

FALMOUTH RETIREMENT BOARD

Open Session Meeting Minutes

Thursday, April 20, 2017

Board members in attendance: Russell R. Ferreira, Chairman; Ellen K. Philbin, Vice Chairman; and Jennifer P. Petit

Board members in absence: 2nd Elected Member (vacant) and Gary W. Anderson

Staff members in attendance: Francis St. Germaine and Dommonique Domino both of whom recorded the minutes of the meeting

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

At approximately 2:00 p.m., Chairman Ferreira called the meeting to order, and it was noted that the Town Treasurer, Patricia O'Connell, could not be in attendance at today's board meeting. The board members then reviewed the meeting minutes of both the open session meeting and the executive session meeting that was held on March 16, 2017. After some discussion, the board members entertained a motion to approve the meeting minutes of both the open session meeting and the executive session meeting that was held on March 16, 2017.

Ms. Philbin moved to approve the meeting minutes of both the open session meeting and the executive session meeting that was held on March 16, 2017. Ms. Petit seconded the motion, all board members present voted in the affirmative.

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

Warrant #14/2017	\$ 3,111.20	Warrant #15/2017	\$ 3,361.20
Warrant #16/2017	\$1,041,949.04	Warrant #17/2017	\$ 3,111.20
Warrant #18/2017	\$ 3,111.20	Warrant #19/2017	\$232,976.82

After some discussion, the board members entertained a motion to approve the payments, as noted, of the above-mentioned warrants, #14/2017 through #19/2017.

Ms. Philbin moved to approve the payments, as noted, of the above-mentioned warrants, #14/2017 through #19/2017. Ms. Petit seconded the motion, all board members present voted in the affirmative.

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

- State Street Corporation, February 2017 custodial fee \$ 5,497.95
- Wainwright Investment Counsel, 1st QTR 2017 consultant fee \$ 25,000.00
- RhumbLine Advisers (Growth), 1st QTR 2017 management fee \$ 921.00
- RhumbLine Advisers (Value), 1st QTR 2017 management fee \$ 1,120.00

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. Ms. Petit seconded the motion, all board members present voted in the affirmative.

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

- Mesirow Financial, capital call due 3/31/2017 \$ 30,000.00

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

Ms. Petit 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:

- Siguler Guff & Company, a distribution in the amount of \$86,082.32 on 3/13/2017
- Intercontinental Real Estate, a distribution in the amount of \$25,711.53 on 3/17/2017
- Mesirow Financial, a distribution in the amount of \$45,000.00 on 3/31/2017
- Lexington Capital Fund V, a distribution in the amount of \$6,048.00 on 3/31/2017
- Lexington Capital Fund VII, a distribution in the amount of \$64,088.00 on 3/31/2017

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

- Alec J. Turner; amount of transfer is \$7,134.54; resignation from service with the Town of Falmouth, Marine & Environmental Services Department
- Brian C. Walker; amount of transfer is \$17,894.56; resignation from service with the Town of Falmouth, Fire Rescue Department

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

Ms. Philbin moved to approve the requests of the above-mentioned former members of the Falmouth Retirement System for a return / transfer of their accumulated deductions. Ms. Petit seconded the motion, all board members present voted in the affirmative.

Next, the board members considered the following requests for 3(8)(c) liability:

- Robert Tavares; deny 3(8)(c) liability request from Barnstable County Retirement System; non-membership service with the Town of Falmouth
- Terry L. Cotton; accept 3(8)(c) liability request from Boston Retirement System (*upon repayment of this refunded service, the Falmouth Retirement System will accept 4 years and 2 months of 3(8)(c) liability on a 12-month basis*)

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

Ms. Philbin moved to approve, as recommended, the above-mentioned requests for 3(8)(c) liability. Ms. Petit 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:

- Thomas M. Pucci; retired on 3/1/2017 from the Town of Falmouth, Information Technology Department
- Donna Lima; 12(2)(d) beneficiary of Daniel E. Lima; Town of Falmouth, Falmouth Public Schools

