

FALMOUTH RETIREMENT BOARD
Open Session Meeting Minutes
Thursday, October 18, 2018

Board members in attendance: Russell R. Ferreira, Chairman; Ellen K. Philbin, Vice Chairman; Jennifer P. Petit, Craig B. O'Malley and Paul J. Slivinski

Staff members in attendance: Francis St. Germaine who recorded the minutes of the meeting

Others in attendance: Nicholas Poser, Legal Counsel for the Falmouth Retirement Board

At approximately 2:00 p.m., with a quorum being present, Chairman Ferreira called the meeting to order, and the Town Treasurer, Patricia O'Connell, joined the meeting. She reviewed for the board members the monthly reconciliation of the cash account for the month of August. Through the end of August, the Treasurer noted that the account with Rockland Trust has receipts in the amount of \$1,063,199.37 and disbursements in the amount of \$1,083,594.87. She noted that the fund balance in this cash account is \$8,100.02. Also, it was noted that the check sequence for the month of August began with check #8966 and ended with check #9006. There are no checks in this sequence that have not been accounted for through the month of August. After some discussion, Ms. O'Connell exited the board meeting and the board members entertained a motion to accept the report from the Office of the Treasurer.

Ms. Philbin moved to accept the report from the Office of the Treasurer. Mr. O'Malley seconded the motion, all board members present voted in the affirmative.

The board members then reviewed the payments of the following warrants:

Warrant #35/2018	\$965,368.31	Warrant #36/2018	\$ 6,866.40
Warrant #37/2018	\$ 39,086.04		

After some discussion, the board members entertained a motion to approve the payments, as noted, of warrants #35/2018 through #37/2018.

Mr. Slivinski moved to approve the payments, as noted, of warrants #35/2018 through #37/2018. Ms. Philbin seconded the motion, all board members present voted in the affirmative.

Next, the board members reviewed the payments of the following investment fees:

- Wainwright Investment Counsel, 3rd QTR 2018 consultant fee \$ 25,000.00
- RhumbLine Advisers (Growth), 3rd QTR 2018 management fee \$ 1,067.00
- RhumbLine Advisers (Value), 3rd QTR 2018 management fee \$ 1,207.00
- Earnest Partners, 3rd QTR 2018 management fee \$ 46,253.87
- Seizert Capital Partners, 3rd QTR 2018 management fee \$ 11,516.00

After some discussion, the board members entertained a motion to approve the payments, as noted, of the above-mentioned investment fees.

Ms. Philbin moved to approve the payments, as noted, of the above-mentioned investment fees. Mr. O'Malley seconded the motion, all board members present voted in the affirmative.

Then, the board members reviewed the following payment of capital call to investment managers:

- PRIT Private Equity Fund VY 2018, a capital call payable on 10/1/2018 in the amount of \$2,749.56

After some discussion, the board members entertained a motion to approve the payment, as noted, of the above-mentioned capital call.

Mr. O'Malley moved to approve the payment, as noted, of the above-mentioned capital call. Ms. Philbin seconded the motion, all board members present voted in the affirmative.

Next, the board members reviewed the following cash distributions from investment managers:

- Lexington Capital Fund V, a distribution received on 9/28/2018 in the amount of \$2,016.00
- Lexington Capital Fund VII, a distribution received on 9/28/2018 in the amount of \$41,754.00

The board members then considered the requests of the following former or current members of the Falmouth Retirement System for a return or transfer of their accumulated deductions:

- Mark A. Mancini; amount of refund is \$204.20; resignation from service with the Town of Falmouth, Police Department
- Victoria L. Eisen; amount of refund is \$3,828.78; resignation from service with the Town of Falmouth, Falmouth Public Schools
- Debra E. Campbell; amount of refund is \$1,066.99; resignation from service with the Town of Falmouth, Falmouth Public Schools
- Steven J. Gomez; amount of refund is \$18,680.10; termination from service with the Town of Falmouth, Falmouth Public Schools

After some discussion, the board members entertained a motion to approve, as noted, the requests of the above-mentioned former or current members of the Falmouth Retirement System for a return or transfer of their accumulated deductions.

