

Commonwealth of Massachusetts Employees Deferred Compensation Plan

Minutes of the Deferred Compensation Committee June 23, 2022

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 Thursday, June 23, 2022. John Curran, Tom Magno, and Robert Sheridan, being all the voting members of the Committee, were in attendance.

Also present by invitation were Nicola Favorito, David Lynch, Sandra Lynch, Caitlin Marksteiner, and Laura Rooney of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General ("Treasurer's Office"); Chris Behrns, John Flagel, Beth Halberstadt, and Sue Sinclair of Aon Investments USA Inc. ("Aon"); Richard Raczkowski and James Sia of Loomis Sayles; and William Trelegan, a Plan participant. All attendees participated via video- and teleconference.

With a quorum present, Mr. Sheridan called the meeting to order at 10:10 a.m. Eastern Time. Roll call: Mr. Magno, Mr. Curran, Mr. Sheridan.

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 June 23, 2022 Deferred Compensation Committee;
2. Minutes of the March 3, 2022 Deferred Compensation Committee Meeting;
3. Executive Director's Quarterly Update – 457 Defined Contribution Plan – Q1 2022, (hereinafter, "Executive Director Update");
4. Commonwealth of Massachusetts Deferred Compensation Plan, 1Q 2022, Quarterly Highlights Report, (hereinafter, "Quarterly Highlights Report");
5. Large Company Blend Fund Multi-Manager Structure Review, (hereinafter, "LCB Multi Manager Review"); and
6. Commonwealth of MA Employee Deferred Compensation Plan, June 23, 2022, Loomis Sayles (hereinafter, "Loomis Sayles Report").

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

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

Mr. Sheridan 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. 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. Mango and seconded by Mr. Curran, approved the meeting minutes from the March 3, 2022 meeting. The approval was unanimously confirmed via roll call: Mr. Magno, Mr. Curran, Mr. Sheridan.

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

- Plan assets as of March 31, 2022 increased 5.59% from the prior quarter and were \$12.34 billion, although market activity through June 6, 2022 resulted in a 1.42% decrease in total assets to \$11.52 billion;
- Plan metrics related to participant counts, contributions and Roth savings;
- Approximately 65% of the plan's assets are allocated to either the target date fund offering or managed accounts;
- Large Company Growth Stock Fund and Real Estate REIT Fund reallocations, approved by the Committee at the March 3, 2022 meeting, were completed in May 2022 and June 2022, respectively;
- Contracting continues for the SMART Income fund with an updated expected launch date of the first quarter of 2023;
- Plan amendment for in-plan Roth conversions is complete and will be effective June 30, 2022. Participant education materials describing the transaction and its potential tax implications have been made available to participants in coordination with the July 1, 2022 live date. Empower's call center representatives are also prepared to provide support for participants who have questions about an in-plan Roth conversion;
- Mandatory OBRA expansion implementation continues to progress as expected; and
- Summary of key provisions under H.R. 2954 "Securing a Strong Retirement Act" also referred to as "SECURE 2.0."

During Mr. Lynch's update, the Committee and Mr. Lynch discussed expected behaviors for participants investing in target date funds or managed accounts during periods of volatile market activity. The Committee asked Mr. Lynch and Ms. Rooney to provide a comparison report of behavior trends of participants investing in these vehicles during periods of market volatility versus during periods of market growth. Mr. Lynch and Ms. Rooney agreed to provide at the next meeting. Mr. Lynch noted that the Plan also offers additional support to participants when requesting early withdrawals through Empower's Retirement Solutions Group's education efforts on the implications of withdrawals.

At the Committee's prompting, Mr. Lynch noted that recent market volatility has not prompted any cities or towns of the Commonwealth to withdraw participation in the Plan. During the SECURE 2.0 summary, Mr. Lynch and the Committee discussed potential implications to the Plan and its participants on several of the topics including the self-certification of hardship withdrawals and an automatic enrollment requirement for all new defined contribution plans. The Committee, Mr. Lynch, Ms. Lynch, and Ms. Rooney discussed the status of the Commonwealth of Massachusetts Bill H.33 proposing to include auto enrollment in the Plan.

Mr. Behrns directed the Committee to the Quarterly Highlights Report and informed the Committee that a Request for Response was initiated for the international equity fund with responses due July 2022.

Mr. Flagel and Mr. Behrns reviewed the information in the Quarterly Highlights Report and reported on the following, among other matters, considering the Plan's Investment Policy Statement:

- The current state of the capital markets and economy;
- Asset allocation in the Plan; and

- Performance of the funds over various periods as compared to benchmarks, the impact of economic and market activity on the fund managers' strategies, and other developments with the current investments in the Plan.

During the presentation, Mr. Behrns, Mr. Flagel and the Committee discussed several topics related to the participants and the Plan including the:

- United States economy's current inflation rate, actions taken by the Federal Reserve in 2022, and the potential impact inflation may have on participants;
- Two funds appearing on the Quarterly Highlights Report "Fund Monitoring Summary" section; and
- Record Keeper Vendor Monitoring Summary report and discussed service level performance guarantees.

Mr. Trelegan joined the meeting and at his request, Mr. Lynch noted that in-plan Roth conversions would be available to Plan participants on July 1, 2022.

Mr. Behrns directed the Committee to the LCB Multi Manager Review. He and Mr. Flagel discussed Aon's research and analysis behind the recommendations. They noted that at this time there is no need to change the fund's portfolio allocation.

The Committee, Mr. Behrns, Mr. Flagel, Mr. Lynch, and Ms. Rooney discussed how the Plan's investment structure is evaluated to question whether it is offering the most appropriate range of investment alternatives to participants. Mr. Behrns, Mr. Lynch, and Ms. Rooney informed the Committee that investment structure evaluation is an ongoing process, both formal and informal, with the most important considerations and decisions brought before the Committee. Mr. Behrns agreed to prepare an executive summary for the Committee outlining the frequency, process, and considerations taken while Treasurer's Office staff is evaluating the Plan's investment structure.

Following discussion, based on the contents of the document and the best interest of the participants and beneficiaries in the Savings Plan, Aon, in its role as the discretionary investment manager, addressed no changes to be made to the investments in the Savings Plan at this time.

Mr. Raczkowski and Mr. Sia joined the meeting.

After Mr. Sia's introduction, Mr. Raczkowski presented the Loomis Sayles Report and led a discussion related to the different factors of the economy impacting the current bond market environment. The Committee, Mr. Behrns, and Mr. Flagel commented on the issues noted and the effects they may have on the Plan and the Committee.

Mr. Raczkowski and Mr. Sia left the meeting.

Mr. Sheridan requested Ms. Rooney coordinate the next Committee meeting date. Mr. Curran informed the Committee that he will be retiring from his full-time position with the Commonwealth of Massachusetts, staying on as a part-time employee and expects to continue as a member of this Committee.

There being no further business to come before the Committee, on a motion by Mr. Sheridan and seconded by Mr. Curran, the meeting was adjourned at 12:05 p.m. Eastern Time. Roll call: Mr. Curran, Mr. Magno, Mr. Sheridan.