



Commonwealth of Massachusetts
Deferred Compensation Committee
Meeting Minutes

March 21, 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; Henry Clay, Treasury Director of Investments; Kevin Vandolder, Principal, Aon Hewitt Investment Consulting, Inc.; Chris Behrns, Senior Consultant, Aon Hewitt Investment Consulting, Inc.; Beth Halberstadt, Partner – U.S. Delegated DC Solutions Product Manager, Aon Hewitt Investment Consulting, Inc.; Perry Christie, VP Government Markets, Client Relations, Empower Retirement; Karl Kroner, Client Relationship Director, Empower Retirement; Steve Bresler, VP Government Markets, Participant Counseling, Empower Retirement; Robert Young, Manager, Retirement Plan Counseling, Empower Retirement; Sean Brennan, Senior Field Investment Client Advisor, Empower Retirement; and Shelby Dobson, Communications, Lead Strategist, Empower Retirement

I. Opening:

Call to order by Committee Chair Mr. Sheridan at 10:00 a.m.

II. Approve Minutes:

Motion by Mr. Magno and seconded by Mr. Sheridan to approve prior meeting minutes.

Mr. Lynch proceeded to introduce Mr. Caruso as the new Operations Associate for Defined Contribution Plans, and also noted the promotion of Ms. Rooney with the new title of Director of Operations.

III. Executive Director's Quarterly Update.

Mr. Lynch turned the Committee's attention to the key points included in the NAGDCA Survey Report:

- NAGDCA Survey Report: Mr. Lynch reviewed key statistics of the SMART Plan compared to the NAGDCA peer universe. The key metrics reviewed included Plan assets, Plan use of auto escalation, and annual contributions. On the matter of a Roth option and the increase in demand for such option, Mr. Lynch highlighted that the option became available to 457 plans in 2010 and was adopted by the Plan in 2012. Mr. Lynch noted that the administrative costs were competitive compared to the peer universe and that the Plan routinely considers administrative costs. Mr. Lynch then highlighted average account balance and average annual contribution amounts by age were both above the peer universe averages.
 - ❖ Mr. Lynch asked Mr. Magno if this was the type of comparison to other deferred compensation plans that Mr. Magno wanted to see. Mr. Magno agreed that this was exactly what he would look for in an assessment. Mr. Magno complimented the NAGDCA report as very informative and indicated that it was a great start. However, Mr. Magno noted that information seemed to be lacking with regards to a breakdown of average number of investment options within other plans.
 - ❖ Mr. Sheridan asked Mr. Curran his thoughts on the report. Mr. Curran agreed with Mr. Magno that the information was useful, while also noting he took some of the information with a "grain of salt." Mr. Curran noted that the peer universe is extremely large but that the Plan generally did well when compared to the peer universe.
 - ❖ Mr. Curran inquired as to why some portions of the report did not include data from the Plan. Ms. Rooney responded to Mr. Curran stating that some of the options were not relevant to the Plan, such as the loans data. Ms. Rooney also noted that the demographics data was provided by the recordkeeper and that not all the data was available. Mr. Curran agreed and noted that the data remained of interest to the Committee.
 - ❖ Mr. Sheridan asked whether some of the data is unable to shared or disclosed. Ms. Rooney responded that all the report shared at the meeting was now a part of the public record. Ms. Rooney continued by explaining that that the report is the result of a nationwide survey and this year of the survey was much more expansive, yielding the best iteration to date. Mr. Vandolder confirmed that the

data is very informative and that previous NAGDCA surveys were limited in scope from concern that government plans would be reluctant to compare 457 plan fee structures to one another.

