

FALMOUTH RETIREMENT BOARD
Open Session Meeting Minutes
Thursday, January 19, 2017

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

Board members in absence: Paul D. Brodeur (excused - medical) 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 the Town Treasurer, Patricia O'Connell, joined the meeting. She reviewed for the board members the monthly reconciliation of the cash accounts for the month of November. Through the end of November, the Treasurer noted that the retirement system had receipts in the amount of \$941,878.04 and disbursements in the amount of \$946,298.24. She noted that the fund balance in the cash account is \$52,646.03. Also, it was noted that the check sequence for the month of November began with check #7659 and ended with check #7690, and there are no checks that were unaccounted for in the sequence for the month. 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. Ms. Petit seconded the motion, all board members present voted in the affirmative.

Then, the board members reviewed the meeting minutes of the open session meeting that was held on December 22, 2016. After some discussion, the board members entertained a motion to approve the meeting minutes of the open session meeting that was held on December 22, 2016.

Ms. Philbin moved to approve the meeting minutes of the open session meeting that was held on December 22, 2016. Ms. Petit seconded the motion, all board members present voted in the affirmative.

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

Warrant #64/2016	\$ 3,361.20	Warrant #65/2016	\$919,426.22
Warrant #01/2017	\$ 3,129.43	Warrant #02/2017	\$ 3,111.20
Warrant #03/2017	\$ 38,168.82		

The Chairman noted for the board members a change to the amount on Warrant #03/2017. The revised amount is \$38,168.82. After some discussion, the board members entertained a motion to approve the payments, as noted, of the following warrants, #64/2016 through #65/2016 and #01/2017 through #03/2017.

Ms. Philbin moved to approve the payments of the above-mentioned warrants, #64/2016 through #65/2016 and #01/2017 through #03/2017. Ms. Petit seconded the motion, all board members present voted in the affirmative.

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

- State Street Corporation, November 2016 custodial fee \$ 5,473.52
- RhumbLine Advisers (Growth), 4th QTR 2016 management fee \$ 851.00
- RhumbLine Advisers (Value), 4th QTR 2016 management fee \$ 1,053.00

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

Ms. Philbin moved to approve the payments 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 payment of the following capital call to investment managers:

- Mesirow Financial, capital call due 12/30/2016 \$ 7,500.00

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

Ms. Philbin moved to approve the payment of the above-mentioned capital call.
Ms. Petit seconded the motion, all board members present voted in the affirmative.

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

- INVESCO (Venture), a distribution in the amount of \$61,855.00 on 12/30/2016
- INVESCO (U.S. Buyout), a distribution in the amount of \$80,909.00 on 12/30/2016
- INVESCO (Non-U.S.), a distribution in the amount of \$18,476.00 on 12/30/2016
- Lexington Capital Fund V, a distribution in the amount of \$5,039.00 on 12/30/2016
- Lexington Capital Fund VII, a distribution in the amount of \$63,280.00 on 12/30/2016
- Mesirow Financial, a distribution in the amount of \$75,000.00 on 12/30/2016
- Intercontinental Real Estate, a distribution in the amount of \$202,985.73 on 1/18/2017

Next, the board members considered the request of the following former member of the Falmouth Retirement System for a return / transfer of her accumulated deductions:

- Deborah A. Gibson; amount of refund is \$19,546.00; termination from service with the Town of Falmouth, Falmouth Public Schools

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

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

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

- David M. Massi; Police Officer, Town of Falmouth, Police Department; Group Four; since confronting suicidal subject, employee has experienced stress related symptoms. Date of Injury 12/10/2016
- Timothy J. Brandt; Police Officer, Town of Falmouth, Police Department; Group Four; while engaged in annual training at the range, employee injured his upper lip and teeth. Date of Injury 12/14/2016
- Ryan P. Moore; Police Officer, Town of Falmouth, Police Department; Group Four; while playing soccer with students, employee fell and strained the left side of his back. Date of Injury 12/22/2016
- Robert A. Martino Jr.; Firefighter, Town of Falmouth, Fire Rescue Department; Group Four; while carrying a patient up a narrow set of basement stairs, employee experienced a sharp pain to his right elbow and right bicep. Date of Injury 1/2/2017

The board members next reviewed the following correspondence from PERAC:

- PERAC memo #30/2016 840 CMR 10:10(3) & 10:15(4) – Annual Review of Medical Testing Fee
- PERAC memo #01/2017 Updated Public Records Law (Chapter 121 of the Acts of 2016)
- PERAC memo #02/2017 The Binding Effect of PERAC's Memoranda on All Retirement Boards
- PERAC memo #03/2017 2017 Limits under Chapter 46 of the Acts of 2002
- PERAC memo #04/2017 2017 Limits under Section 23 of Chapter 131 of the Acts of 2010
- PERAC memo #05/2017 COLA Notice
- PERAC memo #06/2017 Mandatory Retirement Board Member Training - 1st Quarter 2017
- PERAC Report 2015 – Schedule 7 Fee Report

Attorney Poser noted for the board members the significance of both PERAC memo #01/2017 and PERAC memo #02/2017. After some additional discussion on PERAC memo #01/2017, the board members entertained a motion to designate the Director as the Records Access Officer (RAO) for the Falmouth Retirement System.

