

Commonwealth of Massachusetts Employees Deferred Compensation Plan

Minutes of the Deferred Compensation Committee May 25, 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 May 25, 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, Caitlin Marksteiner, Joel Massa, and Natasha Ralph 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”); Jillian Blacken, Raymond Decker, Aaron Montaña, Chris Nikolich, and Elena Wang of AllianceBernstein (“AB”). 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 May 25, 2023 Deferred Compensation Committee;
2. Minutes of the February 14, 2023 Deferred Compensation Committee Meeting (hereinafter “Minutes”);
3. Executive Director’s Quarterly Update – 457 Defined Contribution Plan – Q1 2023, (hereinafter, “Executive Director Update”);
4. Quarterly Highlights Report, Commonwealth of Massachusetts Deferred Compensation Plan, 1Q 2023, (hereinafter, “Quarterly Highlights Report”); and
5. Demographic Refresh Analysis, Commonwealth of Massachusetts SMARTPath Retirement Funds, AllianceBernstein, (hereinafter, “AB Report”).

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

6. Quarterly Investment Review, Commonwealth of Massachusetts Deferred Compensation Plan, First Quarter 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 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 February 14, 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 assets as of March 31, 2023 decreased 8.17% to \$11.3 billion;
- Full time contributions increased 11.07% during the quarter although the third payroll of March, 2023 influenced the increase as compared to Q1 2022;
- Total full-time participant count increased 0.83% to 115,409 participants;
- The number of Roth accounts continues to increase;
- The SMART Income Fund's implementation is near completion and will be available to participants on June 1, 2023;
- Bill S.1698 sponsored by Senator Lovely has been introduced to the Senate to permit the Plan to offer automatic enrollment; a similar bill was introduced to the House of Representatives H.2517 sponsored by Representative Ferrante;
- "Active Choice" quick-enrollment forms will be sent to eligible employees who are not yet participating in the Plan.

During the discussion, the Committee asked Mr. Lynch to provide an update about the expected opposition to Bill S.1698 and H.2517. The Committee and Mr. Lynch discussed the potential impact automatic enrollment would have on the retirement income security for new and current non-participating employees.

The Committee and Mr. Lynch discussed the number of participating cities and municipalities that have adopted the Plan and activities the Treasury has undertaken to educate other local governments to consider adopting the Plan. Mr. Lynch noted that historically, very few governments end participation in the Plan once they have joined.

Mr. Flagel directed the Committee to the Quarterly Highlights Report noting the workplan of events scheduled for review before the Committee for the remainder of 2023. He informed the Committee that five Request for Responses (RFRs) will be posted during 2023 to affirm the current managers in place or identify replacements or bench managers for the investment option mandates. Mr. Flagel also noted that in addition to the RFRs, Aon and staff from the Treasurer's Office have several due diligence meetings scheduled with the managers during 2023.

Mr. Flagel reported on the current state of the capital markets and economy and the impact that recent events, including certain bank failures in the United States and the ongoing negotiations within the United States Congress to raise the Federal "debt-ceiling," have had on market performance.

Mr. Behrns continued the discussion of the Quarterly Highlights Report and reviewed the asset allocation in the Plan and, considering the Plan's Investment Policy Statement (IPS), the 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.

The Committee and Mr. Lynch discussed the "Recordkeeper Monitoring Summary" section of the Quarterly Highlights Report. Mr. Lynch informed the Committee he continues to monitor the service level agreements negotiated in Empower's contract.

Following discussion, based on the contents of the Quarterly Highlights Report 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. Blacken, Mr. Decker, Mr. Montañó, Mr. Nikolich, and Ms. Wang joined the meeting.

Mr. Decker introduced the team from AllianceBernstein. Ms. Wang directed the Committee to the AB Report and reviewed the findings of the report. Ms. Wang explained key demographic and financial market changes since the 2016 SMARTPath Retirement Funds' glidepath analysis and the impact those changes have on glide path design. She described AB's new glidepath proposal based on the latest demographic and market conditions and reviewed the projected impact the proposal might have on different participant populations in the Plan investing in the SMARTPath Retirement Funds. Ms. Wang further explained the asset allocation changes needed to align the SMARTPath Retirement Funds to the new proposed glidepath.

Following discussion, based on the contents of the AB Report and the best interest of the participants and beneficiaries investing in the SMARTPath Retirement Funds in the Plan, AB, in its role as discretionary manager over the SMARTPath Retirement Funds glidepath, addressed no changes, other than those noted above, to be made to the Plan at this time.

Ms. Blacken, Mr. Decker, Mr. Montañó, Mr. Nikolich, and Ms. Wang left the meeting.

Mr. Behrns informed the Committee that Aon has performed a review of the IPS and is recommending changes, as outlined the "Investment Policy Statement Review" section of the Quarterly Highlights Report. He reviewed the recommendations and after discussion, the Committee voted to approve the changes. On a motion from Mr. Curran, seconded by Mr. Magno, the Committee agreed to adopt Aon's edits to the IPS via roll call vote: Mr. Curran, Mr. Magno, Mr. Sheridan.

Mr. Behrns agreed to provide a copy of the updated IPS to the Committee following the meeting.

At the Committee's request, Mr. Massa played a video for the Committee that was created for the Plan's participants, promoting the benefits of the Plan and explaining the enrollment process. The video featured discussions with Ms. Marksteiner and Mr. Massa. The Committee commended them for their participation in the video.

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. Sheridan Mr. Curran and Mr. Magno at 12:10 p.m. Eastern Time.