Commonwealth of Massachusetts
Deferred Compensation Committee
Meeting Minutes

December 7, 2017

One Ashburton Place, 12th Floor
Boston, MA 02108

Committee Members Present:

- Robert Sheridan, Committee Chair
- John Curran, Committee Member
- Tom Magno, Committee Member

Also present for all or part of the meeting were: David Lynch, Executive Director, Defined Contribution Plans; Nicola Favorito, Deputy Treasurer / Executive Director, State Retirement Board; Laura Rooney, Director of Operations, Defined Contribution Plans; Giuseppe Caruso, Operations Associate, Defined Contribution Plans; Emily Robbins, Defined Contribution Plans Counsel; Kevin Vandolder, Principal, Aon Hewitt Investment Consulting, Inc.; Chris Behrns, Senior Consultant, Aon Hewitt Investment Consulting, Inc.; Dan Morrison, Senior Vice President, Government Markets, Empower Retirement; John Fellin, Managing Director, Government Markets, Empower Retirement; Karl Kroner, Client Relationship Manager, New England, Empower Retirement; Robert Young, Manager, Retirement Plan Counseling, Empower Retirement; and Shelby Dobson, Communications Lead, Empower Retirement.

I. Opening:

With all Committee Members present, call to order by Committee Chair Mr. Sheridan at 9:59 a.m.

II. Approve Minutes:

Mr. Sheridan asked for a motion to approve the minutes of the September 14, 2017 meeting. Mr. Magno made the motion to approve the minutes. Mr. Curran seconded the motion. Mr. Sheridan voiced his appreciation of the quality of the minutes.

III. Executive Director's Quarterly Update:

- SMART Plan Key Statistical Data: Mr. Lynch directed the Committee's attention to the key points included in the SMART Plan Key Statistical Data Chart. Mr. Lynch noted a rise to over $8.65 billion in Plan assets at the end of the third quarter, up $289 million from the previous quarter. Mr. Lynch then informed the Committee that Plan assets continued to rise to $8.84 billion as of December 6, 2017.

  - Mr. Lynch stated that total contributions to the Plan for the previous quarter were $95 million. Mr. Lynch, noting a ten percent reduction in contributions compared to contributions in the previous quarter, cited Plymouth County's adoption of and conversion to the SMART Plan Q2 as well as the fact that there were seven payroll periods in Q2, compared to six payrolls periods in Q3, as the primary factors in the reduction.

  - Mr. Magno asked Mr. Lynch if he knew what service provider Plymouth County had transferred from. Mr. Lynch answered that he was uncertain, but that he believed it to be Nationwide.

  - Mr. Sheridan asked Mr. Lynch if Plan staff was marketing the Plan to municipalities that were not already in the program and, if so, who had this responsibility. Mr. Lynch responded that this was the responsibility of Empower Retirement, specifically Karl Kroner, Client Relationship Director, and Robert Young, Manager, Retirement Plan Counseling. Mr. Lynch noted that Mr. Kroner and Mr. Young vetted potential candidates based on their eligibility and ability to transition from their current retirement plan.

  - Mr. Sheridan asked whether Plan staff or representatives from Empower Retirement attend the Massachusetts Municipal Association (MMA) meetings or conferences. Mr. Lynch stated that he would check to see if Mr. Kroner or Mr. Young have attended those meetings. Mr. Sheridan noted that this could be a good marketing opportunity for the Plan. Mr. Magno agreed, and mentioned that the MMA Annual Meeting & Trade Show in mid-January may be a good event to attend. Ms. Rooney agreed, and also stated that Mr. Kroner and Mr. Young regularly attended annual meetings of the municipal treasurers as well.

  - Mr. Lynch continued with a discussion of Plan distributions, informing the Committee that staff are keeping a close eye on distributions out of the Plan. Mr. Lynch confirmed that retention remains a top priority for the Plan, and cited the Stay Campaign from earlier in the year as a way the Plan has sought to reach out to participants to promote maintaining their assets in the SMART Plan. Mr. Lynch noted that Plan staff and Empower Retirement would continue their efforts to promote retention.

  - Mr. Magno asked if the Required Minimum Distributions (RMDs) automatically affected the total distribution numbers. Ms. Rooney responded that the distribution numbers included all distributions, including RMDs. Mr. Sheridan asked if RMDs were a requirement for all participants, and if so, why. Mr. Magno answered in the affirmative. Mr. Lynch cited the potential tax penalty for participants if retirement savings accounts continue to accrue interest without distributions beyond age 70½. Mr. Lynch noted that Empower Retirement would automate the RMD process for 2018 to prevent participants from incurring a potential 50% tax on distributions, should the participant fail to file the RMD paperwork. Mr. Curran voiced his appreciation of this automated function.

- ❖ Mr. Sheridan asked if the distributions included distributions upon death of a participant. Ms. Rooney responded that benefits paid out upon the death of a participant were included in the statistics on distributions. However, Ms. Rooney informed the Committee that distributions were not automatically issued upon death of a Participant. Ms. Rooney noted that the responsibility would lie with the beneficiary in terms of what to do with the participant assets, whether that was a full withdrawal, partial withdrawal, or no action on the account.

- ❖ Mr. Lynch continued on the Key Statistical Data points, stating that total full-time Plan participants had risen by 4,200 employees. Mr. Lynch cited the Active Choice Enrollment Form as a contributing factor to the rise in participation and lauded the continued partnership of the Plan with the State Retirement Board in this effort. Mr. Lynch stated that Plan staff is reaching out to municipalities that have joined the Plan to see if they would implement the Active Choice Enrollment Form at the municipal level.

- ❖ Mr. Sheridan asked what the current full-time participant breakdown was between state and municipal employees. Mr. Lynch estimated that state employees comprised roughly 40% of the Plan's full-time participants; however, Mr. Lynch stated that he would follow up with the Committee to confirm the number.

- ❖ Mr. Lynch continued with the Plan data points, informing the Committee that in Q3 there was a 29% reduction in average participant contributions compared to the previous quarter. Mr. Lynch stated that this anomaly was due to a recent chargeback rebate from the Harding Loevner International Equity Portfolio. Ms. Rooney affirmed and stated that this action inflated the number of active accounts in the recordkeeping system in Q2 due to the increased number of instances of money going into participant accounts while the rebates themselves were for relatively small dollar amounts.

- ❖ Finally, Mr. Lynch stated that there had been steady growth in the number of participants with Roth accounts, which had risen 7.6% since the previous quarter. Mr. Magno voiced his appreciation for the rise of participants making Roth contributions.

- <u>H29 – An Act Relative to the SMART Plan</u>: Mr. Lynch informed the Committee members that House Bill 29 (H29) would allow for auto-enrollment of all new state employees, while municipalities would have the option to elect to implement auto-enrollment. Mr. Lynch stated that there had not been a lot of movement with the legislation of late, and that it would most likely not reach the Ways & Means Committee before March 2018.