- ❖ Mr. Lynch asked Mr. Magno if the performance information he was interested in seeing was a comparison to Plan peers and added that comparison was available to the Committee on a quarterly basis in the Aon Hewitt Highlights report. Mr. Magno replied that previously he focused on performance reported in the Highlights report relative to the benchmark rather than the peer group.
 - Mr. Behrns then explained the peer ranking system used to illustrate the top decile the fund performed in relative to peers for a given reporting period. Mr. Vandolder added that many plans similar to the Commonwealth's Plan do not receive rate of return performance reporting to allow for easy comparison.
- ❖ Mr. Vandolder commented on three items relative to the NAGDCA report. First, Mr. Vandolder noted that the average contributions per Plan participant were about \$1,000 over those in the peer universe. Next, Mr. Vandolder informed the Committee that feedback was provided to NAGDCA to add a breakdown of investments by active and passive strategy, noting the lack of that data meant that some survey comparisons may be skewed, such as investment fees, and that the peer universe fees may be seem lower simply because other plans have more assets invested in low-cost passive strategies. Finally, Mr. Vandolder returned to the topic of loan, noting within the peer universe, only 25% of plans do not offer loans.
 - Mr. Sheridan asked whether not offering loans through the Plan was a policy or fiduciary decision that was made by the Treasurer. Mr. Lynch confirmed that this was a decision that would be made by the Treasurer. Mr. Vandolder added that the subject of loans has been discussed previously by the Committee.

With the history of the discussion of loans in mind, Ms. Rooney suggested that minutes from the most recent Committee meeting where loans were discussed could be shared with Mr. Sheridan. Mr. Sheridan agreed that he was interested to see those minutes. Mr. Curran agreed the Committee had looked at the issue previously but found challenges.
- ❖ Mr. Vandolder continued with additional comments, stating that the Plan has effectively negotiated administrative fees, as it currently stood at 8 bps, which was competitive compared to the peer universe.
 - Mr. Sheridan noted that, per the data, from an investment standpoint cost per account is higher. Mr. Behrns replied that this is difficult to compare because Plan participants could be participating in more active strategies,

which often incur higher fees than the more passive investment options of other plans. Mr. Vandolder agreed.

- ❖ Mr. Curran asked why there is no data on the number of participants allowed to participate in the Plan. Mr. Lynch explained that given the number of payrolls involved beyond the state payroll, such as municipalities, it is difficult to come up with an accurate number.
 - ❖ Mr. Magno asked Mr. Lynch what the plan for the future should be to continue to monitor the Plan at a high level. Mr. Magno added the NAGDCA survey as a point from which to work.
 - Mr. Lynch replied that generally he felt the Committee and staff had good data across the different documents used to monitor the Plan. He added that the NAGDCA survey data could be used in a separate rolled-up report, noting that it would always refer to older, prior year Plan data. Mr. Lynch additionally noted that the Committee was already shifting to review some facets of the Plan such as the multiple manager structure, on an annual basis.
 - Mr. Magno asked if it is a lot of work to formulate a new document or system to take a broader review of progress made by the Plan on an annual basis. Mr. Lynch noted that the staff could compile a document which would facilitate that type of review, and further noted that such a review would be comprised of data from different time periods.
 - ❖ Mr. Curran asked if the NAGDCA survey was an annual process and if so, whether the Plan intended to participate each year. Mr. Lynch replied in the affirmative to both questions. Mr. Vandolder then added that surveys were in fact much shorter in prior years, as few as three pages.
 - ❖ As the Committee prepared to move on to another agenda item, Mr. Vandolder asked whether having a set schedule and knowing which topics would be reviewed consistently at a given meeting was what Mr. Magno wanted to see. Mr. Magno replied he would defer to staff in terms of format and structure but confirmed interest in the annual review to compare performance and as a method to track the Plan over time. Mr. Sheridan asked for confirmation that the staff would compile something. Mr. Lynch replied in the affirmative.
 - ❖ Mr. Curran commented that the Executive Director's Summary Review has been extremely helpful. Mr. Sheridan and Mr. Magno agreed.
- Massachusetts State Retirement Board / SMART Plan – New Member Enrollment Form: Mr. Lynch stated that 70% of the Active Choice enrollees are participating with contributions of 3% or greater. Mr. Lynch noted that language on the form clarified to new employees that state employees do not pay into Social Security, and reminds them

they are not eligible for a state pension prior to 10 years of service. Mr. Lynch then informed the Committee that the Active Choice enrollment numbers have been increasing and have served the Plan well in the absence of an auto-enrollment option. On the subject to auto-enrollment, Mr. Lynch updated the Committee with news that the Treasurer has submitted a bill that, if passed, would establish auto-enrollment of state employees, and allow Plan municipalities the option to use auto-enrollment for their employees as well.