Ms. Philbin moved to approve, as noted, the requests of the above-mentioned former or current members of the Falmouth Retirement System for a return or transfer of their

accumulated deductions. Mr. O'Malley seconded the motion, all board members present voted in the affirmative.

Then, the board members considered the following request for 3(8)(c) liability:

- Nicole A. Nicodemus; deny 3(8)(c) liability request from the Dukes County Retirement System; non-membership service with the Town of Falmouth

After some discussion, the board members entertained a motion to approve, as noted, the above-mentioned request for 3(8)(c) liability.

Ms. Philbin moved to approve, as noted, the above-mentioned request for 3(8)(c) liability. Mr. Slivinski seconded the motion, all board members present voted in the affirmative.

Next, the board members noted the following members retiring from service with the Town of Falmouth:

- Roy A. Maher Jr.; date of retirement is 9/14/2018 from the Town of Falmouth, D.P.W. Water Division; Group One
- Kimberly E. Horne; date of retirement is 9/15/2018 from the Town of Falmouth, Falmouth Public Schools; Group One

The board members then noted the following new members of the Falmouth Retirement System:

- Joseph R. Foley; Communications Officer, Town of Falmouth, Communications Department, Group One; DOM 10/1/2018, 9% + 2%
- Daylene E. Tropeana; Principal Office Assistant, Town of Falmouth, D.P.W. Water Division, Group One; DOM 10/9/2018, 9% + 2%

Then, the board members considered the following requests to purchase prior service:

- Kathleen A. Pierias; Senior Office Assistant, Town of Falmouth, Recreation Department; request to purchase less than part-time service, prior to membership with the Falmouth Retirement System; principle amount due is \$811.00
- Samantha Soares; Police Officer, Town of Falmouth, Police Department; request to purchase less than part-time service, prior to membership with the Falmouth Retirement System; principle amount due is \$1,452.51
- Carla L. Feroni; Housing Coordinator, Town of Falmouth, Office of the Town Manager; request to purchase refunded service, prior to membership with the Falmouth Retirement System; principle amount due is \$8,820.23 *(upon completion of repayment, the Springfield Retirement System will accept 2 years of 3(8)(c) liability on a 12-month basis)*

After some discussion, the board members entertained a motion to approve, as noted, the requests of the above-mentioned members to purchase their service prior to membership with the Falmouth Retirement System.

Mr. O'Malley moved to approve, as noted, the requests of the above-mentioned members to purchase their service prior to membership with the Falmouth Retirement System.
Mr. Slivinski seconded the motion, all board members present voted in the affirmative.

Next, the board members reviewed the following first reports of injury:

- Maren T. Plueddemann; Library Assistant, Town of Falmouth, Falmouth Public Library, Group One; while carrying a sign, employee was hit by the door and injured. Date of Injury 9/14/2018
- John L. DePonte; Police Officer, Town of Falmouth, Police Department, Group Four; while searching a house for a dangerous suspect, employee was injured. Date of Injury 9/18/2018
- Melissa M. Martin; Police Officer, Town of Falmouth, Police Department, Group Four; while receiving money submitted for bail of a suspect under arrest, employee was injured. Date of Injury 9/21/2018

The board members then reviewed the following correspondence from PERAC:

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| • PERAC memo #27/2018 | Direct Deposit Scam |
| • PERAC memo #28/2018 | Mandatory Retirement Board Member Training – 4 th Quarter 2018 |
| • PERAC memo #29/2018 | Tobacco Company List |
| • PERAC memo #30/2018 | Appropriation Data Due October 31, 2018 |

Also, the board members reviewed other relative correspondence.