- ❖ Mr. Sheridan asked Mr. Lynch if the legislation would be affected by the shorter legislative session in 2018. Mr. Lynch responded that he was unaware of this detail. Mr. Magno asked Mr. Sheridan if legislative sessions are shorter in state election years. Mr. Sheridan confirmed. Mr. Sheridan noted that while legislative sessions usually end prior to Thanksgiving, they would likely close by end of July next year due to the state election.

- <u>Enhanced Glide-Path Services</u>: Mr. Lynch noted that, as mentioned at the previous Committee Meeting, AllianceBernstein ("AB") had been awarded the contract to provide glidepath services to the Plan. Mr. Lynch informed the Committee that the new contract would provide the Plan with several new enhancements including that AB would provide a more robust rebalancing of the SMARTPath Target Date Funds on a monthly basis in coordination with Empower Retirement.

  - ❖ Mr. Curran asked if the rebalance process was a built-in feature. Ms. Rooney responded that the rebalance enhancement would perform checks on a monthly basis to review whether the asset allocations remain within tolerance for each respective target date fund. Mr. Curran asked if rebalances would be triggered should an asset allocation exceed its tolerance window. Ms. Rooney confirmed. Mr. Magno asked to confirm that the investments are not determined by Plan staff. Mr. Lynch responded in the affirmative. Mr. Lynch stated that AB sets the glidepath and monitors the investment allocation to maintain the asset classes within certain tolerances, and that should any asset move beyond its tolerances, AB would direct Empower Retirement to rebalance the investments. Mr. Magno asked what the current tolerance windows were. Mr. Lynch answered that they were between three and five percent, but that he would confirm.

  - ❖ Mr. Sheridan asked if the rebalancing was a common best practice used by other plans. Ms. Rooney responded in the affirmative and remarked that it was a good way to steward the investments. Mr. Magno stated that this seemed almost similar to an active investment strategy. Mr. Lynch noted the similarity, but stated that the monthly investment allocation reviews were more of a monitoring feature than an active strategy. Mr. Vandolder agreed with the response by Mr. Lynch. Mr. Behrns also agreed with the sentiment, and stated that AB would not make judgment calls on investments as active strategies would, but would be monitoring investments and trigger rebalances as needed.

  - ❖ Mr. Curran asked if the asset allocations are primarily affected by markets and if so, whether it was the primary contributing factor to potentially exceeding tolerance limits. Mr. Vandolder responded in the affirmative.

  - ❖ Mr. Lynch continued with identifying some other new AB enhancements. Mr. Lynch stated that AB would provide custom fact sheets for each SMARTPath vintage, and that these would replace the current Empower Retirement generated SMARTPath fact sheets available on the website.

- Mr. Sheridan asked Mr. Vandolder if the AB executive management had stabilized following a recent period of uncertainty. Mr. Vandolder responded that there have been fewer announcement from AB recently and that while the situation appears to have stabilized, Aon Hewitt would continue to monitor any new developments.

- Lastly, Mr. Lynch informed the Committee that as another new feature, AB would also include a custom-built microsite for the SMARTPath funds. Mr. Lynch stated that the microsite would provide participants interested in the SMARTPath funds with a robust overview of the funds and help them determine what SMARTPath vintage would be most appropriate for their retirement. Mr. Lynch noted that once the microsite was live, a live demonstration of the website could be provided at a future Committee Meeting.

- <u>2017 Communication Campaign Results Summary</u>: Mr. Lynch turned the attention of the Committee to the 2017 Communication Campaign Results Summary. Mr. Lynch stated that the overall results for delivery rates, open rates, and click rates exceeded industry established benchmarks across each campaign. In particular, Mr. Lynch highlighted the Catch-Up Contribution Campaign aimed at all participants fifty years of age or older, nearing the maximum 50+ annual contribution limit of $24,000 for 2017, to inform them of their ability to make additional contributions under the SMART Plan 3-Year catch-up provision. Mr. Lynch pointed to the 53.7% open rate and 12% click rate for the campaign, far exceeding industry benchmarks. Mr. Lynch continued and highlighted the Beneficiary Campaign; one campaign aimed at participants with no listed beneficiary and another aimed at all participants to check their current beneficiary. Mr. Lynch informed the Committee that both of these campaigns also exceeded industry rates across all categories. Mr. Lynch voiced his satisfaction with the effectiveness of all the targeted communication campaigns for 2017. Mr. Lynch then noted that Shelby Dobson, Communications Lead, Empower Retirement, would provide a more detailed analysis of SMART Plan communications during the Empower Retirement presentation.

  - Mr. Curran stated that he has received several communications pieces in the past few months and was satisfied with the response by Plan staff and Empower Retirement following his comments on the subject in prior Committee meetings. Mr. Curran voiced support for the continued efforts in all communications campaigns as well.

- <u>Active Choice Enrollments Summary</u>: Mr. Lynch next directed the Committee to the Active Choice Enrollment Summary chart. Mr. Lynch noted the continued success and effectiveness of the Active Choice Enrollment Form as part of the onboarding process for new Commonwealth of Massachusetts employees. Mr. Lynch stated that the Active Choice Enrollment Form was also available on the Human Resources Division (HRD). Mr. Lynch stated that when employees were presented with the Active Choice

Enrollment Form questions, more often than not employees were electing to participate in the Plan. Mr. Lynch commented that participation rates in the Plan were the highest they had ever been since his taking over as Executive Director.

- ❖ Mr. Vandolder asked Mr. Lynch what the dollar sign ($) column on the chart indicated. Mr. Lynch responded that this represented participants that elected to contribute on a dollar basis, as opposed to a percentage basis.
- ❖ Mr. Lynch continued and noted that previously, the Plan did not offer participants the ability to contribute on a percentage basis. Mr. Curran commented that he still contributed on a dollar basis. Mr. Lynch noted that regardless of whether a participant contributed on a dollar or a percentage basis, the participant would be able to utilize the slider feature on the Plan's new website to increase contributions. Mr. Curran voiced his appreciation of the new website, noting the new features and overall presentation as positives. Mr. Curran commented that there may still be some small adjustments needed, but that the website remained a good base to build from and remained highly effective.

Mr. Sheridan asked the Committee members for any additional questions on the Executive Summary. With no further questions, Mr. Sheridan suggested moving on to the Market Review.

