Massachusetts Defined Contribution CORE Plan

Minutes
of the
Not-for-Profit Defined Contribution Committee
July 12, 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 July 12, 2021. Present were Statutory Committee Chair Treasurer Deborah B. Goldberg, and Statutory Committee members Donna Bonaparte, Jim Klocke, Noreen McMahon and James “Chet” Riley.

Also present for all or part of the meeting were Henry Clay, Nicola Favorito, Emily Kowtoniuk, David Lynch, Emily Robbins, Laura Rooney and Liz Zelnick from the Commonwealth of Massachusetts Office of the Treasurer and Receiver General (“Treasurer’s Office”); Lisa Cardinal, John Fellin, Heather Kane and Liz West of Empower Retirement Services (“Empower”); Chris Behrns, John Flagel, Beth Halberstadt, and Sue Sinclair of Aon Investments USA Inc. (“Aon”). All guests attended via video- or teleconference.

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

1) Agenda for the July 12, 2021 Meeting;
2) Draft minutes from the March 16, 2021 Not-for-Profit Defined Contribution Committee Meeting;
3) Commonwealth of Massachusetts, First Quarter 2021, Quarterly Investment Review (the “Investment Report,” prepared by Aon); and
4) Massachusetts Defined Contribution CORE Plan, Committee Meeting, July 12th, 2021 (the “Empower Report,” prepared by Empower).

With a quorum present, Treasurer Goldberg called the meeting to order at 12:00 p.m. Eastern Time. Roll Call: Mr. Riley, Mr. Klocke, Ms. McMahon, and Treasurer Goldberg.

Treasurer Goldberg noted that the meeting was 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.

Ms. Bonaparte joined the meeting.

The Statutory Committee approved the meeting minutes from the March 16, 2021 meeting on a motion by Mr. Riley, seconded by Ms. Bonaparte, and then confirmed via roll call: Mr. Riley, Ms. Bonaparte, Mr. Klocke, Ms. McMahon, and Treasurer Goldberg.

Mr. Behrns directed the Statutory Committee to the Investment Report and presented the report's analysis. He reviewed the state of the overall economy, the domestic and international equity markets, the bond markets and other capital markets through March 31, 2021, and provided commentary on the markets for April and May of 2021. Mr. Behrns reported on the Plan's asset allocation and performance of investments held in the Plan as of March 31, 2021 as compared to benchmarks and other relevant aspects of the funds offered considering the Plan's Investment Policy Statement. He also reviewed the management fees for the investments in the Plan, noting that the fees for all investments, with one exception, are below the medians of the applicable peer groups. Mr. Behrns noted the one fund with a fee higher than the median did not have a materially higher fee than the applicable peer group used for the benchmark. During the course of the discussion, the Statutory Committee inquired as to the potential impact that rising inflation rates may have on the Plan and its participants. Mr. Behrns led a discussion on the possible impact on participant savings rates, including an overview of Aon's research regarding factors that are influencing current inflation rates and may influence future rates.

The Statutory Committee, Mr. Lynch, Mr. Behrns and Ms. Halberstadt discussed the Department of Labor's (DOL) fiduciary guidelines related to the role of Environmental, Social and Governance (ESG) investing. In the discussion, they commented on how the guidelines may influence the Plan's asset structure. Noting the DOL's announcement of potential changes to the guidelines later this year, Ms. Halberstadt suggested Aon update the Statutory Committee at each quarterly meeting, if not sooner regarding the status of the guideline changes, and provide Aon's research related to the role of ESG in defined contribution plan asset structure and investment policies. The Statutory Committee concurred and noted that several of the Plan's participating organizations and their participants have been inquiring about this topic.