- ❖ Mr. Magno asked about the status of the legislation. Mr. Lynch replied that it had not yet been referred to committee.
 - ❖ Mr. Magno noted he felt it could be a sensitive issue, as demonstrated by the fact that the auto-enrollment option numbers were low according to the NAGDCA survey data. Mr. Lynch responded that public deferred compensation plans do not have many auto-enrollments as they require an amendment, but that they are growing. Ms. Robbins confirmed this.
 - ❖ Mr. Sheridan asked staff to keep the Committee up to date on any legislative developments. Mr. Lynch replied that staff would keep the Committee informed.
- Real Estate “REIT” Fund Passive Allocation: Mr. Lynch reminded the Committee of their prior support of adding a passive allocation to the REIT investment option. Mr. Lynch then stated that adding a passive option at approximately 20% of the REIT allocation will lower volatility as well as cost. Ms. Robbins confirmed that with State Street to provide this passive index was just awaiting countersignature by the Treasury.
 - Real Return Transition: Regarding this change, Mr. Lynch reminded the Committee through the procurement process, GMO had been selected to provide Real Return investment management services, replacing PIMCO. The transition from PIMCO to GMO occurred on March 1, 2017.
 - Large Company Growth Stock Fund: Mr. Lynch informed the Committee that concerning the allocation to the Fidelity mandate, the transition of assets from the Mutual Fund to the current CIT vehicle occurred on February 10, 2017. As a reminder, Mr. Lynch noted that during the RFR process, the PMT had asked Fidelity why the CIT option was only available to Fidelity’s recordkeeping clients; this inquiry ultimately contributed to a shift in position by Fidelity on the subject. Mr. Lynch advised the Committee its investment in Fidelity’s CIT decreased the Plan’s fee by 14 basis points compared to the Mutual Fund in which the Plan had previously invested.
 - ❖ With regards to Fidelity, Mr. Curran noted that his wife was no longer working for Fidelity, eliminating the need for the conflict of interest disclosure he filed previously.
 - Glide-Path Services RFR: Per Mr. Lynch, the contract with the Plan’s current glidepath provider, Alliance Bernstein (“AB”), is approaching its maximum contract date. For that

reason, Mr. Lynch explained, an RFR to procure Custom Glide-Path Services was set to go out to bid by the end of the week. Mr. Curran asked whether AB will be able to bid again. Mr. Lynch confirmed.

- Changes in the Defined Contribution Recordkeeping Market Place: Mr. Lynch noted that included in the materials provided to the Committee is an article reflecting continued consolidation in the recordkeeping market place.
- Investment Policy Statement: Mr. Sheridan asked whether the staff would like to move this whole of this agenda item into the Executive Summary review. Mr. Lynch agreed with that suggestion. Mr. Lynch then noted the changes made to the Investment Policy Statement, and indicated that the most substantive change was the addition of language with respect to the use and limitations of derivatives in Plan investments.
 - ❖ Mr. Sheridan commented that the including the marked version of the existing policy made it easy to review regarding updates. Mr. Vandolder stated that this has all been reviewed by internal counsel as well as other staff and Aon Hewitt, and added that the document type generated preferential changes, and if not material, Aon Hewitt would generally encourage acceptance of those changes. Ms. Robbins confirmed. Mr. Behrns recommended that undertaking this is also available for annual review for all future changes.
 - ❖ Mr. Curran asked for comment regarding the language pertaining to participant changes being updated quarterly considering that currently, participants are allowed to make more frequent changes in their account. Mr. Vandolder noted that this is typical language in the legal community per the 404 (c) regulation. Ms. Robbins confirmed and added this more restrictive language gives the Plan flexibility should it be needed.
 - ❖ Mr. Curran then asked for confirmation that the language pertaining to the DC Committee overseeing the day to day operation of the Plan was language directly from the Plan statute. Ms. Robbins replied in the affirmative. She then reminded the Committee of the Mode of Operations document that was supported by the Committee at its last meeting, more accurately reflecting the role of the Committee.
 - ❖ Mr. Curran asked for comment with respect to language that indicates the Plan Administrator could not provide investment management services. Ms. Robbins confirmed that Empower Retirement does not provide any investment vehicles to the Plan and is not allowed to recommend to participants their own investments, but only list all the options made available by the Plan pursuant to the procurement process, and with respect to say distributions, as Empower Retirement is not a fiduciary. If Empower were to take such actions they would be taking on a fiduciary role. Additionally, Mr. Vandolder stated that in some