IV. Market Review, Recommendations, Highlights and Performance Update: Aon Hewitt

- Directing the Committee to Tab 1 of the meeting materials, Mr. Behrns began speaking on Project Updates for the Plan. Mr. Behrns began with the SMARTPath Custom Glidepath Services RFR and noted that AB would be retained, subject to contract negotiations.
  - ❖ Ms. Robbins added that the glidepath services contract with AB had been completed.
- Mr. Behrns then reminded the Committee of the change in the Real Estate "REIT" Fund to a multi-manager structure in late July, with an 80% asset allocation to the active Brookfield Asset Management US Real Estate Securities Value Income Strategy and a 20% asset allocation to the passive State Street Global Real Estate Securities Index Fund. Mr. Behrns stated that the addition of a 20% passive strategy would reduce the active risk of the Brookfield strategy, which previously had a 100% allocation of the Real Estate "REIT" Fund.
- Per Mr. Behrns, the final update related to the International Equity Fund. Mr. Behrns noted that the MFS International Equity strategy, which makes up 70% on the International Equity Fund, was moved from a pooled vehicle to a separate account vehicle. Mr. Behrns informed the Committee that this would result in significant fee savings for the Plan. Specifically, Mr. Behrns cited an 18 bp reduction in the expense ratio compared to the former mutual fund vehicle, and that these savings would result in

an expected annual investment fee savings of over approximately $173,000, based on that level of assets today.

- ❖ Mr. Sheridan noted that the savings are significant. Mr. Behrns agreed, and articulated the added benefit of these savings being put to work in the investments.
- ❖ Mr. Sheridan asked if Aon Hewitt had originated the idea to transition to a separate account vehicle. Mr. Behrns responded that the separate account vehicle was a part of the initial RFR process negotiated by the Treasury, and that MFS offered both the mutual fund and separate account vehicles. Mr. Vandolder asked Mr. Lynch whether the decision to begin with the MFS mutual fund rather than the separate account vehicle was due to an issue with opening foreign markets. Mr. Lynch answered in the affirmative and voiced his appreciation for the work done by Ms. Robbins in pursuing this item in order to open the possibility of transitioning to the separate account vehicle. Mr. Sheridan also thanked Ms. Robbins for all her work in this process. Mr. Vandolder noted the complexity and administrative challenges involved in opening foreign markets for potential investment. Mr. Curran asked if these challenges were on the administrative side, in reference to the Treasury's Plan staff or for Empower Retirement as recordkeeper. Mr. Vandolder noted that these were matters resolved by the Treasury's Plan staff. Mr. Vandolder then commented that while the initial opening of markets was often difficult, it would become easier with future investment opportunities.
- ❖ Ms. Robbins added that when the contract with MFS was negotiated in 2012, the Treasury was also in the process of selecting and contracting with a new custodian. Ms. Robbins noted that, due to the timing of that contracting process, they were unable to begin the process of opening markets at that time. Ms. Robbins informed the Committee that despite not beginning with a separate account, Plan staff was able to establish pricing for the eventual transition to a separate account vehicle, once that would become a possibility. Ms. Robbins continued and noted that MFS had been an excellent manager to work with on revisiting the original contract in connection to the Plan's transition to an MFS separate account and had that MFS been amenable to any changes and amendments needed for the contract. Ms. Robbins also commented that, according to MFS, the current separate account vehicle fees for the Plan are amongst the lowest of any similar clients for MFS investments. Mr. Sheridan once again thanked Ms. Robbins for all her hard work. Mr. Behrns noted the work of both Ms. Rooney and Ms. Robbins in this entire transition process.

- ▪ Mr. Vandolder continued with the Project Updates and updated the Committee on recent onsite visits with investment managers. Mr. Vandolder highlighted the recent onsite visit to Manulife, which was also attended by Mr. Lynch and Ms. Rooney. Mr. Vandolder noted that Manulife's investment platform has increased from $3 billion to $20 billion and that this success has occurred over the past seven years. Mr. Vandolder then informed that Committee that the Plan has invested with Manulife for just under three years. Mr. Vandolder noted that the addition of Paul Lorentz as the new CEO of Manulife could lead to potential changes, which Aon Hewitt believed to be positive. Mr. Vandolder stated that while there have been some executive changes at Manulife that could lead to some uncertainty, the decisions that have been made to-date seem to have led to stability.

- Mr. Vandolder continued with a discussion of the Wellington Management onsite visit. Mr. Vandolder voiced his fascination with the Wellington Management morning strategy meetings, and noted the amphitheater style environment where investment discussions are had. Mr. Vandolder stated that during the visit, the topics included managing expectations on revenue in regard to Facebook, as well as a discussion on new pharmaceuticals. Mr. Vandolder stated that he, Mr. Lynch, and Ms. Rooney had met with Steve Mortimer, Lead Portfolio Manager for the Wellington Management Dynamic Growth portfolio, which has a 45% allocation of the Plan's Large Company Growth Fund Stock Fund. Mr. Vandolder conveyed to the Committee details of his discussion with Mr. Mortimer in regard to Mr. Mortimer's sale of Amazon stock. Mr. Vandolder noted that while Mr. Mortimer still believed in Amazon, Mr. Mortimer felt that there were more opportunities elsewhere. Mr. Vandolder explained to the Committee that Mr. Mortimer makes use of external data feeds to further analyze investment opportunities. Mr. Vandolder also noted that Mr. Mortimer reviews company balance sheets to anticipate trends and analyze what CFOs do with revenue that comes into a company. Mr. Vandolder stated that unfortunately he did not have the opportunity to speak with the analysts that work with Mr. Mortimer. Mr. Vandolder noted that Wellington Management's process ranks the investment quality of stocks on a 1 to 5 scale. Mr. Vandolder cited that Wellington Management, which remains privately held, has passed $1 trillion in assets under management and that these assets were all in active management.

- Mr. Vandolder voiced his thought that Wellington Management was a great success story for Massachusetts. Mr. Sheridan voiced his appreciation in regard to having Wellington Management as an investment manager in the Plan. Finally, Mr. Vandolder noted that Plan staff would meet separately with the Wellington team engaged as subadvisors on the Vanguard Dividend Growth account, including portfolio manager Donald Kilbride. Mr. Vandolder added he had requested both meetings happen during the same onsite, however, Wellington had stressed the importance of having a Vanguard representative present at any onsite related to the Vanguard Dividend Growth Fund. For that reason, per Mr. Vandolder, a separate meeting with both Wellington Management and Vanguard would be planned.

    - Mr. Vandolder asked Mr. Lynch and Ms. Rooney if that had anything to add from the onsite meetings. Mr. Lynch responded that he and Ms. Rooney had also, on December 5th, conducted a portfolio review with J.P. Morgan in connection with J.P. Morgan's management of the J.P. Morgan Growth Advantage Fund, which currently has a 30% allocation in the Plan's Large

Company Growth Fund Stock Fund. Mr. Lynch remarked that it was a positive meeting and that the J.P. Morgan Growth Advantage Fund continued to outperform the benchmark.

- At this moment, Mr. Vandolder turned the attention of the Committee to Market Highlights. Mr. Vandolder noted global synchronized growth, and commented that equity markets were showing strong performance while long term bonds underperformed. Mr. Vandolder stated that global stock markets could surpass $100 trillion in assets in the near future, which shows continued expansion in capital markets. Mr. Vandolder added that this demonstrates how expensive investments have become, and he cited junk bonds with returns of only 2.5% as an example.

