

FALMOUTH RETIREMENT BOARD
Open Session Meeting Minutes
Thursday, June 17, 2021

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

Board members in absence: Jennifer P. Mullen

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 physically 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 April. Through the end of April, the Treasurer noted that the account with Rockland Trust has receipts in the amount of \$1,186,294.39 and a statement balance in the amount of \$164,732.54. She noted that the month-end fund balance is \$34,747.69 with outstanding checks for the month in the amount of \$129,984.85. In addition, it was noted that the check sequence for the month of April began with check #10287 and ended with check #10328. There are no checks in this sequence that have not been accounted for through the end of the month. After some discussion, the board members entertained a motion to accept the report from the Office of the Treasurer.

Mr. Slivinski 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 meeting minutes of the open session meeting that was held on May 20, 2021. After some discussion, the board members entertained a motion to approve the meeting minutes of the open session meeting that was held on May 20, 2021.

Mr. O'Malley moved to approve the meeting minutes of the open session meeting that was held on May 20, 2021. Ms. Philbin seconded the motion, all board members present voted in the affirmative.

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

Warrant #17/2021	\$	7,827.60	Warrant #18/2021	\$1,097,434.97
Warrant #19/2021	\$	7,577.60	Warrant #20/2021	\$ 25,041.96
Warrant #21/2021	\$	25,889.13		

After some discussion, the board members entertained a motion to approve the payments, as noted, of warrants #17/2021 through #21/2021.

Ms. Philbin moved to approve the payments, as noted, of warrants #17/2021 through #21/2021. Mr. Slivinski seconded the motion, all board members present voted in the affirmative.

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

- People's United Bank, April 2021 custodial fee \$ 4,293.67
- S.S.g.A. (CM3Y), Q1 2021 management fee \$ 1,334.52
- S.S.g.A. (CME7), Q1 2021 management fee \$ 1,473.50

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

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

The board members then reviewed the following payments of capital calls to investment managers:

- PRIT Private Equity Fund VY2018, a capital call payable on 6/1/2021 in the amount of \$99,071.25
- PRIT Private Equity Fund VY2020, a capital call payable on 6/1/2021 in the amount of \$62,801.82

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

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

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

- TA Realty Fund XII, a distribution received on 5/26/2021 in the amount of \$14,578.00
- Mesirow Financial Fund IV, a distribution received on 5/26/2021 in the amount of \$33,000.00
- Lexington Capital Fund VII, a distribution received on 5/28/2021 in the amount of \$36,070.00

Then, the board members considered the requests of the following former or current members of the Falmouth Retirement System for a return or transfer of his/her accumulated deductions:

- Tara A. Fuller; amount of rollover is \$2,822.70; termination from service by the Town of Falmouth, Falmouth Public Schools
- Thomas M. Quinn; amount of refund is \$1,372.49; termination from service (death) by the Falmouth Housing Authority
- Joseph P. Gomes; amount of refund is \$16,689.04; resignation from service with the Town of Falmouth, D.P.W. Water and Wastewater Division
- Robert J. Tomaino; amount of refund is \$77.24 (retro-payment); resignation from service with the Town of Falmouth, Communications Center

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 his/her accumulated deductions.

Mr. Slivinski 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 his/her accumulated deductions. Ms. Philbin seconded the motion, all board members present voted in the affirmative.

The board members then noted the following members retiring from service with the Town of Falmouth and/or Falmouth Housing Authority:

- Reta N.S. Andrews; date of retirement is 5/1/2021 from the Town of Falmouth, Falmouth Public Schools; Group One
- James Munson; date of retirement is 5/11/2021 from the Town of Falmouth, Falmouth Public Schools; Group One

Next, the board members noted the following new members of the Falmouth Retirement System:

- Kimberlee A. Chisholm; 1:1 Special Education Aide, Town of Falmouth, Falmouth Public Schools, Group One; DOM 4/26/2021, 9% + 2%
- Mallory R. Langler; Assistant Health Agent, Town of Falmouth, Health Department, Group One; DOM 5/10/2021, 9% + 2%
- Jacqueline J. Sorensen; Receptionist, Falmouth Housing Authority, Group One; DOM 5/10/2021, 9% + 2%
- Edwin Otero; Custodian, Town of Falmouth, D.P.W. Facilities Maintenance Division, Group One; DOM 5/11/2021, 9% + 2%
- James W. Miner; Custodian, Town of Falmouth, Falmouth Public Schools, Group One; DOM 5/27/2021, 9% + 2%

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

- Jessica L. O'Connor; Reference Librarian, Town of Falmouth, Falmouth Public Library; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$1,923.22 (*upon completion of this*

service purchase, the Falmouth Retirement System will accept 5 months of 3(8)(c) liability on a 12-month basis)

After some discussion, the board members entertained a motion to approve, as noted, the request of the above-mentioned member to purchase his/her service prior to membership with the Falmouth Retirement System.