cases this can create a conflict of interest. Mr. Vandolder noted as an example that if Fidelity, in their capacity as a recordkeeper, also had a Fidelity investment option in the Plan, it would be a violation of this policy.

- ❖ Mr. Curran inquired about the audit and examination language. Mr. Lynch confirmed that there are regular audits. Ms. Robbins confirmed that there have been both statewide audits and audits solely of the Plan, as well as an IRS audit.
- ❖ Mr. Sheridan asked if the Plan has ever been sued and asked who would represent the Plan if it was sued. Mr. Lynch replied that the Attorney General's Office would represent the Plan. Ms. Robbins noted that one occurrence came to her mind and that instance, the Attorney General's Office represented the Plan in that beneficiary case. Mr. Sheridan noted he simply wanted to confirm coverage. Ms. Robbins agreed.
- ❖ Mr. Magno asked whether there is anything the Committee should be informed on regarding the annual audits. Mr. Lynch responded that the Committee could be given a review of each audit. Mr. Sheridan commented that as the Audit Review Meeting was a public meeting, and Committee members could attend, he personally planned to attend. Mr. Sheridan and Mr. Curran agreed that it would be helpful to observe the audit process and be informed on any relevant issues.
- Mr. Magno made a motion to approve the revised Investment Policy Statement. Mr. Curran seconded the motion in support of the revised Investment Policy Statement. The motion passed by unanimous vote of the Committee.

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

- On the topic of market review, Mr. Behrns began speaking on market returns in the fourth quarter. Mr. Behrns noted that the election was a boom for markets, citing campaign promises of lower tax rates and increased spending on infrastructure. Mr. Behrns noted that bond yields had increased, causing fixed income returns to decrease.

Mr. Behrns informed the Committee that irrespective of that general boom, markets have recently had a negative sentiment due to Trump anti-trade language. Despite this, Mr. Behrns cited U.S. equities returned 6.4% and International Equities were up 8%, heavily due to the performance of Emerging Markets.

Mr. Behrns cautioned that some pitfalls could still occur. He cited the increased protectionist language by the President, mounting debt in China, and any other unforeseen problems as a result of Brexit as potential pitfalls. Beyond this, Mr. Behrns stated there are a lot of positives and that reflation is occurring in global markets.