Then, Michael Dwyer and Jeffrey Fabrizio of Wainwright Investment Counsel joined the meeting. To start, Mr. Dwyer distributed to the board members the performance summary report for the month of August, and Mr. Fabrizio reviewed the plan results. Through the end of August, the plan's estimated market value was approximately \$151.1 million. Year-to-date, the plan is up 3.66% versus a total plan policy that is up 4.70%. Compared to its policy benchmark, the domestic equity sector (up 8.38%) is doing OK. All of the funds in this sector have positive returns for the year. The international equity sector (down 2.70%) is behind its benchmark (down 2.11%) with HGK Trinity Street being the only fund on the positive side of its benchmark. The domestic fixed income strategy (down 0.64%) is on par with its benchmark (down 0.65%) which is to be expected as these investments are indexed. Year-to-date, the performance of the real estate sector is up 4.61% versus a benchmark that is up 3.54%. At the moment, Principal, Dimensional Fund Advisors, and P.R.I.T. are the largest real estate investments within the portfolio and Principal and P.R.I.T. are the two real estate investments currently ahead of their benchmarks. Due to the nature of the investments within the private equity sector which are stated with a lag, this sector is estimated to be up 8.64% versus a benchmark that is up 7.34%. At this time, the

Lexington Capital Fund VII and the Hamilton Lane Secondary Fund IV are the two largest investments for the private equity sector within this portfolio with the Hamilton Lane Secondary Fund IV solidly ahead of its benchmark. For the year, the P.R.I.T. Absolute Return Fund is up 1.62% versus a benchmark that is up 1.25%. Lastly, the cash balance is approximately \$7.1 million. Wainwright Investment Counsel noted that "this monthly performance report reflects a very strong performance from both the domestic equity and real estate sectors" and that they are "pleased with this portfolio."

Mr. Dwyer then noted that an R.F.P. for the fixed income asset class was necessary and would be posted shortly. In addition, it was noted that a decision is still needed with regards to the R.F.P.'s for both the income-oriented real estate asset class and the value-added real estate asset class. Mr. Fabrizio reminded the board members of the "highly advantageous" responses and presentations that were discussed at the September board meeting. After some discussion with regards to the R.F.P. for the income-oriented real estate asset class, the board members entertained a motion to, upon execution of the new investment contracts, terminate their investment in the Dimensional Fund Advisors Global Real Estate and fund the Clarion Partners Gables Multi-family Trust with \$2 million and fund the Clarion Partners Lion Industrial Trust with \$5 million.

Ms. Petit moved to, upon execution of the new investment contracts, terminate their investment in the Dimensional Fund Advisors Global Real Estate and fund the Clarion Partners Gables Multi-family Trust with \$2 million and fund the Clarion Partners Lion Industrial Trust with \$5 million. Mr. Slivinski seconded the motion, all board members present voted in the affirmative.

Then, after some additional discussion with regards to the R.F.P. for the value-added real estate asset class, the board members entertained a motion to invest \$5 million with the TerraCap Partners Fund IV.

Ms. Philbin moved to invest \$5 million with the TerraCap Partners Fund IV. Mr. O'Malley seconded the motion, all board members present voted in the affirmative.

Next, the Director reviewed with the board members the draft results of the January 1, 2018 actuarial valuation that has been conducted by P.E.R.A.C. He noted for the board members that, as of January 1, 2018, the unfunded liability of the Falmouth Retirement System is \$75.1 million versus the previous unfunded liability of \$71.4 million. He noted that the system's total actuarial accrued liability had increased to about \$213.4 million. The actuarial value of assets is approximately \$138.3 million, and the system's funded ratio (actuarial value) is at 64.8%. He noted some additional changes reflected in the assumptions to their valuation process (a more conservative approach): a lower investment return assumption (current investment return assumption of 7.25% versus prior investment return assumption of 7.50%) and a revised mortality assumption reflecting a fully generational table (adjusted) as people appear to be living longer. In addition, the provisions of Chapter 176 of the Acts of 2011 need to be considered in this and future actuarial valuations. Ultimately, all of these factors will have some impact on the amortization schedule for the retirement system. Also, it was noted that P.E.R.A.C. will continue

to suggest that retirement systems consider an approach which will fund their unfunded liability as aggressively as is manageable. The board members reviewed the proposed appropriation funding schedules. After some discussion, the board members entertained a motion to adopt "alternative 2" with total cost increases of 6.31% per year and an appropriation payment made on July 1st with a final amortization payment made in FY 2033.

