

Commonwealth of Massachusetts Employees Deferred Compensation Plan

Minutes of the Deferred Compensation Committee June 14, 2019

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, at the offices of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General on the 12th Floor of the John W. McCormack State Office Building in Boston, Massachusetts, on June 14, 2019. Robert Sheridan and John Curran, being voting members of the Committee, were in attendance. Committee member Tom Magno was absent.

Also present by invitation were David Lynch, Nicola Favorito, Henry Clay, Laura Rooney, Emily Robbins, and Giuseppe Caruso of the Commonwealth of Massachusetts Office of the Treasurer and Receiver General ("Treasury"); Matt Wenman of Brookfield Asset Management, Inc. (Brookfield); and Beth Halberstadt, Chris Behrns, and Sue Sinclair (via teleconference) of Aon Hewitt Investment Consulting, Inc. (AHIC).

The following documents had been distributed to Committee members in advance of the meeting and hard copies were again provided at the meeting:

1. Agenda for the June 14, 2019 Deferred Compensation Committee Meeting;
2. Minutes of the March 6, 2019 Deferred Compensation Committee Meeting;
3. Executive Director's Quarterly Update – 457 Defined Contribution Plan – Q1 2019;
4. Commonwealth of Massachusetts Deferred Compensation Plan, 1Q 2019, Quarterly Highlights Report ("Quarterly Highlights Report"),
5. Commonwealth of Massachusetts, First Quarter 2019, Quarterly Investment Review ("Quarterly Investment Review," included for reference by the Committee); and
6. Brookfield U.S. Real Estate Securities Value Income Strategy, Commonwealth of Massachusetts Deferred Compensation, June 14, 2019 ("Brookfield Handout").

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

Mr. Sheridan advised attendees of the recording parameters under Open Meeting regulations M.G.L. c. 30A, §§ 18-25. He inquired if anyone present was recording the session, and no one identified themselves as making a recording. Mr. Sheridan then instructed Ms. Sinclair to notify the meeting members if any part of the meeting was not audible via teleconference.

The Committee reviewed and approved the meeting minutes from the March 6, 2019 meeting.

Mr. Lynch summarized the Executive Director's Quarterly Update. He informed the Committee of changes to various Plan metrics including total Plan assets, the number of full-time participants, the average account balance for full-time participants, the average quarterly contribution for full-time participants, and number of Roth accounts.

Mr. Lynch next apprised the Committee of several oversight activities completed and/or in process including that:

- The PMT had recommended and the Treasurer had approved retaining Ashmore Investment Management Limited as a manager for Active Emerging Market Debt to replace PIMCO; the contract has been completed and the fund transfer will occur June 24 – June 26, 2019.
- Clifton Larsen Allen LLP has started the audit for the 2018 Plan year.
- Plan financial statements for the 2016 Plan year are complete; the Audit Committee will discuss the statements on June 17, 2019.
- Plan financial statements for the 2017 plan year are near completion pending the conclusion of the 2016 Plan year financial statements.
- New legislation for automatic enrollment has been filed and is awaiting a hearing date with the committee on public service.
- Kevin Vandolder has left AHIC; Ms. Halberstadt and Mr. Behrns will remain on the SMART Plan account. Ms. Halberstadt agreed to keep Mr. Lynch and the Committee apprised of potential AHIC team replacements for Mr. Vandolder in the upcoming weeks.
- Activity and account retention of the Retirement Solutions Group continues to be positive.
- Initial results for the "Active Choice" form enhancement has been positive.

Mr. Behrns directed the Committee to the Quarterly Highlights Report. He provided an update to the Committee on the following projects:

- Requests for Responses for Active Large Cap Value, Active Large Cap Blend and Active Small Cap Equity investment management services, had been issued and was in progress;
- The allocation change for the High Yield Bond Fund from a 50/50 split between managers to 60% Nomura and 40% Eaton Vance was completed mid-February 2019; and
- That AHIC and Plan staff had conducted nine due diligence meetings with fund managers related to the Plan through June 14, 2019.

Mr. Behrns next led the Committee through a discussion of the state of the overall economy, the domestic and international equity markets, the bond markets and other capital markets as of March 31, 2019. He then reviewed the process utilized in the "Fund Monitoring Summary," and addressed the funds listed as being on watch. He also reported on the Plan's asset allocation and performance of the investments held in the Plan as compared to benchmarks and other relevant aspects of the funds offered, considering the Plan's Investment Policy Statement.

During the course of this discussion, Mr. Behrns reviewed the Plan's investment performance through April 30, 2019. Directing the Committee to the "Flash Report" in the Quarterly Highlights Report, he informed the Committee of a newsworthy event, that Brookfield Asset Management Inc. acquired a majority stake in Oaktree Capital Group, LLC.

The Committee thoroughly discussed the reports reviewed by Mr. Behrns. Based on the information contained in the reports and considering the best interests of the participants and beneficiaries in the Plan, the Committee agreed to make no changes to the investment menu at this time.

Mr. Wenmen of Brookfield joined the meeting.

He first addressed the Oak Tree acquisition and personnel departures and arrivals. Mr. Wenmen next directed the Committee to the Brookfield Handout and led a discussion on the contents of the report. Mr. Wenmen discussed the research process, investment management and performance of the Brookfield U.S. Real Estate Securities Value Income Strategy fund over the past 18 months and summarized the fund's research and management approach for the future. Upon inquiry from Mr. Clay he also addressed Brookfield's sell discipline.

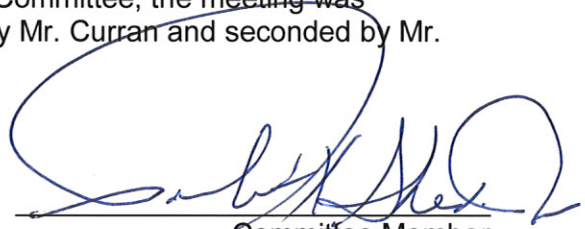
Mr. Wenmen left the meeting.

The Committee asked Mr. Behrns to address, in general terms, the securities lending practices that may be used by the Plan's fund managers. Mr. Behrns noted that the Plan does not currently derive much income from securities lending. He then provided a framework for understanding securities lending practices and, at the Committee's request, agreed to prepare a presentation for a future meeting about the topic.

The Committee requested that Ms. Halberstadt keep the Committee informed of any future changes in AHIC staff as soon as the information becomes available.

The Committee Members and attendees agreed upon a tentative date of Thursday, September 12, 2019 for the next meeting of the Deferred Compensation Committee. Ms. Rooney stated that she would circulate the invitation to the Committee members via email.

There being no further business to come before the Committee, the meeting was adjourned at 11:45 a.m. Eastern Time on a motion by Mr. Curran and seconded by Mr. Sheridan.



Committee Member
9/12/19

Date signed