- ❖ Mr. Vandolder noted that this reflation and tax reform were both much needed. Mr. Vandolder added that the market stood at 19x earnings, which is “near perfection,” but this could affect equity market values.
- On the topic of investment performance:
 - ❖ Mr. Behrns mentioned the overall recovery of the SMARTPath Funds for 2016. Mr. Behrns reminded the Committee that 2015 was a difficult year overall but the SMARTPath Funds have since recovered with improved performance.
 - ❖ Mr. Behrns then informed the Committee that Large Company Blend was the only strategy on watch, underperforming the past year and over the past five years, mainly due to Vanguard.
 - ❖ Mr. Behrns provided an update that the International Stock Index Fund has gone off watch, as well as the Large Company Value Stock. Mr. Behrns noted that the Large Company Value Stock had been on watch after a fund change, but has improved since. Mr. Vandolder then stated that all returns have been positive now that the changes have settled and the fund has remained static.
- Mr. Behrns noted the addition of the recordkeeper review with respect to statistics for the benefit of Empower Retirement. Mr. Behrns stated that the statistics were based on six criteria. Mr. Behrns clarified that the watch list criteria is not meant to criticize the recordkeeper but to simply monitor based on defined areas of service.
 - ❖ Mr. Sheridan inquired about the reporting process for the investment data. Mr. Behrns replied that this is self-reported data. Mr. Vandolder confirmed and stated that Empower is heavily audited, increasing the reliability and accuracy of the data. Mr. Magno noted that he supported this process and greatly appreciated it. Mr. Magno added that formalizing this review may help in the event of any potential litigation.
- Mr. Vandolder spoke on the one year performance of the target date funds and commented that the performance has been positive compared to peer rankings. Mr. Lynch confirmed that the peer comparison was of interest. Mr. Behrns noted that this has been a heavily bull market, benefitting the Plan target date funds, which may be invested more aggressively than other similar funds managed for participants who do not have a strong defined benefit plan available to them. Mr. Vandolder stated that the Plan was also in the top decile of performance compared to peers.
 - ❖ Mr. Magno asked for more specifics with respect to the peer universe. Mr. Behrns responded that each target date fund is compared only to similar year target date funds.

- ❖ Mr. Magno suggested he was under the assumption that all target date funds were doing well. Mr. Vandolder agreed but noted that some diversifying factors limited them in the past, particularly Emerging Markets.
- ❖ Mr. Sheridan asked for any other notes. Mr. Vandolder noted the Dimensional Fund Advisors US Large Cap Value Strategy had been performing particularly well and that PIMCO RAE Fundamental PLUS Fund had also recovered recently.

V. Life Insurance Policy Follow-Up

Mr. Lynch reviewed the Life Insurance Policy Notification sample language provided to the Committee, noting that the notice included reference to the fact that policy premiums are deducted from the participant's Plan contributions, where possible, and the in instances where the contribution does not cover the total cost of insurance, the cost of the policy is being deducted from the policy's cash value. Mr. Lynch informed the Committee that Plan participants who have a legacy life insurance policy already receive annual notice with respect to the policy and will be receiving this updated notification regarding these premiums.

- Mr. Sheridan communicated his dislike for the universal lifetime policy benefit, but acknowledged that at least the Plan was providing participants with information. Mr. Lynch agreed and then noted that these are old policies, and this option is no longer available to Plan participants.
- Mr. Sheridan asked if the Plan pays an administrative fee to Transamerica regarding these policies. Mr. Lynch replied that the costs of the policies are carried by the participants.

VI. Communications Capabilities & Strategy Overview: Empower Retirement

At the invitation of the Plan, representatives from Empower Retirement, who provide recordkeeping services for the Plan, were present at the Committee to discuss communications capabilities and strategy overview. Present on behalf of Empower Retirement was Perry Christie, VP Government Markets, Client Relations, Empower Retirement; Karl Kroner, Client Relationship Director, Empower Retirement; Steve Bresler, VP Government Markets, Participant Counseling, Empower Retirement; Robert Young, Manager, Retirement Plan Counseling, Empower Retirement; Sean Brennan, Senior Field Investment Client Advisor, Empower Retirement; and Shelby Dobson, Communications, Lead Strategist, Empower Retirement. Mr. Kroner directed the Committee's attention to the Empower Agenda and Key Plan Statistics.

- Mr. Kroner provided an overview of the purpose and function of the recordkeeper. Mr. Kroner explained that Empower's responsibilities included (but are not limited to) providing enrollment services, education services to ensure that all employees eligible to participate in the Plan are informed on the Plan, and retirement readiness for all participants.