- Mr. Vandolder noted an earnings growth of over seven percent and that, in anticipation of potential tax reform, there has been an increase in the buyback of shares. Mr. Vandolder stated that there would most likely be some form of tax reform in the near future and that it could potentially lead to a stock market trade off.

- Mr. Vandolder stated emerging markets continued to be a key driver in the stock markets, up 22.5% for the year through Q3, and up 32% for the year to date through December 6, 2017. Mr. Vandolder then noted that the S&P 500 was also up 22% in anticipation of tax reform. Mr. Vandolder stated that the price of oil had risen by over 7% recently as well. Mr. Vandolder concluded that overall, everything was currently a bit expensive, but that Aon Hewitt was of the belief that seeking risk would remain beneficial. Mr. Vandolder, citing characteristics of low inflation, low interest rates, and sizeable growth, noted that the financial markets had a similar feel to those in the late 1990s and in 2006.

    - ❖ Mr. Sheridan asked if this could potentially be a “perfect storm” for a market downturn. Mr. Vandolder responded that while that could be a possibility given the similarities, that this was also the sentiment in 1996 prior to a rise in the financial markets through 1999. Mr. Magno responded that he was appreciative of Mr. Vandolder’s feedback. Mr. Magno asked Mr. Vandolder, given the historical similarities, how investment consultants would advise for scenarios where the data suggests a potential market correction. Mr. Vandolder responded that it depends on the situation, and that currently investors in equities are still being compensated over the long-term for taking on the equity risk premium when compared to bonds. Mr. Vandolder noted that certain participants may choose to accept that risk for potential gains in retirement plan assets. Mr. Behrns added that for participants who are risk averse, the Capital Preservation Fund remains an option.

    - ❖ Mr. Magno stated that while he understood the individual participant side of the investment strategy, he wanted to know how Mr. Vandolder and Mr. Behrns would advise from a Plan portfolio perspective. Mr. Vandolder responded that he understood the concern and stated that both Mr. Lynch and Ms. Rooney were very interested as well. Mr. Vandolder noted the possibility of private equity investments. Mr. Vandolder cited Australia’s superannuation funds as an example, where investments were made into infrastructure such as highways and buildings. Mr. Vandolder stated that these types of investments have a consistent yield and are inflation protected, as they are real estate investments. Mr. Vandolder also noted that these investments had the stability of being privately held. However, Mr. Vandolder noted that these investments presented a challenge for liquidity. Mr. Vandolder stated that there is a constant debate about potentially moving away from daily liquidity and into more private investments, as they are more protected from market downsides. Mr. Vandolder added that currently there were no defined contribution private equity success stories in the United States, but he attributed this primarily to flawed investment strategies in the marketplace today. Mr. Vandolder also noted that there is not currently a lot of opportunities in these types of investment vehicles.

- Mr. Sheridan asked Mr. Vandolder if there was anything the Plan was missing from its investment strategy. Mr. Vandolder again noted investment in infrastructure and more investment in private real estate. With respect to infrastructure Mr. Vandolder stated that no other U.S. defined contribution plan was currently involved in these types of investments and that the Commonwealth would be the first, should it choose to do so in the future. Mr. Lynch asked Mr. Vandolder what private equity or investment in infrastructure would look like for daily pricing. Mr. Vandolder responded that it would be a challenge. Mr. Vandolder noted that the Canadian Government Defined Contribution Plan was exploring similar private equity investments, and that colleagues of Mr. Vandolder at Aon Hewitt had recently held an eight-hour presentation for their staff on the topic. Mr. Vandolder commented that Aon Hewitt encourages plans to be more trailblazing, but suggested a wait-and-see approach with how the Canadian Government DC Plan would develop. Mr. Vandolder added that Aon Hewitt would like to see plans give more time to discussing infrastructure and inflation and so for that reason Aon Hewitt would be open to the possibility of hosting a presentation on the subject for the Committee in 2018, if requested.

- Mr. Magno asked Mr. Vandolder about the future of investment in cannabis given the trend towards legalization for medical and recreational use. Mr. Vandolder responded that it could potentially be a risky investment for a public fund such as the Plan, and he would not recommend that the Plan become an early investor in the sector. Mr. Vandolder also noted that it would also be dependent on the investment manager's strategy. Furthermore, Mr. Vandolder added that the IRS does not recognize cannabis as a business and so given that the cannabis industry is still not viewed as a legal business at the federal level, despite legalization in several states, this has caused issues in terms of banking. Mr. Vandolder noted that due to this, all cannabis business must be done in cash and that businesses currently pay income tax via the personal income tax, usually at the highest rate of 39%. Despite this, Mr. Behrns noted that the cannabis industry has had numerous ancillary business success. Mr. Behrns cited increased investment and returns for the fertilizer and grow light industries. Mr.

Vandolder continued and stated that there has been significant growth in Canada due to its national legalization of cannabis.

Mr. Sheridan asked Mr. Lynch and Ms. Rooney for an update on the time relevant to when Empower Retirement was scheduled to present. Mr. Lynch suggested that Aon Hewitt could complete the Market Review and the Annual Review of multi-manager funds before the Empower Retirement presentation. Mr. Behrns responded that they would be mindful of time and attempt to finish the Market Review and Annual Review in time for the Empower Presentation at 11:30 a.m. Mr. Sheridan agreed and suggested moving forward with the Aon Hewitt's presentation.

- Mr. Behrns turned the attention of the Committee to the Fund Monitoring Summary included with the meeting materials. Mr. Behrns noted the significant share of Plan assets invested in the SMARTPath Target Date Funds, which totaled over $1 billion in assets. Mr. Behrns stated that all SMARTPath vintages were performing positively.

- Mr. Behrns cited only two Plan funds that are currently on watch by Aon Hewitt. Mr. Behrns stated that the Plan's Large Cap Blend Stock Fund continued to be on watch, primarily as a result of the Vanguard Dividend Growth mutual fund, which has a 55% allocation for the Large Cap Blend Stock Fund. Mr. Behrns opined that this is a market issue, not a manager issue. Mr. Behrns noted that the mutual fund's dividend focus has been out of favor for the past year, but that this was mainly a result of the market environment and not the investment strategy. Mr. Behrns also cited the lag in performance from dividend specific indexes, down 310 bps, as further proof.

    - Mr. Curran asked if the Vanguard Dividend Growth mutual fund strategy is poised to benefit from the proposed tax reform. Mr. Vandolder noted that this strategy would likely perform well in a market with high volatility. Mr. Behrns continued and noted that this strategy looked particularly strong at the end of Q2 2016 in the run up to the presidential election. Mr. Behrns stated that, since then, there has been an increase in yield in fixed income, and as a result, some money has come out of investments similar to this strategy. Mr. Behrns noted that Aon Hewitt would look at when there would be high volatility in the marketplace to analyze whether the Vanguard Dividend Growth mutual fund was performing as expected. Mr. Behrns further recommended that the Committee make no changes with the strategy at this time.

