

Commonwealth of Massachusetts Employees Deferred Compensation Plan

Minutes of the Deferred Compensation Committee December 6, 2023

The Deferred Compensation Committee (the “Committee”), the oversight committee for the Commonwealth of Massachusetts Employees Deferred Compensation Plan (the “Plan” or the “SMART Plan”), met, pursuant to notice, via video- and teleconference call, on December 6, 2023. John Curran, Tom Magno, and Robert Sheridan, being all the voting members of the Committee, were in attendance.

Also present by invitation were Henry Clay, David Lynch, Sandra DeSantis Lynch, Joel Massa, Natasha Ralph, and Laura Rooney of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General (“Treasurer’s Office”); Chris Behrns, John Flagel, and Beth Halberstadt of Aon Investments USA Inc. (“Aon Investments”); Teresa Kruse of Aon Consulting, Inc. (“Aon Consulting”); and Anne Luisi and Bryan Roda of Arrowstreet Capital (“Arrowstreet”). All attendees participated via video- and teleconference call.

With a quorum present, Mr. Sheridan called the meeting to order at 10:00 a.m. Eastern Time.

The following materials, used throughout the meeting, were distributed in advance of the meeting, and displayed during the meeting as noted:

1. Meeting Agenda for the December 6, 2023 Deferred Compensation Committee;
2. Minutes of the September 20, 2023 Deferred Compensation Committee Meeting (hereinafter “Minutes”);
3. Executive Director’s Quarterly Update – 457 Defined Contribution Plan – Q3 2023, (hereinafter, “Executive Director Update”);
4. Quarterly Highlights Report, Commonwealth of Massachusetts Deferred Compensation Plan, 3Q 2023, (hereinafter, “Quarterly Highlights Report”);
5. Arrowstreet Capital, Commonwealth of Massachusetts, December 6th, 2023 Quarterly Committee Meeting, (hereinafter “Arrowstreet Report”); and

In addition, the following documents were distributed in advance of the meeting but not reviewed during the discussion:

6. Quarterly Investment Review, Cmlth of Massachusetts Deferred Compensation Plan, Third Quarter 2023.
7. Investment Strategies Overview, Arrowstreet Capital, as of September 30, 2023.

Mr. Sheridan noted that the meeting was being conducted via video- and teleconference call in accordance with the Chapter 2 of the Acts of 2023 signed into law by Governor Healy on March 29, 2023. He advised attendees of the recording parameters under the Open Meeting Law M.G.L. c. 30A, §§ 18-25 and applicable regulations. Mr. Sheridan instructed the Committee and guests to notify the meeting members if any part of the meeting was not audible via video- and teleconference call. Attendees confirmed that no one was recording the meeting.

The Committee reviewed and, on a motion by Mr. Curran and seconded by Mr. Magno, approved the September 20, 2023 Minutes. The approval was unanimously confirmed via roll call: Mr. Curran, Mr. Magno, Mr. Sheridan.

Referencing the Executive Director Update, Mr. Lynch provided the following updates:

- Plan and participant statistics for the period September 30, 2022 to September 30, 2023
- The Prudential Emerging Markets Debt Blend Strategy (Prudential fund) that will replace the Ashmore Emerging Market Blended Debt Total Return Collective Investment Fund (Ashmore fund) is currently pending contracting with Prudential;
- The transition from the SSGA US Bond Index Securities Lending Fund to the Loomis Sayles Core Plus Fixed Income strategy in the SMARTPath Target Date Funds is expected to occur in the first quarter of 2024;
- Proposed legislation to allow automatic enrollment in governmental plans has been filed under the following bill assignments: Bill S.1698 sponsored by Senator Lovely and House of Representatives Bill H.2517 sponsored by Representative Ferrante;
- Arrowstreet Capital, MFS, and Harding Loevner now provide underlying investment management services for the Plan's International Equity Fund following the investment mandate's Request for Response (RFR) last year; allocations to these funds were effective October 6, 2023; and
- SECURE 2.0 Act mandatory and optional provisions will be reviewed with outside counsel to ensure required changes are updated in the Plan document.

The Committee asked Mr. Lynch about an issue related to a recent Empower mailing. Mr. Lynch informed the Committee that Empower mailed incorrect statements to participants who had account balances in the Real Estate Investment Trust fund. He noted Empower has identified the error and is working with the Commonwealth to develop a communication that will be sent to participants explaining the erroneous mailing. Mr. Lynch confirmed that participant accounts were not affected.

Mr. Behrns directed the Committee to the Quarterly Highlights Report and provided an overview of the topics to be addressed during upcoming meetings. He reviewed the contents of the report, highlighted the status of current projects, and noted five investment option mandates, recordkeeping services and custody services for the Plan, will go out for bid in 2024.

Mr. Flagel reviewed the current state of the overall economy, the domestic and international equity markets, and the bond markets.

Mr. Behrns continued the review of the Quarterly Highlights Report, leading a discussion of the investments offered in the Plan, noting situations in which there are exceptions to, or comments on, the targeted performance, company structure or other relevant aspects of the funds offered against the Plan's Investment Policy Statement.

Mr. Behrns reviewed the management fees for the investments in the Plan, comparing them to the medians of the applicable peer groups.

Following discussion, based on the contents of the Quarterly Highlights Report and in the best interest of the participants and beneficiaries in the Plan, the Committee concluded it would support no changes to the investments in the Plan at this time.

Ms. Luisi and Mr. Roda joined the meeting and introductions were made.

Mr. Roda directed the Committee to the Arrowstreet Report and provided the Committee with an overview of the ownership structure and investment philosophy of the firm. Ms. Luisi reviewed the Arrowstreet investment process and portfolio construction, highlighting transaction costs, risk estimates, target position limits, and style controls.

Ms. Luisi and Mr. Roda left the meeting.

There being no further business to come before the Committee, on a motion by Mr. Curran and seconded by Mr. Sheridan, the motion to adjourn was unanimously confirmed via roll call: Mr. Sheridan, Mr. Curran at 12:05 p.m. Eastern Time.