- Mr. Kroner noted that there are five Empower field offices in Massachusetts for Plan participants who are seeking to speak with a representative. Mr. Kroner also stated that full-time participants receive quarterly account statements, while OBRA participants receive annual statements. Mr. Kroner added that Empower also attends an annual meeting with Plan staff to overview Plan performance and communication pieces.
- Mr. Kroner noted that the Plan has grown significantly since beginning the contract in 2008. Mr. Kroner cited several key statistics showing Plan growth, including total plan assets increasing from \$3.6 billion to \$7.9 billion and full time participation increasing from 93,000 to 101,000. Mr. Kroner stated that this rise in participation was largely due to the Empower field team. Mr. Kroner noted the increase to be about 1,000 participants per year.
- With regard to investments, Mr. Kroner identified an increase in target date fund users from 11% to 26% since 2008, as well as an increase in participants with managed accounts from roughly 5,000 to over 24,000.
 - ❖ Mr. Vandolder asked how the Plan compares to other plans Empower works with. Mr. Kroner replied that there is similar growth amongst the plans he works with directly.
 - ❖ Mr. Sheridan asked whether other plans have negative enrollment. Mr. Kroner noted that the ones he works with do not. Mr. Christie stated that plans in Indiana and Texas have automatic enrollment but that use of automatic enrollment was limited in government plans because of anti-garnishment laws, meaning use was far more prevalent in the private sector. Mr. Kroner cited that auto-enrollment for the State of Indiana has led to 94% participation. Mr. Christie noted that these plans are generally praised for their success with enrollment.
- Mr. Kroner next informed the Committee that there have been numerous organizational changes at Empower since the onset of the relationship in 2008. Mr. Christie acknowledge though that Mr. Kroner and Mr. Young have been with the Plan since 2008. Mr. Christie noted that previously Empower's organization was divided into three national regions but has since expanded to four, and he had been assigned to the Northeast Region of which the Plan is a part.

Mr. Christie informed the Committee that the current organization is "flatter" due to the recent merger with JP Morgan and Putnam Investments resulting in a change in organizational philosophy.

- ❖ Mr. Christie noted that Mr. Young has been responsible for the field team operation of the Plan since 1997 and transitioned with Empower in 2008. Mr.

Christie next stated that two operations people from Empower are assigned and dedicated to work only with the Plan. Mr. Christie also noted that more senior staff have been added to the Plan as a result of the Plan increasing in size.

- ❖ Mr. Lynch asked Mr. Christie how the allocation of resources have changed at Empower following the recordkeeping mergers. Mr. Christie responded that the addition of JP Morgan and Putnam Investments led to growth, organizational restructuring and an increase in shared resources. Mr. Christie noted that this was a learning process for Empower.
- Mr. Bresler brought attention to the chart explaining the difference between an RPC and an RPA. Mr. Bresler stated that counselors had previously been assigned to an area and would provide educational resources to participants specific to that area. Mr. Bresler noted that in past years Empower had seen an opportunity to provide additional services to participants. Mr. Bresler explained that Mr. Brennan and Mr. John Mohan began as early advisors and noticed the demand for this at a local and national level. Mr. Bresler explained that advisors could assist on individualized retirement advice such as goal-based account reviews, retirement readiness, and rollovers. Mr. Bresler noted that Empower advisors have greatly assisted in providing advice to participants with regards to expanding their retirement account needs. Mr. Bresler noted that this has led to an increase in a holistic view for participants regarding their retirement accounts and their individual retirement plans.
 - ❖ Ms. Robbins asked if advice services were limited to participants enrolled in AAG, particularly regarding fiduciary requirements. Mr. Bresler noted that all representatives are currently acting in a fiduciary capacity. Mr. Bresler noted that the retirement suggestions were given based on Morningstar results.
 - ❖ Ms. Robbins asked to confirm that Empower does not recommend other Empower products for rollovers. Mr. Bresler confirmed. Mr. Young confirmed the updated fiduciary role of the representatives.
- Mr. Brennan began a demonstration on the Morningstar online advising platform that RPAs are using. Mr. Brennan noted that the results would demonstrate the sources and income totals for retirees based on their accounts. Mr. Brennan stated that the results were based on a Monte Carlo Simulation and generated from 500 possible variable outcomes, such as inflation, changes in pension, and several other factors which could affect retirement accounts. Mr. Brennan then added that the results accounted for 70% of the total of the average variable results, which served as a conservative retirement estimate.
 - ❖ Mr. Vandolder asked whether these account overviews included other relevant participant accounts, such as spousal accounts outside of the Plan. Mr. Brennan