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

- Sawyer G. Fallin-Hornsberg; Laborer, Town of Falmouth, D.P.W. Highway Division, Group One; DOM 3/22/2017, 9% + 2%
- Christie C. Couch; Technical Services Assistant, Town of Falmouth, Falmouth Public Library, Group One; DOM 3/27/2017, 9% + 2%
- Paula F. Cushman; Principal Office Assistant, Town of Falmouth, Marine & Environmental Services Department, Group One; DOM 4/3/2017, 9% + 2%
- Anthony J. DePrizio; I.T. Technician, Town of Falmouth, Information Technology Department, Group One; DOM 4/10/2017, 9% + 2%

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

- Sawyer G. Fallin-Hornsberg; Laborer, Town of Falmouth, D.P.W. Highway Division; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$828.41

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

Ms. Philbin moved to approve, as recommended, the request of the above-mentioned member to purchase his service prior to membership with the Falmouth Retirement System. Ms. Petit seconded the motion, all board members present voted in the affirmative.

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

- Annette M. Hutchinson; Bus Aide, Town of Falmouth, Falmouth Public Schools; Group One; while assisting a pre-school child, employee slipped on ice and injured her right shoulder, her right hip, her neck and her back. Date of Injury 2/13/2017
- Bryan C. Hazelton; Police Officer, Town of Falmouth, Police Department; Group Four; while entering the police vehicle after completing a police call, employee fell and injured his left ankle. Date of Injury 2/28/2017
- Brian D. Pecci; Firefighter, Town of Falmouth, Fire Rescue Department; Group Four; while performing CPR, employee was exposed to vomit from the patient. Date of Injury 3/5/2017
- Wilfer Gomez; Custodian, Town of Falmouth, D.P.W. Facilities Maintenance Division; Group One; while buffing the floor, employee strained his back. Date of Injury 3/9/2017
- Jennifer F. Falcone; 1:1 Special Education Aide, Town of Falmouth, Falmouth Public Schools; Group One; while lifting a student into a chair, employee strained her lower back. Date of Injury 3/15/2017
- Michael L. Reghitto; Treatment Plant Operator, Town of Falmouth, D.P.W. Water Division; Group One; while receiving a chemical delivery at the treatment plant, employee suffered chemical burns to his legs. Date of Injury 3/31/2017

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

- PERAC memo #16/2017 Tobacco Company List
- PERAC memo #17/2017 Mandatory Retirement Board Member Training - 2nd Quarter 2017

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 introduced Paul Todisco of the P.R.I.M. Board so that he could give a brief presentation on their hedge fund portfolio as part of P.E.R.A.C.'s annual investment manager review. In addition, he has been asked to provide a short presentation on their real estate portfolio. Mr. Todisco began with a P.R.I.T. fund overview. He noted their oversight & staffing, their core fund facts, and their key P.R.I.M. initiatives. He reviewed their board membership and their committee membership. In addition, he provided a brief organizational update. He discussed at length their hedge fund portfolios including their asset allocation, their performance summary and their plan highlights. As of December 31, 2016, the Falmouth Retirement System had a total

investment in the P.R.I.T. fund with a market value of approximately \$11.6 million, and overall, the hedge funds program accounted for approximately \$5.6 billion of the P.R.I.M. board portfolio.

Mr. Todisco then discussed with the board members the real estate and timberland portfolio of the P.R.I.M. board. Although these two portfolios are often discussed jointly, he noted that each has its own separate portfolio and that he would focus his comments solely on the real estate fund. The real estate program accounts for approximately \$6.2 billion of the P.R.I.M. board portfolio. He noted their asset allocation, their performance, and their exposure by property type & region. Lastly, he discussed some of their key initiatives and plan highlights for their real estate portfolio. After some additional discussion with the board members, Mr. Todisco exited the meeting.