Mr. Fellin presented the Empower Report relating several metrics including the number of participating organizations, participant engagement and savings rates, and asset allocation. He noted that contribution inflow for the quarter ending March 31, 2021 was higher than previous quarters due to new organizations adopting the Plan and participant rollover contributions into the Plan. He reported that allocations to the Plan's money market account increased as a result of short-term deposits due to asset conversions from the former retirement plan vendors of recent organizations joining the Plan. Mr. Fellin reported that 88% of the Plan's participating organizations offer employer contributions. The Statutory Committee asked Empower to provide a breakdown report of the type and amount of employer contributions offered across the Plan. Mr. Fellin agreed to provide at a future meeting.

Ms. Kane continued the review of the Empower Report, discussing participant behavior related to automatic enrollment and noting that the high levels of automatic enrollment have not significantly waivered from the months prior to the COVID-19 pandemic. She noted that while 19% of active participants opted out of automatic enrollment and chose not to save in the Plan, the majority of opt-outs were from part-time workers.

Ms. Cardinal presented the "Sales Update" section of the Empower Report, informing the Statutory Committee that 17 new organizations adopted the Plan during the second quarter of 2021, of which 11 selected plan designs that included an employer contribution. She cited that the discounted start-up fee for members of the Massachusetts Nonprofit Network was influential in both prospecting to and winning the new organizations. She noted that 5 prospects did not adopt the Plan, but the organizations offered a retirement plan through another type of plan or vendor.

The Statutory Committee asked why prospects that requested finalist presentations from Empower selected another provider. Ms. Cardinal explained that based on the limited feedback she has received, factors that led prospects to sponsor a retirement plan elsewhere include the Plan's:

- Contribution structure offered does not align with the prospect's needs or budget,
- Start-up fee is a barrier to joining, or
- Investment menu does not offer a socially conscious/ESG fund.

At the Statutory Committee's prompting, Ms. Cardinal provided examples of ways the members may assist Empower in growing the Plan's sales pipeline and winning new participating organizations. In her discussion, she explained that most wins are from the arts and culture sector of Massachusetts's not-for-profit organizations with 20 employees or less, followed by the education and youth, housing and community development, and human service sectors. She reviewed the pipeline, noting there are 14 scheduled finalist presentations, and 19 new organization prospects. She discussed Empower's ongoing prospect development process and targeted communications to specific sectors or communities.

Ms. West presented the "Q1 Marketing Plan Results" of the Empower Report noting that the campaigns launched in June had the highest "open rate" (42%) since the inception of the marketing activities for the Plan. She provided an overview of campaigns planned through various media for the upcoming months.

At the Statutory Committee's prompting, Ms. Kowtoniuk discussed the status of pending legislation to expand the Plan's eligibility to not-for-profit employers with 20 or more employees. Mr. Lynch commented on the hearing testimony that debated the legislation and noted he was open to ongoing conversations to promote the expansion of eligibility for the Plan. Ms. Kowtoniuk agreed to send transcribed copies of the hearing summary and testimony provided to the Statutory Committee members.

Mr. Lynch announced that Giuseppe Caruso, Operations Associate at the Treasurer's Office and valued member of the Plan's administration team, departed in June 2021 and expressed that Mr. Caruso's meticulous attention to detail for the Plan will be greatly missed. The search for Mr. Caruso's replacement is currently underway, and the Statutory Committee will be informed once a new Operations Associate is hired. Mr. Lynch announced that Ms. Robbins, Defined Contribution Plan's Legal Counsel, will be leaving the Treasurer's Office for another opportunity. Mr. Lynch and the Statutory Committee thanked her for her work to the Plan and noted that the impact of her expertise, diligence and dedication to the Plan will endure.

Ms. Bonaparte left the meeting.
Ms. Rooney informed the Statutory Committee that the next meeting, presented via videoconference, will be scheduled in the upcoming weeks and the date will be distributed to all members.

There being no further business to come before the Statutory Committee, the meeting was adjourned by a motion from Mr. Klocke, seconded by Mr. Riley at 1:20 p.m. Eastern Time. Roll Call: Mr. Riley, Mr. Klocke, Ms. McMahon, and Treasurer Goldberg.