confirmed that this includes all accounts the participant wishes to include in their retirement scenario.

- ❖ Mr. Brennan stated that the results would include a current estimate as well as a recommended estimate based on the retirement goals of the participant. Mr. Brennan proceeded to show a graph which demonstrated a breakdown of income source over time by age of the participant.
- ❖ Mr. Magno asked if this is a regular exercise when participants speak with an RPA. Mr. Brennan replied that this is only available for active participants with an account balance, and that it would not be useful in an enrollment conversation. Mr. Bresler then added that while participants of all ages can request an account overview, it generally applies more to participants over the age of 50 who are approaching retirement. Mr. Magno agreed and noted that his past conversations with RPAs have been positive.
- Mr. Young noted that participants may be inundated with outside advertisements suggesting rolling out of their current retirement plan, but that Empower seeks to give all the necessary information to inform participants of the benefits of the Plan.

Ms. Rooney suggested that in consideration of the remaining time and the Committee members' general agreement to end the meeting at 12:30, that the Committee review the items on the remainder of the agenda.

- Ms. Dobson provided an overview of the Plan communication pieces and referenced specific best practices used by the Communications Team in the development of Plan collateral. Ms. Dobson stated that the Plan is not one size fits all and that the communication pieces are meant for a wide variety of participants, noting that participant feedback is very important to their communication plan as well. Ms. Dobson stated that among other strategies, the Plan quarterly newsletter is campaign oriented.
 - ❖ Mr. Curran stated that the newsletter is the only communication he receives on a regular basis and inquired as to why he was not receiving additional information. Ms. Dobson explained that targeted messaging was used for communication piece distribution and that it is usually intended for low engagement participants to inform them of the Plan and to take action with respect to their account.
 - ❖ Mr. Lynch added that there is currently an effort, with the assistance of the State Comptroller's Office, to increase the number of emails listed for Plan participants, and that this will assist in future communication piece distribution.
- Ms. Dobson highlighted a retirement readiness campaign that used a Countdown to Retirement print brochure, which received a Marcom Gold Award for 2016.

- ❖ Mr. Curran noted that this would be of relevance to him and reiterated his general concern regarding distribution of communication pieces and general marketing and messaging. Mr. Curran states that he was also concerned regarding younger participants and possible lack of communication pieces reaching them.
- ❖ Mr. Young responded to Mr. Curran's concerns by explaining that Empower is constantly looking towards targeted messaging and reaching all participants.
- Ms. Dobson then informed the Committee that a multi-channel approach was used for Empower's beneficiary campaign, which received a Marcom Platinum Award in 2016.
- Ms. Dobson continued her presentation by explaining the SMART Restart Campaign for low engagement participants. Ms. Dobson noted that these messages were split between participants over age 50 and under age 50 to differentiate messaging. Ms. Dobson noted that this campaign has a 5% take action result, which is a positive result. Ms. Dobson also noted the multi-channel approach for National Retirement Week.
- Ms. Dobson then provided an overview of Looking Ahead to 2017, which included a Catch-Up Contribution Campaign and a Plan Testimonial Video.
 - ❖ Mr. Vandolder asked to whom and how invitations for the Plan video debut were distributed. Mr. Kroner responded that video participants were invited. Mr. Kroner noted that Empower wanted to get a wide variety of participants to participate.
 - ❖ Ms. Robbins asked whether there were current retirees in the video. Mr. Kroner confirmed that there was a retiree.
- Ms. Dobson continued with a brief overview of additional upcoming campaigns, such as Stay with the Plan. Ms. Dobson also noted the availability of an updated territory map for Plan representatives.
- Mr. Sheridan asked for comment regarding cybersecurity of Empower Retirement and the Plan, particularly given the amount of data handled by Empower. Mr. Christie replied that cybersecurity probes are happening regularly and breaches have been happening to various other institutions, such as large corporations and banks. Mr. Christie noted that this is constantly monitored by Empower. Mr. Christie noted that Empower believes it has great cybersecurity. Mr. Bresler continued that Empower hires outside assistance to attempt to breach their data systems to test security on a regular basis.