- Citing the underperformance of the Brookfield Asset Management US Real Estate Securities Value Income Strategy in three of the past four quarters, Mr. Behrns informed the Committee that the Real Estate "REIT" Fund was on watch. Mr. Behrns noted that Brookfield's recent underperformance was a result of stock selections, specifically in pharmaceuticals. Mr. Behrns cited this active strategy and higher volatility as one of the primary reasons for the asset allocation reduction from 100% active management with Brookfield to 80%, along with the addition of a 20% allocation of the Real Estate "REIT" Fund to the passive State Street Global Real Estate Securities Index Fund.

- Mr. Lynch asked Mr. Behrns what was the current rating for the Brookfield Asset Management US Real Estate Securities Value Income Strategy. Mr. Behrns affirmed that the strategy remains "buy" rated by Aon Hewitt, and that they still have the highest conviction in the firm. Mr. Lynch commented that the underperformance of the strategy, as demonstrated by the fact that it was roughly 900 bps under benchmark at one point, as well as poor investment selection, in particular the decision of Brookfield to not purchase stock in storage units, was something staff was aware of. Mr. Vandolder responded that the lack of investment in storage units resulted in negative performance due to their large supply. Mr. Behrns stated that since inception in the Plan, Brookfield is up 2.4% but that the benchmark is up 5%. Mr. Vandolder noted that the benchmark risk would be assuaged by the addition of the passive State Street strategy. Mr. Behrns continued by informing the Committee that, looking past the Brookfield strategy's inception in the Plan's Real Estate "REIT" Fund, Brookfield had shown strong long-term performance. Per Mr. Behrns, long-term Brookfield still looked quite good, so Aon Hewitt recommended patience with the investment.

Mr. Sheridan asked the Committee members if there were any further questions. Mr. Curran and Mr. Magno responded in the negative. With no further questions, Mr. Sheridan suggested moving on to the Annual Review.

V. Annual review of multi-manager fund allocations: Aon Hewitt

- Mr. Behrns turned the attention of the Committee to the Annual review of multi-manager fund allocations booklet. Mr. Behrns noted the depth of information in the booklet, which covered each Plan portfolio utilizing a multi-manager approach. Mr. Behrns also stressed that the data included in the booklet was primarily quantitative, and that it did not factor in the qualitative aspects of each investment that are also considered by Aon Hewitt prior to making recommendations.

- Mr. Behrns noted that the selection of funds are ultimately determined by the Treasurer following the procurement process, which includes efforts by the procurement management team ("PMT") comprised of Mr. Lynch, Mr. Favorito, and Henry Clay, in addition to the due diligence performed by Aon Hewitt. As part of Aon Hewitt's ongoing due diligence, Mr. Behrns cited Aon Hewitt's on-site visits and regular interaction with investment managers as key aspects in the weighting and rating of portfolios for the Plan. Mr. Behrns once again clarified that the annual review booklet would be strictly quantitative, and that quantitative analysis was "backwards looking," while qualitative analysis provides a "forward looking" approach to investments.

    - Mr. Sheridan asked Mr. Behrns for an example of qualitative analysis for a Plan investment. Mr. Behrns gave as an example the early 2017 departure of portfolio manager Marcus Smith from MFS Investment Management, which has a 70% allocation in the Plan's International Equity Fund. Mr. Behrns noted that despite Mr. Smith's departure from MFS Investment Management, his co-portfolio manager, Daniel Ling, would remain. As a result, Mr. Behrns stated that Aon

Hewitt remained comfortable with the investment with MFS given the continuity provided by the co-portfolio manager structure.

- Mr. Behrns continued and stated that Aon Hewitt currently did not recommend any changes to the Plan portfolio. Mr. Vandolder then stated that this quantitative and qualitative evaluation is done by Aon Hewitt on an annual basis prior to year-end to provide a review of the portfolio.

    - ❖ Mr. Curran referenced the booklet and noted that it appeared that Aon Hewitt did in fact want to make adjustments to the Plan portfolio. Mr. Vandolder responded and clarified that the booklet contained numerous hypothetical examples of varying investment scenarios to illustrate how they would compare to the current asset allocations of each Plan fund. Mr. Vandolder noted that, per this analysis, the recommendation of Aon Hewitt would be to continue as currently invested.

- In the interest of time, Mr. Behrns recommended a review of one of the funds and suggested that in future years, Aon Hewitt could provide a summary for the multi-manager review so as to make its recommendations clearer to the Committee in the face of the various hypotheticals and analysis also included for the Committee's review. The Committee members were unanimously in favor of receiving such a summary to accompany the analysis. Moving on, Mr. Behrns asked the Committee which fund they would want to review. Mr. Curran responded that his preference would be a review of the Large Company Growth Stock Fund.

- In consideration of Mr. Curran's preference, Mr. Behrns turned the attention of the Committee to the Large Company Growth Stock Fund analysis included with the materials. Mr. Behrns stated that the Policy Investment Team at Aon Hewitt created the analysis of the fund, which demonstrated three hypothetical asset allocation scenarios in comparison to the current asset allocation of the fund. Mr. Behrns noted that the first example gave equal weighting to the three investment managers, the second scenario optimized expected return for the portfolio, and the third scenario optimized active risk of the portfolio. Mr. Behrns stated that the current asset allocation for the Large Company Growth Stock Fund began in September 2016, with a 45% asset allocation to the Wellington Dynamic Growth Fund, a 30% allocation to the JP Morgan Growth Advantage Fund, and a 20% allocation to the Fidelity Growth Company Fund.

- Mr. Behrns noted that in all hypothetical scenarios the results were very similar in terms of expected return and active risk. Mr. Vandolder continued that while there would be some difference amongst the scenarios, the results were largely similar.

    - ❖ Mr. Magno asked if the current allocation made a large difference to the analysis of the fund. Mr. Behrns responded that each scenario was skewed based on the asset allocation given to the Wellington Dynamic Growth Fund, given that it has the highest asset allocation in the fund as currently constituted. Mr. Behrns stated that Aon Hewitt's goal for the Large Company Growth Stock Fund was to increase active share while reducing tracking error, as a higher active share has historically been a future indicator of better performance. With that in mind, Mr. Behrns noted that the current asset allocations in the fund were optimal and that the analysis provided here does not recommend any changes.

- Mr. Curran stated that he appreciated the work by Aon Hewitt and that he was comfortable going forward with the recommendation of no changes. However, Mr. Curran asked whether similar analyses could lead to changes at any time throughout the year, or whether it would be limited to annual reviews. Mr. Behrns responded by explaining that while Aon Hewitt performs its comprehensive review at the end of the year, that does not exclude the possibility that recommendations of changes to the portfolio and fund line-ups could be made at any time.