Next, Mr. Dwyer distributed to the board members the performance summary report for the month of February, and Mr. Fabrizio reviewed the plan results. Through the end of February, the plan's estimated market value was approximately \$130.5 million. Year-to-date, the plan is up 3.67% versus the policy benchmark which is up 2.62%. Compared to its policy benchmark, the domestic equity sector (up 5.23%) is doing very well with a solid performance from RhumbLine Growth and Seizert Capital Partners. Both are well ahead of their benchmarks to begin the year. The international equity sector (up 5.57%) is ahead of its benchmark (up 4.67%) as HGK/Trinity Street and LMCG Investments begin the year as the strength of this sector. The domestic fixed income strategy (up 1.02%) is on par with its benchmark (up 1.02%) which is to be expected as these investments are indexed. Baring Asset Management, the international fixed income strategy, begins the year with a positive performance. This sector is up 2.14% versus its benchmark which is up 1.40%. To begin the year, the performance of the real estate sector is up 2.25% versus a benchmark that is 0.00%. At the moment, Metropolitan Real Estate and Dimensional Fund Advisors are the two real estate investments that have recorded a fairly decent return and the Intercontinental Real Estate investment is in the process of being closed. Due to the nature of the investments within the private equity sector, the returns are stated with a lag; however, to-date, the private equity sector is estimated to be up 1.13% versus a benchmark that is 0.00%. For the year, the P.R.I.T. fund is up 2.23% versus a benchmark that is up 1.89%. Lastly, the cash balance is approximately \$4.0 million. Wainwright Investment Counsel noted that "growth is starting to outperform value" and "this portfolio is doing very well....at the moment, it seems to be firing on all cylinders."

Mr. Dwyer and Mr. Fabrizio then discussed with the board members a proposed rebalance of the portfolio. Their recommendation to rebalance the portfolio is that the Falmouth Retirement System liquidate funds as follows:

- \$500,000.00 from RhumbLine Advisors Value
- \$500,000.00 from RhumbLine Advisors Growth
- \$2,000,000.00 from Earnest Partners
- \$1,350,000.00 from cash

Their recommendation is that the Falmouth Retirement System invest these funds as follows:

- \$2,600,000.00 to the P.R.I.T. Real Estate Fund
- \$1,750,000.00 to the P.R.I.T. Absolute Return Fund

As part of their proposed rebalance, there would be an allocation of funds to a new real estate investment. After some discussion, the board members entertained a motion to accept the recommendation from Wainwright Investment Counsel to rebalance the portfolio as outlined and to allocate funds to a new investment in the P.R.I.T. real estate portfolio.

Ms. Petit moved to accept the recommendation from Wainwright Investment Counsel to rebalance the portfolio as outlined and to allocate funds to a new investment in the P.R.I.T. real estate portfolio. Ms. Philbin 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, the Director reminded each of the board members that their Statement of Financial Interests for Calendar Year 2016 will be due by May 1, 2017. Once the board members have completed this form, as has been done in past years, the retirement system will FedEx to P.E.R.A.C. all of their forms so that there is a record of receipt.

Then, the Director noted for the board members PERAC memo #05/2017 regarding the FY 2018 C.O.L.A. increase. After some discussion, the board members entertained a motion to send to the Board of Selectmen a letter notifying them of the Falmouth Retirement Board's intention to consider, at the May board meeting, increasing to 3.0% the FY 2018 cost-of-living adjustment on a retirement allowance.

Ms. Philbin moved to send to the Board of Selectmen a letter notifying them of the Falmouth Retirement Board's intention to consider, at their May board meeting, increasing to 3.0% the FY 2018 cost-of-living adjustment on a retirement allowance. Ms. Petit seconded the motion, all board members present voted in the affirmative.

The board members then reviewed the 2016 Annual Statement of the Falmouth Retirement System that is to be submitted to P.E.R.A.C. After some discussion, the board members entertained a motion to approve the 2016 Annual Statement of the Falmouth Retirement System that is to be submitted to P.E.R.A.C.