Mr. Brennan began the presentation of the SMART Plan Video. Mr. Sheridan approved of the video and its content. Mr. Curran and Mr. Magno agreed.

12:15 pm. With no further questions, the representatives from Empower Retirement departed the meeting.

VII. Misc.

- Mr. Sheridan brought to the Committee's attention an upcoming conference hosted by Aon Hewitt on May 16 and 17, 2017. Mr. Sheridan noted that he is unable to attend, but wanted to ask if this was open to Committee members attending and whether there was a possibility of attending such events in the future.
 - ❖ Ms. Robbins stated that out-of-state Committee travel for these kinds of events has not come up in the past, but that she would consult with the Treasury's General legal counsel.

All Committee members confirmed an interest in these opportunities. As to the upcoming conference, Mr. Curran confirmed an interest in attending. Mr. Sheridan and Mr. Curran then both inquired about any appearance of conflict of interest that may happen with regards to Aon Hewitt hosting the event and any costs incurred by Aon Hewitt on behalf of the Committee. To avoid conflicts of interest, Mr. Vandolder suggested that any costs can be invoiced to Committee members that do attend. Mr. Sheridan agreed and noted again an interest by all Committee members to attend future conferences.
 - ❖ Mr. Sheridan asked for a timely review of whether the Plan could allow Committee members to attend and be reimbursed for incurred expenses.
- Mr. Mango asked Mr. Lynch regarding any overall thoughts on the current recordkeeper. Mr. Lynch noted that the relationship has been very successful from a communications perspective and that Empower has given great assistance to the Plan. Mr. Lynch noted that there have been some challenges from an organizational perspective, particularly as a result of Empower's expansion nationally. Mr. Lynch noted that he had directly requested Empower reassign a key member of the operations team who had been previously assigned to another relationship. Mr. Lynch noted that this individual has since been reassigned to the Plan enhancing overall operations.
 - ❖ Mr. Magno asked when the Empower contract is up. Mr. Lynch replied that the initial contract is until 2019 and that the Plan has the option to extend the term of the contract beyond 2019 for an additional five years.
 - ❖ Regarding recordkeeper options, Mr. Curran noted the market sphere of recordkeepers continues to be consolidating.
- Mr. Sheridan asked about what fees were paid to Empower. Mr. Lynch stated that the cost was seven basis points on market assets.

VIII. Future Meeting Dates

Mr. Sheridan asked for future meeting dates to be determined based on what would be most convenient for attendees.

IX. Close of Meeting

12:29 p.m. Close of Meeting.

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

Documents Used at the Deferred Compensation Committee Meeting of March 21, 2017

- Meeting materials including Updates, Highlights, Research Report
- Executive Director's Quarterly Update dated March 13, 2017
- Minutes of December 8, 2016 Deferred Compensation Committee Meeting
- Perspective in Practice Survey, Plan Performance Report 2016, NAGDCA
- Draft of the Commonwealth of Massachusetts Deferred Compensation Investment Policy Statement dated March 2017
- Participant statement language with respect to the Transamerica Premier Life Insurance Policy
- DC Committee Meeting: March 21, 2017, Empower Retirement Handout