- Mr. Sheridan asked the Committee members for any additional questions or comments. Mr. Magno stated that he had no additional comments and made a motion to vote in support of Aon Hewitt's recommendation of no portfolio changes. Mr. Sheridan and Mr. Curran both voted in support of Mr. Magno's motion of support. Mr. Curran again thanked Mr. Behrns and Mr. Vandolder for their work on the annual review.

- Prior to the presentation by Empower, Mr. Curran asked about the reports of workplace sexual harassment in the news generally and specifically at Fidelity Investments; whether this occurrence was an isolated incident, and whether this was something that Aon Hewitt would factor in to reviews for current and prospective investment managers for the Plan. Mr. Sheridan complemented Mr. Curran on the timeliness of the question. Mr. Vandolder replied that currently there were no indications that this would impact the underlying manager. Per Mr. Vandolder, allegations such as these are taken very seriously by Aon Hewitt when considering the reputation and culture of investment managers. Mr. Sheridan thanked Mr. Vandolder for the information. Mr. Curran also thanked Mr. Vandolder and stated that, as a Committee member, he felt it necessary to ask as part of the Committee's due diligence. Mr. Sheridan agreed.

VI. Empower Retirement – Executive Management & Services Review

At the invitation of the Plan, representatives from Empower Retirement, which provides recordkeeping services for the Plan, were present at the Committee Meeting to review and discuss matters associated with the services provided and Empower Retirement's executive management.

Present on behalf of Empower Retirement was: Dan Morrison, Senior Vice President, Government Markets, Empower Retirement; John Fellin, Managing Director, Government Markets, Empower Retirement; Karl Kroner, Client Relationship Manager, New England, Empower Retirement; Robert Young, Manager, Retirement Plan Counseling, Empower Retirement; and Shelby Dobson, Communications Lead, Empower Retirement.

Mr. Sheridan welcomed the representatives from Empower Retirement.

- Mr. Morrison began by introducing himself as the senior officer for government markets. Mr. Morrison stated that he was aware of the Committee's desire for a presentation by Empower Retirement in light of recent executive management changes, but assured the Committee of the "focus forward" nature of the changes. Mr. Morrison thanked the Committee and Plan staff for the ten-year partnership of the Plan with Empower Retirement.

- Mr. Morrison noted that he has been with Empower Retirement for over 15 years and has held a variety of leadership positions across the firm, with a primary focus on small and large corporations, nonprofits, and government markets. Mr. Morrison stated that he has been in his current role for ten months and currently leads the service and sales team for government markets. Mr. Morrison noted that, in regard to recent executive management changes, overall initial feedback from his Empower Retirement clients has been positive, and that Empower Retirement was currently the top recordkeeper for government market clients, with one out of three government plans utilizing Empower Retirement services. Mr. Morrison noted the accomplishments of Empower Retirement in the government market, and cited Empower Retirement's network of large state and city plans, as well as its high provider scores.

- Finally, Mr. Morrison added that Empower Retirement's goal was consistent growth, and that Empower Retirement has experienced the highest growth amongst recordkeeper's in the government space. Mr. Morrison stated that Empower Retirement has spent over $150 million in the past 18 months to enhance its database, systems, and servers. Mr. Morrison also cited a recent survey issued to Empower Retirement clients as a method to gain additional feedback on current services provided. Mr. Morrison noted that Mr. Lynch had vocalized his concerns with recent Empower Retirement changes, such as the decision to remove Mr. Kroner as Client Relationship Director. After hearing concerns from Mr. Lynch with respect to that decision, Mr. Morrison acknowledged his oversight when considering the importance of Mr. Kroner's experience and relationships maintaining local presence for municipalities in the Plan. In response to an inquiry from Mr. Sheridan, Mr. Morrison affirmed that Empower Retirement had listened to Mr. Lynch and adjusted. Mr. Morrison then stated that Mr. Kroner had been retained as a result. Mr. Morrison continued that, in addition to Mr. Kroner, Empower Retirement had assigned John Fellin, Managing Director, Government Markets, to take on strategic ownership of the Plan.

    - Mr. Sheridan thanked Mr. Morrison for his consideration of the feedback and criticism and stated that, despite these difficulties, the partnership between the Plan and Empower Retirement would hopefully be stronger as a result. Mr. Morrison agreed.

- Mr. Kroner spoke next and turned the Committee's attention to materials Empower Retirement had supplied for the meeting. Mr. Kroner noted recent Plan growth, with Plan assets growing from $7.76 billion in Q3 2016 to $8.66 billion in Q3 2017. Mr. Kroner also noted an increase in total participants by about 5,000 in this timeframe, with just under 3,500 of those 5,000 participants being full-time voluntary participants. In reference to the increased participation, Mr. Kroner acknowledged the work done by Mr. Young and his team of retirement plan counselors.

- ❖ Mr. Curran asked Mr. Kroner if there were statistics available to show new Plan participants versus participants which had left the Plan. Mr. Kroner responded that the current statistics only represented the net participants over the past year. Mr. Curran noted that it may be of interest to see statistics on new Plan participants and participants which had left the Plan over the past year. Mr. Lynch responded that he could provide this information in future Key Data Statistics summaries. Mr. Young, in reference to Mr. Curran's question, replied that the Plan has seen a rise in retention and a decline in full withdrawals of assets over the past year.

- ❖ Mr. Favorito asked Mr. Young what the breakdown of Commonwealth employees and municipal employees was for full-time Plan participation. Mr. Young responded that it was about 50% Commonwealth employees, 50% municipal employees. Mr. Young also noted that the Active Choice Enrollment Form had made it much easier for Commonwealth employees to enroll in the Plan. Mr. Sheridan stated that Mr. Lynch had earlier noted that he believed the number of full-time Plan participants to be only 40% Commonwealth employees. Ms. Rooney responded that the share of full-time Plan participants that were Commonwealth employees could have increased recently due to the large success of the Active Choice Enrollment Form, currently available only to Commonwealth employees.

- ❖ Mr. Kroner continued and stated that 800 participants had taken a full withdrawal of assets in Q2 2017. However, Mr. Kroner noted that this number was inflated due to a recent rebate for the Harding Loevner Institutional International Equity Portfolio, where all rebates owed to participants no longer in the Plan were counted as full withdrawals.

- ❖ Mr. Kroner noted the high number of participants utilizing asset allocation or managed account tools, and stated that this was an effective option for participants that seek assistance to allocate the assets in the portfolio appropriately.

- ❖ Finally, Mr. Kroner cited Mr. Morrison's earlier discussion on growth and noted the Plan's continued focus on the digital experience for participants. Mr. Kroner highlighted the updated Plan website and the additional tools available to participants that were intuitive and easy to follow. Mr. Kroner stated that the new tools allowed participants to take actionable steps instantly and promoted growth in participant savings. Ms. Dobson then added that 39% of individuals that use the website make a contribution increase of about 25%. Ms. Rooney asked Ms. Dobson if this data were limited solely to the Plan. Ms. Dobson noted that this data encompassed all Empower Retirement's recordkeeping plans and added that the statistics specific to the SMART Plan could be reviewed once the new participant website had a longer usage history.

