the challenging impact the employee limit was having on the Plan. Treasurer Goldberg replied in the affirmative and added that no one knew what would happen in the reconciliation process.
 - Ms. Bonaparte asked about the goal of the legislative effort. Treasurer Goldberg replied the goal was to eliminate the cap on the number of employees. Ms. Kowtoniuk added the goal was to strike all reference to the cap from the legislation.
 - Mr. Riley asked whether the cap was placed at the state or federal level. Treasurer Goldberg replied that it was a state cap.
- Treasurer Goldberg noted a part of the importance of the Plan is that it serves a cohort not being served at all. Mr. Lynch agreed and added that of the 17 plans signed up to date, 15 had previously offered no retirement plan to their employees. Treasurer Goldberg suggested using that statistic when talking about the impact of the Plan.
- Treasurer Goldberg asked Ms. Bonaparte for confirmation she worked in the nonprofit sector. Ms. Bonaparte replied in the affirmative. Treasurer Goldberg then asked Ms. Bonaparte for comment on how the Babson retirement plans were structured. Ms. Bonaparte replied the Babson plan was a mandatory plan designed to protect participants from themselves.
 - Treasurer Goldberg noted she was working to get opt-out plan feature for the state 457 plan for public sector employees and noted even that was a heavy lift. Ms. Bonaparte replied that leakage is a real issue and added millennials are not always thinking about the future.

- Mr. Riley noted that if a person does not have sufficient retirement savings, often the government will subsidize that individual. Ms. Bonaparte agreed and stated that a retirement plan was a win for everyone.
- Ms. Bonaparte asked whether other states were doing the same thing by providing a state-run retirement plan for non-state employees and encouraged Treasurer Goldberg to put the Plan into the national spotlight. Treasurer Goldberg stated she is making efforts to publicize the Plan nationally.
 - Mr. Lynch noted some other state are offering access to retirement plans, but added there were no other 401(k)s that were up and running, though he also added that Vermont was in development of a similar 401(k) plan. Treasurer Goldberg replied that Vermont, like many other states, is more focused on ABLE accounts. Mr. Riley asked what are ABLE accounts. Treasurer Goldberg replied that ABLE accounts are for families with disabled children so that their parents can save effectively for those children.
- Mr. Lynch noted Treasurer Goldberg took leadership on this issue from the outset and in particular, supported use of the Multiple Employer Plan (MEP) model to aggregate assets and administration.
- Treasurer Goldberg asked Ms. Bonaparte for comment as to whether organizations as large as Babson would shift to a plan like this Plan. Ms. Bonaparte replied in the affirmative if that employer did not have their own well-established infrastructure. Ms. Bonaparte added that if the employer did have infrastructure, those large nonprofits would be less likely to adopt because they would have to give up control and oversight.
- Treasurer Goldberg then stated the Committee should find medium and larger groups who have something that is not effective for them. Mr. Riley agreed and added there was great value in the fiduciary component offered by the Plan.
- Treasurer Goldberg also suggested Committee members think about personal connections who might benefit from knowing about the Plan and added if their employer did not have an investment committee or other infrastructure, they might benefit from the Plan. Mr. Klocke agreed and added if the Plan becomes available to larger employers, there are many more nonprofits who might benefit.

In closing, Treasurer Goldberg stated she would get her Communications team involved and work to get the cap lifted. Ms. Bonaparte encouraged Treasurer Goldberg to use the Committee members to assist, where possible.

V. Future Meeting Dates

Treasurer Goldberg suggested circulating future meeting dates electronically and confirmed the Committee should meet quarterly.

- Treasurer Goldberg asked for confirmation that if Committee members wanted to use a phone call to discuss outreach ideas, they should do so with fewer than a quorum. Ms. Robbins replied that she would follow-up on this.
- Ms. Goldberg asked whether the Committee could have a marketing subcommittee. Ms. Robbins replied in the affirmative.

VI. Close of Meeting

12:13 p.m. Close of Meeting.

Motion to adjourn by Mr. Klocke seconded by Mr. Riley. Treasurer Goldberg and Ms. Bonaparte also approved the motion to adjourn.

**Documents Used at the Inaugural Meeting of the
Not-for-Profit Defined Contribution Committee held on April 25, 2018**

- Agenda for the April 25, 2018 Not-for-Profit Defined Contribution Committee Meeting;
- Charter of the Not-for-Profit Defined Contribution Committee for the Massachusetts Defined Contribution CORE Plan (Final Draft)
- Open Meeting Law Materials:
 - Certificate of Receipt of Open Meeting Law Materials;
 - Open Meeting Law (M.G.L. c. 30A, §§ 18-25);
 - Attorney General’s Open Meeting Law Regulations, 940 CMR 29.00-29.11;
 - Attorney General’s Open Meeting Law Guide dated January 2018;
- Empower Retirement’s Presentation; and
- Empower Retirement’s marketing materials for the CORE Plan: CORE Plan Brochure and Plan Highlights.