

FALMOUTH RETIREMENT BOARD
Open Session Meeting Minutes
Thursday, January 24, 2019

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

Board members in absence: Ellen K. Philbin, Vice Chairman

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 12:00 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 November. Through the end of November, the Treasurer noted that the account with Rockland Trust has receipts in the amount of \$1,107,300.73 and disbursements in the amount of \$1,089,423.35. She noted that the fund balance in this cash account is \$34,321.43. Also, it was noted that the check sequence for the month of November began with check #9125 and ended with check #9162. There are no checks in this sequence that have not been accounted for through the month of November. 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.

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

The board members then reviewed the meeting minutes of the open session meeting that was held on December 18, 2018. After some discussion, the board members entertained a motion to approve the meeting minutes of the open session meeting that was held on December 18, 2018.

Ms. Petit moved to approve the meeting minutes of the open session meeting that was held on December 18, 2018. Mr. O'Malley seconded the motion, all board members present voted in the affirmative.

Then, the board members reviewed the payments of the following warrants:

Warrant #45/2018	\$979,793.40	Warrant #01/2019	\$ 6,866.40
Warrant #02/2019	\$ 56,131.82		

After some discussion, the board members entertained a motion to approve the payments, as noted, of warrant #45/2018 and warrants #01/2019 through #02/2019.

Mr. Slivinski moved to approve the payments, as noted, of warrant #45/2018 and warrants #01/2019 through #02/2019. Mr. O'Malley 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, 4th QTR 2018 consultant fee \$ 25,000.00
- State Street Corporation, September 2018 custodial fee \$ 5,977.64
- State Street Corporation, October 2018 custodial fee \$ 5,551.02
- State Street Corporation, November 2018 custodial fee \$ 5,652.74
- RhumbLine Advisers (Growth), 4th QTR 2018 management fee \$ 970.00
- RhumbLine Advisers (Value), 4th QTR 2018 management fee \$ 1,138.00
- Seizert Capital Partners, 4th QTR 2018 management fee \$ 9,845.00

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

Ms. Petit 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 payments of capital calls to investment managers:

- Mesirow Financial Partnership Fund IV, a capital call payable on 12/28/2018 in the amount of \$7,500.00
- Lexington Capital Partners Fund VII, a capital call payable on 1/23/2019 in the amount of \$33,215.00

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

Mr. O'Malley moved to approve the payments, as noted, of the above-mentioned capital calls. Mr. Slivinski 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 Partners Fund V, a distribution received on 12/28/2018 in the amount of \$17,134.00
- Lexington Capital Partners Fund VII, a distribution received on 12/28/2018 in the amount of \$29,873.00
- Mesirow Financial Partnership Fund IV, a distribution received on 12/28/2018 in the amount of \$37,500.00

- Metropolitan Real Estate 2008 Distressed Co-Investment Fund, a distribution received on 1/17/2019 in the amount of \$2,682.56

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

- Erin A. Duffy; Teacher Assistant, Town of Falmouth, Falmouth Public Schools, Group One; DOM 12/10/2018, 9% + 2%
- Julie A. Matta; Special Education 1:1 Aide, Town of Falmouth, Falmouth Public Schools, Group One; DOM 12/17/2018, 9% + 2%

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

- Lori J. Marks; Food Service Leader, Town of Falmouth, Falmouth Public Schools, Group One; while cutting vegetables with a knife, employee was injured. Date of Injury 12/7/2018
- John L. DePonte; Police Officer, Town of Falmouth, Police Department, Group Four; while placing combative subject into custody, employee was injured. Date of Injury 12/12/2018
- Sean K. Ellis; Firefighter, Town of Falmouth, Fire Rescue Department, Group Four; while stepping out of E-21, employee was injured. Date of Injury 12/19/2018

The board members then reviewed the following correspondence from PERAC:

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| • PERAC memo #34/2018 | Tobacco Company List |
| • PERAC memo #35/2018 | 2018 Disability Data |
| • PERAC memo #1/2019 | 840 CMR 10:10(3) & 10:15(4) – Annual Review of Medical Testing Fee |
| • PERAC memo #2/2019 | Mandatory Retirement Board Member Training – 1 st Quarter 2019 |
| • PERAC memo #3/2019 | 2019 Limits under Chapter 46 of the Acts of 2002 |
| • PERAC memo #4/2019 | 2019 Limits under Section 23 of Chapter 131 of the Acts of 2010 |
| • PERAC memo #5/2019 | COLA Notice |
| • PERAC memo #6/2019 | Actuarial Data |

Also, the board members reviewed other relative correspondence.

Next, Michael Dwyer and Jeffrey Fabrizio of Wainwright Investment Counsel joined the meeting. To begin, Mr. Dwyer distributed to the board members the performance summary report for the month of November, and Mr. Fabrizio reviewed the plan results. Through the end of November, the plan's estimated market value was approximately \$142.4 million. Year-to-date, the plan is down 0.73% versus a total plan policy that is up 0.03%. Compared to its policy benchmark, the domestic equity sector (up 0.57%) is doing OK. The RhumbLine Russell 1000 Growth seems to be the strength of this sector for the year. The international equity sector (down 9.97%) is on par

with its benchmark (down 9.96%) with only LMCG International Small Cap Equity providing better performance than its benchmark. The domestic fixed income strategy (down 1.59%) is on par with its benchmark (down 1.60%) which is to be expected as these investments are indexed. Year-to-date, the performance of the real estate sector is up 4.75% versus a benchmark that is up 5.27%. 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 12.24% versus a benchmark that is up 11.62%. 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. Hamilton Lane Secondary Fund IV appears to be the only private equity fund ahead of its benchmark. For the year, the P.R.I.T. Absolute Return Fund is down 0.08% versus a benchmark that is down 2.56%. Lastly, the cash balance is approximately \$4.8 million. Wainwright Investment Counsel noted that “although this monthly performance is a bit of an improvement from the October performance, it still reflects volatility and a pullback as the markets near the end of another year.”

