

# **Massachusetts Defined Contribution CORE Plan**

## **Minutes of the Not-for-Profit Defined Contribution Committee December 8, 2021**

The Not-for-Profit Defined Contribution Committee (the “Statutory Committee”) for the Massachusetts Defined Contribution CORE Plan (the “Plan”), met, pursuant to notice, via video- and teleconference, on December 8, 2021. Present were Statutory Committee Chair Treasurer Deborah B. Goldberg, and Statutory Committee members Donna Bonaparte, Jim Klocke, and Noreen McMahon and James “Chet” Riley, being all the voting members of the Statutory Committee.

Also present for all or part of the meeting were Nicola Favorito, Sarah Kim, Emily Kowtoniuk, David Lynch, Caitlin Marksteiner, Joel Massa, Steve Moore, Pamela Tobey and Mary Wilkins from the Commonwealth of Massachusetts Office of the Treasurer and Receiver General (“Treasurer’s Office”); Lisa Cardinal, John Fellin, Heather Kane, Karl Kroner and Liz West of Empower Retirement Services (“Empower”); and John Flagel and Sue Sinclair of Aon Investments USA Inc. (“Aon.”)

The following materials were distributed via email to the members of the Statutory Committee in advance of the meeting:

- 1) Agenda for the December 8, 2021 Meeting;
- 2) Minutes from the September 14, 2021 Not-for-Profit Defined Contribution Committee Meeting (the “Minutes”);
- 3) Commonwealth of Massachusetts, Third Quarter 2021, Quarterly Investment Review (the “Investment Report,” prepared by Aon); and
- 4) Massachusetts Defined Contribution CORE Plan, Committee Meeting, December 8, 2021 (the “Empower Report,” prepared by Empower).

With a quorum present, Treasurer Goldberg called the meeting to order at 1:05 p.m. Eastern Time.

Treasurer Goldberg noted that the meeting is being conducted via video- and teleconference call in accordance with An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency signed into law by Governor Baker on June 16, 2021. Treasurer Goldberg advised attendees of the recording parameters under Open Meeting Law M.G.L. c. 30A, §§ 18-25. Treasurer Goldberg inquired if anyone present was recording the session, and no one identified themselves as making a recording. Treasurer Goldberg advised all parties that should they be unable to hear, they should bring that to her attention.

On a motion by Mr. Klocke, seconded by Ms. Bonaparte, the Statutory Committee approved the meeting minutes from the September 14, 2021 meeting and then confirmed via roll call: Mr. Riley, Ms. McMahon, Ms. Bonaparte, Mr. Klocke, and Treasurer Goldberg.

Mr. Flagel directed the Statutory Committee to the Investment Report and reviewed the state of the overall economy, the domestic and international equity markets, the bond markets, and other capital markets through September 30, 2021 and October 31, 2021. He reported on the Plan's asset allocation and performance of investments held in the Plan as of September 30, 2021 as compared to benchmarks and other relevant aspects of the funds offered considering the Plan's Investment Policy Statement. As part of the discussion, the Statutory Committee, Mr. Flagel, and Mr. Lynch discussed the role of the stable value fund within a defined contribution plan's fund menu, in general, and the role it serves in the Plan's portfolio. Mr. Flagel reviewed the management fees for the investments in the Plan, noting that the fees for all investments are below the medians of the applicable peer groups. Mr. Lynch and Mr. Flagel discussed potential opportunities to expand the asset classes offered in the Plan based on increasing fund balances and cash flow.

Directing the Statutory Committee to the "Responsible Investing Overview" in the Investment Report, Mr. Flagel reviewed types of responsible investing and explained how Environmental, Social and Governance (ESG) investing differs from other types of responsible investing, ESG's prevalence in defined contribution plans, and Aon's ESG fund rating framework in its investment research. He explained the Department of Labor's (DOL) proposed fiduciary guidance related to ESG considerations in 401(k) Plans and how it may impact the Plan and the Statutory Committee. Mr. Klocke informed the Statutory Committee and Aon of feedback he has received from current and potential participating employers of the Plan supporting the addition of responsible investments in the Plan. Treasurer Goldberg informed the Statutory Committee and Aon of Massachusetts Pension Reserves Investment Management Board is collaborating with the Massachusetts Institute of Technology Sloan School of Management to improve measurement of ESG data in the investment and financial sector. The Statutory Committee agreed to continue discussions related to ESG at later meetings as the DOL guidance is finalized.

Mr. Fellin presented the "Executive Summary" of the Empower Report. Mr. Kroner continued the presentation relaying several metrics including asset growth, contribution history, Plan participation and benefit payment transactions for the quarter ending September 30, 2021. In the discussion related to Plan participation, Mr. Fellin suggested introducing a periodic re-enrollment process to the Plan to automatically re-enroll participants who either opted out of saving or are not saving enough to receive the full employer matching contribution. The Statutory Committee and Mr. Lynch discussed Mr. Fellin's suggestion and asked he provide additional information about the process's operations, including the participant's ability to prevent re-enrollment.

Ms. Cardinal reported on the "Sales Update" section of the Empower Report, informing the Statutory Committee that there were 8 new employers added to-date in the fourth quarter for a total of 32 new organizations adopting the Plan year-to-date as of this meeting noting that 28 of the 32 selected plan designs include an employer contribution. The Statutory Committee extended their continued support to Ms. Cardinal and her team to generate interest among eligible not-for-profit institutes and networking organizations.

Ms. West provided a high-level summary of Empower's marketing and social media activities related to the Plan.

There being no further business to come before the Statutory Committee, the meeting was adjourned at 2:10 p.m. Eastern Time by a motion from Mr. Riley, seconded by Mr. Klocke. Roll Call: Mr. Riley, Ms. McMahon, Mr. Klocke, Ms. Bonaparte, and Treasurer Goldberg.