

# Massachusetts Defined Contribution CORE Plan

## Minutes of the Not-for-Profit Defined Contribution Committee October 22, 2019

The Not-for-Profit Defined Contribution Committee (the “Statutory Committee”) for the Massachusetts Defined Contribution CORE Plan (the “Plan”), met, pursuant to notice, at the offices of the John W. McCormack State Office Building in Boston, Massachusetts, on October 22, 2019. Present were Committee members Treasurer Deborah B. Goldberg, Chair, Donna Bonaparte, Jim Klocke, and James “Chet” Riley (via teleconference). Committee member Valerie Basset was absent.

Also present by invitation were Giuseppe Caruso, Henry Clay, Nicola Favorito (via teleconference), Emily Kowtoniuk, David Lynch, Emily Robbins, and Laura Rooney of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General; Lisa Cardinal, John Fellin, Karl Kroner and Liz West of Empower Retirement Services (Empower); and Beth Halberstadt and Sue Sinclair of Aon Hewitt Investment Consulting, Inc. (AHIC). Both Ms. Halberstadt and Ms. Sinclair attended via teleconference.

In advance of the meeting, the following documents were distributed to the members of the Statutory Committee:

- 1) Agenda for the October 22, 2019 Not-for-Profit Defined Contribution Committee Meeting;
- 2) Draft minutes from the July 10, 2019 Not-for-Profit Defined Contribution Committee Meeting;
- 3) Commonwealth of Massachusetts, Second Quarter 2019, Quarterly Investment Review (the “Investment Report,” prepared by AHIC); and
- 4) Massachusetts Defined Contribution CORE Plan, Committee Meeting, October 22nd, 2019 (the “Empower Report,” prepared by Empower Retirement).

Paper copies of the agenda, draft minutes and Investment Report were distributed at the meeting. The above-listed Empower Report was updated the day of the meeting and paper copies of the updated document were distributed to the Statutory Committee at that time. The revised report, discussed in this meeting, is referred to as the Empower Report.

With a quorum present, Treasurer Goldberg called the meeting to order at 1:10 p.m. Eastern Time.

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 then noted that Mr. Favorito, Mr. Riley, Ms. Halberstadt and Ms. Sinclair were participating in the meeting remotely.

The Committee reviewed and approved the minutes from the July 10, 2019 meeting.

Ms. Halberstadt advised the Statutory Committee that AHIC met with the Commonwealth of Massachusetts CORE Investment Committee (Investment Committee) in September, which included the Plan's annual Fund Allocation Review. She noted that AHIC made no recommendations to change the Plan's target date fund series. She also informed the Statutory Committee that AHIC will again meet with the Investment Committee in December and at that time plans to present a review of the Plan's Investment Policy Statement (IPS).

Ms. Halberstadt directed the Statutory Committee to the Investment Review report for the second quarter of 2019. She provided a market update, commenting on the economy through the second quarter of 2019 and recent developments in the third quarter to-date. In the course of her review, she reported on the Plan's asset allocation and performance of investments held in the Plan as of June 30, 2019, and through August 31, 2019, as compared to benchmarks and other relevant aspects of the funds offered considering the Plan's IPS. Ms. Halberstadt noted the asset allocation and investment performance reporting for the period ending September 30, 2019 were in production and that more complete third quarter review would be provided at the next meeting. Mr. Riley requested that, wherever possible, the most recent investment reporting would be provided to the Statutory Committee at each meeting.

During the discussion of the Investment Review report, the Statutory Committee noted and conferred about the change in asset balances quarter-over-quarter for the CORE 2030 Retirement Fund due to participant transfers. In addition, they discussed the differences between the CORE Retirement Funds year-to-date and since-inception returns. Ms. Halberstadt agreed to follow up with an explanation of the calculation methodology of year-to-date and since-inception returns at the Statutory Committee's next meeting in December. Ms. Halberstadt's final comments focused on an update of the status of the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act).

Treasurer Goldberg directed the Statutory Committee to the Empower Report. Mr. Fellin summarized the topics addressed in the report and introduced the team member that would address each one. Among other comments, Mr. Kroner and Ms. Cardinal summarized the following activity related to the Plan for the second quarter of 2019:

- Plan asset growth and the increase total participants, noting that the Plan experienced an increase of 110 participants year-to-date through June 30, 2019;
- The Plan's contribution history and the asset allocation of those contributions; and
- Managed Account usage in the Plan.

Next, Ms. Cardinal, referring to the Empower Report, summarized the statistics and high-level information regarding the newest adopting employers ("wins") since the last Statutory Committee meeting and the campaign event that was attributable to each win. She then reported on the number of and reasons for losses, and pipeline activity of prospective employers. The Statutory Committee discussed the Plan's start-up fee, and its structure and transparency as compared to other providers competing for the same employers. Treasurer Goldberg, Ms. Cardinal and Ms. Rooney discussed opportunities for educating prospective adopting employers about ways to raise funds for the Plan's start-up fee and ongoing costs. Ms. Cardinal agreed to review pricing to determine if options were available to restructure the start-up fee.

Mr. Riley, Mr. Lynch and Ms. Halberstadt discussed potential opportunities to add a “socially responsible” fund option to the Plan. Mr. Lynch and Ms. Halberstadt noted the pricing and operational considerations for adding such a fund to the Plan. Ms. Halberstadt also noted a broader research approach whereby the Environmental, Social and Corporate Governance (or “ESG”) factors of each of Plan’s fund managers are evaluated in lieu of relying on a single fund to represent “socially responsible” objectives or companies. Ms. Halberstadt then added that she would continue to look into this matter and report back.

Referring to the Empower Report, Ms. West led a discussion of the marketing strategy for the CORE Plan and the role social media plays in the marketing focus; she then highlighted the Facebook and LinkedIn postings developed by Empower.

Treasurer Goldberg informed the Statutory Committee that 2020 meeting dates are in the process of being scheduled and invitations would be sent out as soon as possible.

There being no further business to come before the Committee, the meeting was adjourned by roll call at 2:05 p.m. Eastern Time.