Next, Mr. Dwyer noted for the board members that the remainder of their time today would focus on interviews of finalist with “highly advantageous” responses to the R.F.P.’s for the high yield bond and the passive bond asset classes. In addition, S.S.g.A. will give a brief presentation on their firm and their two funds as part of P.E.R.A.C.’s annual investment manager review.

The first investment manager to join the meeting and present was Patrick Hearne and Arman Palian of State Street Global Advisors. To begin, Mr. Hearne provided the board members with a current overview of their firm. S.S.g.A. is the investment management arm of State Street Corporation which is a global leader in financial services with a heritage dating back over two centuries. S.S.g.A. is entrusted with over \$2.8 trillion assets worldwide. Their investment team seeks to offer broad-based market exposure in highly specialized active and passive strategies across the risk-return spectrum. Mr. Palian then discussed with the board members the current market value of the retirement system’s two fixed income strategies. As of December 31, 2018, the High Yield Bond Index Fund had a market value of approximately \$2.7 million and the Passive Bond Index Fund had a market value of approximately \$20.1 million. Year-to-date, the High Yield Bond Index Fund was down approximately 2.18% gross of fees and the Passive Bond Index Fund was up 0.04% gross of fees. Also, he provided the board members with an overview of the global fixed income arena as well as their investment philosophy, their investment process, and their risk management. Mr. Hearne then noted that these two funds were submitted as their response to both of the fixed income R.F.P.’s and he also noted their liquidity and management fees. After some additional discussion with the board members, Mr. Hearne and Mr. Palian exited the board meeting.

Next to join the meeting and present was Greg Balewicz and Donald Annino (by telephone as his flight was delayed due to weather) from Lord Abbett. They were scheduled to present their High Yield Core Trust II as their submission to the high yield bond R.F.P. Mr. Balewicz discussed their firm, their organization and vision, their investment team, their assets and investment strategies as well as their investment process. Mr. Annino discussed risk management, portfolio

construction, portfolio characteristics, sector allocation as well as risk-adjusted returns. Lastly, they discussed their investment management fees. After some additional discussion with the board members, Mr. Balewicz and Mr. Annino exited the board meeting.

Then, Jack O'Connor, John Sherman and Kenzi Wedge from DDJ Capital Management joined the meeting. DDJ Capital Management joined today's meeting to discuss their U.S. Opportunistic High Yield Strategy in response to the high yield bond R.F.P. Mr. O'Connor began with a quick firm profile. DDJ Capital Management is a privately held firm founded in 1996 with 55 employees and approximately \$8.2 billion in assets under management. He noted their investment team and their strategy with proposed terms. Mr. Sherman discussed their philosophy, their investment process, and the portfolio characteristics including credit quality allocation and security type. After some additional discussion with the board members, Mr. O'Connor, Mr. Sherman and Ms. Wedge exited the board meeting.

Mr. Fabrizio then reviewed with the board members the "highly advantageous" responses and presentations that were just discussed. After some discussion with regards to the two R.F.P.'s for the fixed income asset class, the board members entertained a motion to renew the existing relationship with S.S.g.A. for both their high yield bond strategy and their passive bond strategy, and also, to liquidate \$3.0 million from the S.S.g.A. passive bond strategy to fund a new relationship with Lord Abbett and their High Yield Core Trust II strategy.

Mr. Slivinski moved to renew the existing relationship with S.S.g.A. for both their high yield bond strategy and their passive bond strategy, and also, to liquidate \$3.0 million from the S.S.g.A. passive bond strategy to fund a new relationship with Lord Abbett and their High Yield Core Trust II strategy. Ms. Petit 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.

The board members then reviewed a proposed article for the April 2019 Town Meeting. The proposed article is to be submitted by the Town of Falmouth and would provide disability retirement for Ryan P. Moore. After some discussion, the board members entertained a motion to have Attorney Poser send to Town Counsel a letter with suggested language that would comply with M.G.L. Chapter 32.

Mr. Slivinski moved to have Attorney Poser send to Town Counsel a letter with suggested language that would comply with M.G.L. Chapter 32. Ms. Petit seconded the motion, all board members present voted in the affirmative.

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 February timeframe.

Then, the Director reviewed with the board members the R.F.P. responses to provide investment consultant 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 three responses from which to choose. The responses received were from Dahab Associates, Fiduciary Investment Advisors, and Wainwright Investment Counsel. All three responses were determined to be "highly advantageous". After some discussion, the board members entertained a motion to invite to their February board meeting all three of the respondents so that they could present their firm and their services to the Falmouth Retirement Board.

Ms. Petit moved to invite to their February board meeting all three of the respondents so that they could present their firm and their services 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. O'Malley seconded the motion, all board members present voted in the affirmative.

At approximately 2:20 p.m., the board members concluded the open session meeting.

The next scheduled board meeting will begin at 2:00 p.m. on Thursday, February 21, 2019 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

ABSENT

Ellen K. Philbin
Vice Chairman, Fifth Member



Francis X. St. Germaine III
Director