

# **Commonwealth of Massachusetts Employees Deferred Compensation Plan**

## **Minutes of the Deferred Compensation Committee February 14, 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, on February 14, 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, Sarah Kim, Kathryn Kougias, David Lynch, Sandra DeSantis Lynch, Caitlin Marksteiner, Joel Massa, Natasha Ralph, and Laura Rooney of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General (“Treasurer’s Office”); Chris Behrns, Aaron Fillipp, John Flagel, Beth Halberstadt, and Sue Sinclair of Aon Investments USA Inc. (“Aon”); Heidi Delauter, Jennifer Jefferson, Ellie Nall, and Ron Taylor of T. Rowe Price; and Cris Maturana. All attendees participated via video- and teleconference.

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 13, 2022 Deferred Compensation Committee;
2. Minutes of the December 13, 2022 Deferred Compensation Committee Meeting (hereinafter “Minutes”);
3. Executive Director’s Quarterly Update – 457 Defined Contribution Plan – Q4 2022, (hereinafter, “Executive Director Update”);
4. Quarterly Highlights Report, Commonwealth of Massachusetts Deferred Compensation Plan, 4Q 2022, (hereinafter, “Quarterly Highlights Report”);
5. Annual Multi Manager Custom Fund Investment Manager Structure Policy Review (hereinafter, “Multi Manager Structure Review”); and
6. US Large-Cap Core Growth Equity Strategy, Presentation to Commonwealth of Massachusetts Employees Deferred Compensation Plan, 14 February 2023 (hereinafter, “T. Rowe Price Report”).

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

7. Quarterly Investment Review, Commonwealth of Massachusetts Deferred Compensation Plan, Fourth Quarter 2022.

Mr. Sheridan noted that the meeting was being conducted via video- and teleconference call in accordance with An Act Relative to Extending Certain State of Emergency Accommodations signed into law by Governor Baker on July 16, 2022. Mr. Sheridan 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 teleconference. 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 December 13, 2022 Minutes, as edited. The approval was unanimously confirmed via roll call: Mr. Curran, Mr. Magno, Mr. Sheridan.

Directing the Committee to the Executive Director Update, Mr. Lynch provided updates on the following topics:

- Plan assets as of December 31, 2022 decreased 18.20% to \$10.23 billion;
- Full time participant counts decreased by .2%;
- The contracting phase of the SMART Income Fund's implementation is complete and the operational phase is progressing;
- Submissions for the Request for Response for Audit Services were filed December 29, 2022 and are currently under review;
- House Docket Number 1654 and Senate Docket Number 256 ("Bills") were filed, petitioning to add automatic enrollment as a feature to the Plan; and
- Sections of the SECURE 2.0 Act of 2022 ("SECURE 2.0"), passed as part of the Consolidated Appropriations Bill of 2023, pertinent to the Plan.

The Committee, Mr. Lynch, and Ms. Rooney discussed the automatic enrollment features proposed in Bills recently presented to the legislature, past opposition to similar bills, and compared the Bills' proposal to the automatic enrollment requirements passed into law under SECURE 2.0. Mr. Lynch and the Committee discussed the Plan's voluntary enrollment rate and the tools and services available to eligible SMART Plan participants that explains the Plan's benefits, features, and general retirement planning education. During the discussion, the Committee asked Mr. Lynch to provide further detail related to Section 109 of SECURE 2.0, regarding catch-up contribution limits for certain participants. Mr. Lynch agreed to do so for the next meeting.

Mr. Flagel directed the Committee to the Quarterly Highlights Report and reported on the current state of the capital markets and economy, considering the Plan's Investment Policy Statement (IPS). Mr. Flagel commented on the impact that inflation has had on the markets and the Plan's investment performance.

Mr. Behrns continued the discussion of the Quarterly Highlights Report and reviewed the asset allocation in the Plan and, considering the Plan's IPS, the performance of the funds over various periods as compared to benchmark. The Committee, Mr. Flagel, and Mr. Behrns discussed the factors that influenced the investment performance of the managers in the SMARTPath Target Date Funds and the Capital Preservation Fund. At the Committee's prompting, Mr. Behrns and Mr. Lynch discussed the approach to managing funds with multiple managers, how frequently the allocations of the underlying fund managers are evaluated, the use of bench managers, and Aon's methodology to conducting due diligence meetings with the fund managers.

Directing the Committee to the Multi Manager Structure Review, Mr. Behrns explained Aon's annual process of evaluating the multi-manager investment options within the Plan and noted that Aon is not recommending any changes to the current allocations at this time.

Following discussion, based on the contents of the Quarterly Highlights Report and Multi Manager Structure Review, and in the best interest of the participants and beneficiaries in the Plan, Aon, in

its role as the discretionary investment manager, addressed no changes to be made to the investments in the Plan at this time.

Ms. Delauter, Ms. Jefferson, Ms. Nall and Mr. Taylor joined the meeting.

Ms. Nall introduced the members of the team from T. Rowe Price and referred the Committee to the T. Rowe Price Report. Mr. Taylor reviewed the report, including the structure of the portfolio management team, the impact of the team's stock selection, inflation, and global economic factors on the fund's recent performance. The Committee, Mr. Flagel, and Mr. Taylor discussed T. Rowe Price's approach to selecting stocks, risk controls in place when running the portfolio, and historical performance across all funds within the firm.

Ms. Delauter, Ms. Jefferson, Ms. Nall and Mr. Taylor left the meeting.

The Committee, Mr. Flagel, and Mr. Behrns discussed Mr. Taylor's comments on the findings in the T. Rowe Price Report and Aon's recent meetings with T. Rowe Price to discuss the fund.

Mr. Sheridan welcomed Ms. Ralph to the Office of the Treasurer's Defined Contribution Plan team. He requested that Mr. Massa schedule the next Committee meeting in May.

There being no further business to come before the Committee, on a motion by Mr. Curran and seconded by Mr. Magno, the motion to adjourn was unanimously confirmed via roll call: Mr. Magno, Mr. Curran and Mr. Sheridan at 12:00 p.m. Eastern Time.