Ms. Petit moved to adopt "alternative 2" with total cost increases of 6.31% per year and an appropriation payment made on July 1st with a final amortization payment made in FY 2033. Ms. Philbin seconded the motion, all board members present voted in the affirmative.

Next, the Director reminded the board members of the "highly advantageous" R.F.P. responses to provide custodial banking services that had been received from both State Street Bank and People's United Bank. The first finalist to present their firm's services was Kathryn DeNitto from State Street Bank....the current custodian bank. Ms. DeNitto reviewed their organization and experience, their client relationship and service, and their technology. She answered questions with regards to fees and their STIFF accounts. After some additional discussion with the board members, Ms. DeNitto exited the board meeting.

The second finalist to present their firm's services was Anthony Teberio and Jaclyn Callison from People's United Bank. Mr. Teberio reviewed their complete custody solution including their integrated team approach, a local responsive presence, their on-line access and reporting, and a complete list of their MA public pension system clients. He answered questions with regards to fees and their STIFF accounts. After some additional discussion with the board members, Mr. Teberio and Ms. Callison exited the board meeting.

Then, after some additional discussion with regards to the R.F.P. to provide custodial banking services, the board members entertained a motion to terminate the current relationship with State Street Bank and to hire as their new custodial bank, People's United Bank.

Ms. Philbin moved to terminate the current relationship with State Street Bank and to hire as their new custodial bank, People's United Bank. Mr. Slivinski seconded the motion, all board members present voted in the affirmative.

After some additional discussion with the board members, Mr. Dwyer and Mr. Fabrizio exited the board meeting.

Next, Attorney Poser provided the board members with an update in the pending legal matter of *Kevin Murphy v. Falmouth Retirement Board*, CR-15-677. In this case, a joint pre-hearing memorandum and exhibits have been submitted and a hearing was held on October 16, 2018. Written closing arguments are expected to be submitted in the December or January timeframe.

After some additional discussion with the board members, Mr. Poser exited the board meeting.

Then, the Director reviewed with the board members the R.F.P. responses to provide legal services on behalf of the Falmouth Retirement Board. It was noted that, currently, there is a "quiet period" for this R.F.P. and that there are two responses from which to choose....a response from the Law Offices of Michael Sacco and a response from the Law Office of Nicholas Poser. Both responses were determined to be "highly advantageous". After some discussion, the board members entertained a motion to invite to their November board meeting Attorney Nicholas Poser, the incumbent, so that he could present his law practice to the Falmouth Retirement Board.

Ms. Petit moved to invite to their November board meeting Attorney Nicholas Poser, the incumbent, so that he could present his law practice to the Falmouth Retirement Board. Mr. O'Malley seconded the motion, all board members present voted in the affirmative.

Finally, having no additional business to discuss, the Chairman asked for a motion to adjourn the open session meeting.

Ms. Petit moved to adjourn the open session meeting. Mr. Slivinski seconded the motion, all board members present voted in the affirmative.

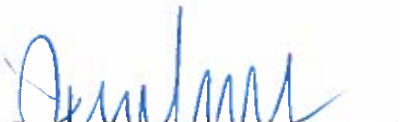
At approximately 3:45 p.m., the board members concluded the open session meeting.

The next scheduled board meeting will begin at 2:00 p.m. on Thursday, November 15, 2018 at the office of the Falmouth Retirement System which is located at 80 Davis Straits, Suite 102 in Falmouth, MA.

ATTEST:



Russell R. Ferreira
Chairman, Elected Member




Jennifer P. Petit
Ex-Officio Member




Paul J. Slivinski
Appointed Member



Craig B. O'Malley
Elected Member



Ellen K. Philbin
Vice Chairman, Fifth Member



Francis X. St. Germaine III
Director