- Mr. Sheridan asked if there was currently a direct customer service line for Plan participants to speak with a representative. Mr. Fellin responded in the affirmative. Ms. Rooney cited this as another example of Empower Retirement accepting feedback and responding to Plan staff concerns. Ms. Rooney noted that some participants were previously frustrated as they were unable to speak to a customer service representative without entering their social security number, and as a result, Plan staff and Empower Retirement worked together to revamp the voice recognition system.

- Mr. Magno noted that the Plan numbers all seemed very positive, but wanted context in terms of how the numbers compared to the peer universe. Mr. Kroner replied that the percentage of participation in managed accounts and Roth accounts were very in line with the peer universe. Mr. Kroner noted that Roth accounts were still fairly new to all plans, and that Roth accounts usually only comprised about one to two percent of total plan assets. Mr. Kroner again stated that the percentage of managed account users were similar to the peer universe as well. Ms. Rooney continued and noted that not all plans offered the option of managed accounts, and that this was a large value add to the Plan when compared to alternatives. Mr. Magno stated that he appreciated the feedback, and articulated his surprise that more participants were not utilizing managed accounts, or Roth, or both. Mr. Morrison responded that the Plan has about ten percent of participants in managed accounts, while the peer universe was at about five percent of participants. Mr. Morrison noted that, as a general matter, he recommended that most people use some form of managed account or asset allocation tool, and that research showed that participants in these types of accounts saw returns of about 150 bps higher than those that do not utilize these options. Mr. Lynch then added that one of the challenges in marketing managed accounts was that the information regarding performance could not be provided to the participant. Mr. Morrison suggested that Empower Retirement could look further into how to promote asset allocation tools by communicating the benefits beyond potential outperformance. Mr. Magno thanked everyone for their responses and stated that it was good to see the growth of Roth accounts.

- Mr. Fellin continued on the theme of responding to feedback from the Committee and Plan staff. Mr. Fellin noted the recent quarterly Plan Review meeting and cited projects that would be a primary focus for the Plan moving forward, such as improvements in data quality and the automation of payroll. Mr. Fellin informed the Committee that the Plan currently had about 700 subdivisions, and that roughly 400 were submitting Plan contributions via a manual paper process. Mr. Fellin recalled the earlier discussion regarding the growth of the digital experience, and noted that Empower Retirement wanted to promote increased electronic payroll submission in order to improve data quality, and in turn, improve the overall participant experience. Mr. Fellin stated that this project would be a priority moving forward and that Empower Retirement has been working with Harpers Payroll Services and MUNIS Payroll to create a standardized format file for payroll users to submit. Mr. Fellin also noted that political subdivisions that do not contract with a third-party payroll provider have the option of utilizing Guided Payroll, an Empower Retirement proprietary software available via the Plan Service Center (PSC).

- ❖ Mr. Lynch asked Mr. Fellin how many subdivisions currently utilize Harpers Payroll Services or MUNIS Payroll. Mr. Fellin responded that about 100 subdivisions contract with MUNIS Payroll and 170 subdivisions with Harpers Payroll Services. Mr. Fellin noted, however, that while some subdivisions do contract with one of the third-party payroll services, some continue to submit payrolls manually. Mr. Lynch articulated his agreement with Mr. Fellin, that electronic payroll submission would improve data overall and then added that this improvement could potentially include the addition of participant email addresses, which would be beneficial for future electronic communications to participants. Mr. Sheridan agreed with Mr. Lynch and voiced his support.

- ❖ Mr. Curran asked Mr. Fellin what the challenges would be for transitioning subdivisions to electronic payroll submission. Mr. Fellin responded that these were primarily common challenges when transitioning legacy employees to a new system. Mr. Kroner added that Empower Retirement would seek, with subdivisions which remain hesitant to transitioning, to promote the added benefit of enhanced data security when submitting participant data via electronic payroll submission, particularly given the recent increased attention on data security in the financial services industry.

- Mr. Young turned the attention of the Committee to Empower Retirement's field initiatives. Mr. Young recalled the presentation by Empower Retirement at the Committee Meeting on March 21, 2017 and stated that since then, the Plan's field representatives have become registered Series 65 Advisors. Mr. Young also noted that the field representatives have been utilizing the new website with participants to improve retirement income outcomes. Mr. Young stated that the field representative role has transitioned slightly, with additional focus on enrollments, retention, and Retirement Readiness Reviews, the goal of which would be to lead to positive actions by participants and have a major impact on their retirement plans. Mr. Young also credited the features on the new website as a proven method to promote positive actions by participants.

- Mr. Young stated that he was proud of what the partnership with Empower Retirement has achieved for the Plan in the past ten years, and noted that he has received several compliments from participants for work done by the field representatives. Mr. Young voiced his appreciation of the Active Choice Enrollment Form, recognizing it as a huge benefit for the field representatives, and noted that early enrollment of participants allowed the field representatives to have more advanced conversations with participants about their retirement goals.

- Mr. Sheridan asked if Mr. Young was familiar with House Bill 29 (H29) which would allow for automatic enrollment of Commonwealth employees into the SMART Plan and, if so, how could this potentially change the role of the field representatives if the legislation were approved. Mr. Young responded that it would mark a huge change in the role and strategy. Mr. Young continued and stated that the field representative role would shift away from participant enrollments almost entirely and become mainly an advisory role. Mr. Morrison noted that it would also bring a huge increase to the Plan participation rate.

- Also in response to Mr. Sheridan's inquiry, Mr. Lynch added that should H29 be approved, the Plan would want to avoid setting the initial contribution rate too low. Mr. Sheridan agreed and stated that the Committee wished to promote an appropriate contribution rate for potential automatic enrollment participants. Mr. Young noted that these conversations were being had at Empower Retirement as well. Mr. Morrison commented, to Mr. Lynch's point, that the Plan should promote at least a five or six percent contribution rate for automatic enrollment. Ms. Rooney agreed with Mr. Morrison, and noted that the Plan was a defined contribution plan provided in addition to the defined benefit plan of the Massachusetts State Employees Retirement System (MSERS) or other local defined benefit plans, and thus it may be more difficult to promote a higher contribution rate compared to a private sector plan, where a defined contribution plan may be the only option. Mr. Sheridan thanked everyone for their responses.

- Mr. Young continued that, currently, the field representatives have not shifted away from participant enrollment entirely, but the role has become more advisory, promoting diversification of participant portfolios and retirement readiness. Mr. Young noted that when participants utilized the correct tools and diversified assets, they were more likely to remain in the Plan.