Mr. O'Malley moved to approve, as noted, the request of the above-mentioned member to purchase his/her service prior to membership with the Falmouth Retirement System. Ms. Philbin seconded the motion, all board members present voted in the affirmative.

The board members then reviewed the following first reports of injury:

- Jonathan M. Borselli; Firefighter, Town of Falmouth, Fire Rescue Department, Group Four; while carrying a patient down a flight of stairs, employee was injured. Date of Injury 5/31/2021

Next, the board members reviewed the following correspondence from PERAC:

- PERAC memo #16/2021 Coronavirus Reopening Memo

Also, the board members reviewed other relative correspondence.

Then, Michael Dwyer and Jeffrey Fabrizio of Wainwright Investment Counsel joined the meeting. To begin, Mr. Dwyer directed the board members to the performance summary report for the month of April, and Mr. Fabrizio reviewed the plan results. Through the end of April, the plan's estimated market value was approximately \$183.0 million. Year-to-date, the plan is up 9.24% versus the policy benchmark which is up 6.87%. Compared to its policy benchmark (up 13.05%), the domestic equity sector (up 12.73%) is behind. The international equity sector (up 9.09%) is ahead of its benchmark (up 7.01%) with both Dimensional Fund Advisors and HGK Trinity Street outperforming their respective benchmarks. The domestic fixed income strategy (down 1.47%) is slightly ahead of its benchmark (down 2.07%). As interest rates increase, fixed income will decline, and the performance of these funds is not unexpected as most of these investments, apart from Lord Abbett High Yield, are indexed. Year-to-date, the performance of the real estate sector is up 5.20% versus a benchmark that is up 1.72%. At present, the real estate funds, except for Metropolitan, are ahead of the benchmark. Due to the nature of the investments within the private equity sector, these returns are stated with as much as a two-quarter lag. Yet, this sector is estimated to be up 13.16% versus a benchmark that is presently at 0.00%. Currently, Hamilton Lane Secondary Fund IV and P.R.I.T. Private Equity VY2018 are the two largest private equity investments within this portfolio, and Hamilton Lane Secondary Fund IV, Lexington Capital Fund VII and P.R.I.T. Private Equity VY2018 are the funds that have demonstrated a solid positive return for the period. For the year, the P.R.I.T. Absolute Return Fund is up 6.82% versus a benchmark that is up 4.25%. Lastly, the cash balance is approximately \$6.6 million. Wainwright Investment Counsel noted that they are "very happy with the performance of the portfolio".

Mr. Dwyer then noted for the board members that the remainder of their time today would focus on interviews with the remaining two finalists that have submitted “highly advantageous” responses to the R.F.P. for the Foreign Developed Market Equity asset class.

Matthew Kosara of H.G.K. Asset Management then joined the meeting by video to present their international equity fund. To begin, Mr. Kosara noted that they are greatly honored to be included in this search. He thanked the board members for their confidence in his firm and for the relationship that has been shared. He noted that their firm is 100% employee-owned with long tenured investment professionals. He reviewed their organizational chart as well as their Trinity Street relationship. He discussed their investment philosophy and process, their risk controls and their performance. Lastly, he provided some global insights. After some additional discussion with the board members, Mr. Kosara ended his meeting with the board members.

Next to join the meeting via video and present their proposed product were Michael Mammes and Brendan McAndrews from Dimensional Fund Advisors. Their proposed product is the DFA International Core Equity Fund. Mr. Mammes started with an update of their firm. He emphasized their expertise...adding value over benchmarks and peers through cost-efficient portfolio management, design, and trading. He noted their consistent investment philosophy, their expertise in portfolio implementation and their robust and evolving capabilities. Mr. McAndrews then discussed their international core equity portfolio including the characteristics, the country allocations, their sector allocations and their performance. In closing, Mr. Mammes and Mr. McAndrews thanked the board members for their consideration and ended their meeting with the board members.