Ms. Philbin moved to approve the 2016 Annual Statement of the Falmouth Retirement System that is to be submitted to P.E.R.A.C. Ms. Petit seconded the motion, all board members present voted in the affirmative.

Next, the Director reviewed for the board members the proposed contract extension between the Falmouth Retirement Board and Roselli, Clark & Associates for their services to conduct the annual

financial audit. This proposed contract extension is necessary so that the retirement system will remain in compliance with Chapter 176 of the Acts of 2011 and Section 54 of Chapter 46 of the Acts of 2015. After some discussion, the board members entertained a motion to accept the proposed contract extension between the Falmouth Retirement Board and Roselli, Clark & Associates.

Ms. Philbin moved to accept the proposed contract extension between the Falmouth Retirement Board and Roselli, Clark & Associates. Ms. Petit seconded the motion, all board members present voted in the affirmative.

Then, the Director noted that the Falmouth Retirement System will have a table at the annual Town of Falmouth Health & Benefits Fair which is to be held on May 3rd at the recreation center.

The board members then considered the upcoming spring M.A.C.R.S. conference to be held in Hyannis, MA from June 5, 2017 through June 7, 2017. It was noted that, at this time, the agenda was not available, but as has been the case in years past, certain sessions are expected to be approved by P.E.R.A.C. for board member C.E.U. training credits. After some discussion, the board members entertained a motion to approve the associated conference fees with travel for any of the board members as well as the two staff members that would like to attend the spring conference.

Ms. Philbin moved to approve the associated conference fees with travel for any of the board members as well as the two staff members that would like to attend the spring conference.

Ms. Petit seconded the motion, all board members present voted in the affirmative.

Then, Attorney Poser noted for the board members that there is no new information to report in the pending legal matter of *Kevin Murphy v. Falmouth Retirement Board*, CR-15-677. However, in the pending legal matter of *Karen Kraus v. Falmouth Retirement System*, CR-16-288, we have received from D.A.L.A. the *First Pre-Hearing Order* with our *Pre-hearing Memorandum* due on or before April 4, 2017. We timely submitted our *Pre-hearing Memorandum* and requested a *Motion for Summary Decision*.

Next, the Director noted for the board members that one individual has not returned their annual verification form. The form has been mailed to this individual multiple times with several follow-up phone calls. Thus, the Director is requesting that the board members vote to suspend the monthly retirement check until this individual is in compliance with the annual verification process. After some discussion, the board members entertained a motion to suspend the monthly retirement check until this individual has complied with the annual verification process.

Ms. Philbin moved to suspend the monthly retirement check until this individual has complied with the annual verification process. Ms. Petit seconded the motion, all board members present voted in the affirmative.

Then, the Director discussed with the board members a proposed document scanning project and an employee self-service module. These additional services are being delivered by P.T.G. with the proposed document scanning being provided through their partnership with Morgan Records

Management. The Director reviewed with the board members several options with their estimated costs. It was suggested that the retirement system contract with P.T.G. to scan and host all system documents (to include membership files, financials, etc.). The proposed document scanning would be conducted off-site and the scanned documents would be returned to the retirement system. The cost is estimated to be \$35,000.00 which would also include the employee self-service module. After some discussion, the board members entertained a motion to contract with P.T.G., as suggested, to scan & host all retirement system documents as well as to include the employee self-service module.

Ms. Philbin moved to contract with P.T.G., as suggested, to scan & host all retirement system documents as well as to include the employee self-service module. Ms. Petit 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 meeting.

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

At approximately 3:15 p.m., the board members concluded the open meeting.

The next scheduled board meeting will begin at 2:00 p.m. on Thursday, May 25, 2017 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

ABSENT

Gary W. Anderson
Appointed Member

VACANT

Elected Member



Ellen K. Philbin
Vice Chairman, Fifth Member



Francis X. St. Germaine III
Director