  - Mr. Curran asked Mr. Young about how he engages with prospective municipalities looking to join the Plan, and whether they speak to participants, provide website tutorials, or other methods of promoting Plan features and benefits. Mr. Young responded that both he and Mr. Kroner speak with prospective municipalities, but that presentations vary for each. Mr. Young noted that some towns are already participating with another recordkeeper, and those conversations usually promote the Plan as a better option. By comparison, Mr. Young stated that conversations with municipalities that lack any defined contribution plan usually stressed the importance of enrolling in one. Mr. Young cited the recent addition of the Town of Granby to the Plan as an example of the latter. Mr. Kroner added that the Town of Bernardston had decided to join the Plan as of the day prior. Mr. Curran congratulated both Mr. Young and Mr. Kroner on their work. Mr. Curran then suggested that the website would be a very effective tool for promoting the experience to prospective municipalities and their employees. Mr. Young agreed with Mr. Curran.

- Mr. Lynch, in reference to the new Plan website, cited the contribution rate slider function as an effective tool to instantly see how a change in contribution amount, even a small increase, would affect a participant's retirement outcome. Mr. Lynch noted the importance of these tools given that Commonwealth employees do not contribute to social security. Mr. Lynch added that although these employees do contribute to MSERS or other Chapter 32 defined benefit plans, they would need to accrue ten years of service prior to vesting to receive the pension benefit. Mr. Lynch then added that for Commonwealth employees that have a spouse that receives social security benefits, the Government Pension Offset provision could potentially reduce or eliminate social security benefits once the spouse is deceased.

- Ms. Dobson now began her presentation on communication strategy. Ms. Dobson stated that Empower Retirement sought to provide best practices when employing communications campaigns. Ms. Dobson cited strategic innovation, targeted messaging, and utilization of participant feedback as key aspects of best practices. Ms. Dobson stressed the importance of getting participants a correct and consistent message in order to gain insight into participant behavior. Ms. Dobson stated that Empower Retirement checks to ensure that messaging remains consistent across all mediums, from the website to the field representatives.

- Ms. Dobson continued by noting the numerous achievements and successful Plan communications campaigns in 2017. Ms. Dobson informed the Committee that the Plan's Restart Campaign was the recipient of the Hermes Platinum Award for Integrated Marketing Campaign, the highest to obtain. Mr. Lynch added that this campaign led to a restart in contributions for 570 participants. Ms. Dobson continued that the campaign utilized targeted messaging based on varying age groups. Ms. Dobson explained that the messaging for the Restart Campaign could not be "one size fits all," given Empower Retirement's understanding that participants could have a variety of reasons for electing to stop contributions to the Plan. Additionally, Ms. Dobson noted that the Stay Campaign was the recipient of the MARCOM Gold Award for Digital Marketing, and a MARCOM Honorable Mention for Integrated Marketing.

- Ms. Dobson continued with a discussion on campaign result data. Ms. Dobson noted that across all campaigns in 2017, the results exceeded industry benchmarks for delivery rates, open rates, and click rates. Ms. Dobson specifically cited the click rate results as highly positive, and noted that this indicated that Plan participants were highly engaged and open to these communications. Ms. Dobson stated that there would be additional communication enhancements in 2018, and noted that emails would now include direct links to actions, rather than step-by-step instructions to actions.

    - Mr. Vandolder asked whether the data benchmarks included were industry wide benchmarks, or limited to Empower Retirement network of clients. Ms. Dobson responded that these were industry-wide benchmarks. Mr. Vandolder inquired as to the source of those industry-wide benchmarks. Ms. Dobson replied she could provide that source as a follow-up to the meeting.

- Ms. Dobson next cited the Catch-Up Contribution Campaign as having obtained the highest results for the Plan in 2017. Ms. Dobson noted that this signaled high engagement amongst the pre-retiree population of participants.

- Ms. Dobson continued with the 2018 communication calendar. Ms. Dobson stated that the Catch-Up Contribution and Restart Campaign would be run once again, and that there would be a focus to promote managed accounts as well. Ms. Dobson also stated that there would be a call-out box in the Q2 SMART Plan Newsletters to thank the top ten agencies in terms of employee participation in the Plan, as well as another call-out box in the Q4 SMART Plan Newsletter to congratulate the agencies that demonstrated the most growth in Plan participation by employees.

    - ❖ Mr. Sheridan asked who were some of the most active departments in terms of Plan participation. Mr. Lynch responded that the Board of Library Commissioners and the Massachusetts State Police had very high rates of participation amongst employees.

- Ms. Dobson concluded her presentation by adding that, in addition to these campaigns, there would be continued efforts via online prompt to encourage participants to list an email address for their Plan account.

    - ❖ Mr. Curran asked Ms. Dobson whether a participant has the ability to include more than one email address for their account. Ms. Dobson responded in the affirmative.

- Ms. Rooney then informed the Committee that a Plan Participation Survey would also likely be released to participants in early 2018 and that this would hopefully provide useful feedback to the Plan and Empower Retirement regarding overall satisfaction with all the recent upgrades and changes.

- Mr. Lynch stated that the Plan would also attempt a coordinated campaign with the various human resources departments to congratulate them on a variety achievements with the Plan, including high employee enrollments, transitioning to electronic payroll submission, and hosting Plan seminars or events.

Mr. Sheridan thanked all the representatives from Empower Retirement for their presentation and stated that he was very happy for their receptiveness to recent feedback.

With no further questions by the Committee, Aon Hewitt or Plan staff, the representatives from Empower Retirement departed the meeting.

VII. Misc.

- Mr. Magno asked Mr. Lynch about Empower Retirement's rationale in adding Mr. Fellin to the team, given that Mr. Kroner had been retained. Mr. Lynch responded that Mr. Fellin was brought on to the Plan by Empower Retirement to add operational expertise, which Mr. Kroner was less familiar with. Mr. Sheridan voiced his appreciation of the persistence of Mr. Lynch in regard to his feedback to Empower Retirement.

VIII. Future Meeting Dates

Mr. Sheridan asked for future meeting dates to be determined based on what would be most convenient for attendees. Mr. Lynch suggested March 6, 2018 as a potential date and noted that Mr. Vandolder and Mr. Behrns had confirmed their availability for that date. Mr. Curran confirmed his availability for March 6, 2018 as well. Mr. Sheridan and Mr. Magno both agreed to March 6, 2018 for the next meeting.

IX. Close of Meeting

12:16 p.m. Close of Meeting.

- Motion to adjourn by Mr. Sheridan and seconded by Mr. Magno.

Documents Used at the Deferred Compensation Committee Meeting of December 7, 2017

- Meeting materials including Updates, Highlights, Research Report;
- Executive Director's Quarterly Update dated December 7, 2017;
- Minutes of September 14, 2017 Deferred Compensation Committee Meeting;
- Annual Multi-Manager Custom Fund Investment Manager Structure Policy Review, December 7, 2017, Aon Hewitt; and
- DC Committee Meeting: December 7, 2017, Empower Retirement Handout