Mr. Fabrizio then reviewed with the board members the presentations from the four “highly advantageous” investment managers that are being considered. After some discussion and on the recommendation of Wainwright Investment Counsel, the board members entertained a motion to accept the recommendation of Wainwright Investment Counsel to renew the existing relationships with both Dimensional Fund Advisors and HGK Asset Management. In addition, their recommendation is to rebalance the portfolio to fund an international equity index strategy by expanding the relationship with RhumbLine Advisers.

Mr. Slivinski moved to accept the recommendation of Wainwright Investment Counsel to renew the existing relationships with both Dimensional Fund Advisors and HGK Asset Management. In addition, their recommendation is to rebalance the portfolio to fund an international equity index strategy by expanding the relationship with RhumbLine Advisers. Mr. O’Malley seconded the motion, all board members present voted in the affirmative.

Next, Terenzio Volpicelli from Roselli, Clark & Associates joined the meeting by video to discuss with the board members the 2020 financial statement provided as part of their annual financial audit. He reviewed the engagement letter and noted for the board members that their firm was tasked with conducting a financial audit which is different from a compliance audit. Their audit is designed to express an opinion on the financial records taken as a whole which they did find to present fairly. He noted that it was a good audit, and they did not find any material deficiencies.

The current year increase in fiduciary net position was approximately \$8.6 million lower than the prior year, but still very respectable. The system's investment performance, net of management fees, was nearly 9.7% versus 17.5% in 2019; however, the 2020 net investment return did exceed its long-term expected discount rate which is 7.25%. He did note that although the system has been successful in garnering the yields necessary to achieve fully funded status in the required timeframe, the system (like so many other institutional investors) has experienced a great deal of volatility in its investments. The belief is that the volatility in the worldwide markets may continue for the foreseeable future, particularly as U.S. and global governments and markets address the COVID-19 pandemic. Still, the system's positive investment performance for the year ended December 31, 2020 permitted it to maintain an approximately 73% funded ratio. After some additional discussion, Mr. Volpicelli ended his meeting and the board members entertained a motion to accept the Report on Examination of Basic Financial Statements for Year-Ended December 31, 2020 that was conducted by the auditing firm of Roselli, Clark and Associates.

Ms. Philbin moved to accept the Report on Examination of Basic Financial Statements for Year-Ended December 31, 2020 that was conducted by the auditing firm of Roselli, Clark and Associates. 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.

Then, Attorney Poser noted that there is no new activity to report in either of the pending legal matters:

- *Kevin Murphy v. Falmouth Retirement Board*, CR-20-0453
- *Daniel Donahue v. Falmouth Retirement Board*, CR-21-0048

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

Mr. O'Malley moved to adjourn the open session meeting. Ms. Philbin seconded the motion, all board members present voted in the affirmative.

At approximately 3:20 p.m., the board members concluded the open session meeting.

The next scheduled board meeting will begin at 2:00 p.m. on Thursday, July 22, 2021 at the office of the Falmouth Retirement System which is located at 80 Davis Straits, Suite 102 in Falmouth, MA.

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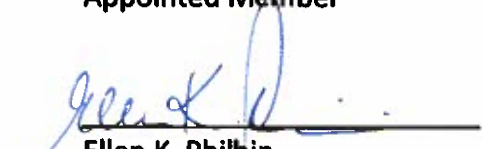
ATTEST:



Russell R. Ferreira
Chairman, Elected Member



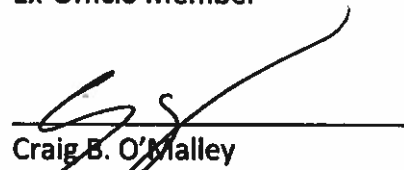
Paul J. Slivinski
Appointed Member



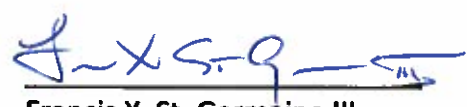
Ellen K. Philbin
Vice Chairman, Fifth Member

ABSENT

Jennifer P. Mullen
Ex-Officio Member



Craig B. O'Malley
Elected Member



Francis X. St. Germaine III
Director