Ms. Philbin moved to designate the Director as the Records Access Officer (RAO) for the Falmouth Retirement System. Ms. Petit seconded the motion, all board members present voted in the affirmative.

Also, the board members reviewed other relative correspondence including Chapter 440 of the Acts of 2016.

Then, Michael Dwyer 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 he reviewed the plan results. Through the end of November, the plan's estimated market value was approximately \$122.4 million. Year-to-date, the plan is up 8.04% versus the policy benchmark which is up 7.41%. Compared to its policy benchmark, the domestic equity sector (up 17.01%) is doing very well with both Earnest Partners and Seizert Capital Partners well ahead of their benchmark for the year. The international equity sector (down 0.61%) is just ahead of its benchmark (down 1.99%) as Dimensional Fund Advisors continues to be the strength of this sector. The domestic fixed income strategy (up 3.54%) is on par with its benchmark (up 3.60%) which is to be expected as these investments are indexed. At this time, Baring Asset Management, the international fixed income strategy, is having a subdued year. This sector is up 0.94% versus its benchmark which is up 2.29%. Year-to-date, the performance of the real estate sector is up 3.66% versus a benchmark that is up 6.13%. At the moment, Principal and Dimensional Fund Advisors seem to be the strength of the portfolio within the real estate sector. Due to the nature of the investments within the private equity sector, the returns are stated with a lag; however, year-to-date, the private equity sector is up 2.60% versus a benchmark that is up 4.51%. For the year, the P.R.I.T. fund is up 3.35% versus a benchmark that is down 0.20%. Lastly, the cash balance is approximately \$1.3 million. With the performance of Seizert Capital Partners in mind, Wainwright Investment Counsel is recommending that the board members vote to remove Seizert Capital Partners from the current "watch list". After some discussion, the board members entertained a motion to remove Seizert Capital Partners from the current "watch list".

Ms. Philbin moved to remove Seizert Capital Partners from the current "watch list".

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

Mr. Dwyer then discussed with the board members a letter, dated December 15, 2016, from State Street Global Advisors seeking consent to amend the Agreement(s) of Trust of the grantor trust(s) that hold our organization's investment in the S.S.g.A. Common Trust Fund(s) to allow State Street Bank & Trust to appoint S.S.g.A. Trust Company as successor trustee of the grantor trust(s). In addition, State Street Bank & Trust is seeking consent to assign the Participation Agreement(s) that govern our investment in the Commingled Funds to S.S.g.A. Trust Company. This request is related to their obligations under the Dodd-Frank Act. Both Wainwright Investment Counsel and Attorney Poser did not have any issues with the granting consent. After some discussion, the board members entertained a motion to approve and sign the request for consent from State Street Global Advisors.

Ms. Philbin moved to approve and sign the request for consent from State Street Global Advisors. Ms. Petit seconded the motion, all board members present voted in the affirmative.

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

Next, the Director reviewed with the board members the draft results of the January 1, 2016 actuarial valuation which had been presented by Jim Lamenzo of P.E.R.A.C. at the last board meeting. He reminded the board members that, as of January 1, 2016, the unfunded liability of the Falmouth Retirement System is \$71.5 million versus the previous unfunded liability of \$68.0 million. He noted that the system's total actuarial accrued liability had increased to about \$190.4 million. The actuarial value of assets is approximately \$119.0 million, and the system's funded ratio (actuarial value) is at 62.5%. 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 7.50% versus prior investment return assumption of 7.75%) and a revised mortality assumption reflecting a fully generational table as people seem 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, he 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 many proposed appropriation funding schedules with payments which reflected a greater increase to the annual appropriation; however, these schedules provided some flexibility should this volatile economy once again spiral downward. Some funding schedules considered a slight increase to the C.O.L.A base (raising the base from \$12K to \$14K) and a single annual appropriation payment versus two equal installment payments each fiscal year. After some discussion, the board members entertained a motion to adopt "scenario E" with a \$14,000 COLA base and an appropriation payment made on July 1st with a final amortization payment made in FY 2033.

Ms. Petit moved to adopt "scenario E" with a \$14,000 COLA base 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.

In light of the adopted appropriation funding schedule, the Director then discussed with the board members the need to approve the new \$14,000 COLA base and to petition town meeting in order to increase the current \$12,000 COLA base to the new \$14,000 COLA base. After some discussion, the board members entertained a motion to approve a new \$14,000 COLA base and to petition the fall 2017 town meeting to increase the current \$12,000 COLA base to a new \$14,000 COLA base with the increase retro-active to July 1, 2017.

Ms. Petit moved to approve a new \$14,000 COLA base and to petition the fall 2017 town meeting to increase the current \$12,000 COLA base to a new \$14,000 COLA base with the

increase retro-active to July 1, 2017. Ms. Philbin seconded the motion, all board members present voted in the affirmative.

Next, the Director outlined for the board members a proposed CY 2017 budget of \$1,028,000.00. The board members reviewed the budget, and after some additional discussion, they entertained a motion to approve a CY 2017 budget of \$1,028,000.00.

Ms. Philbin moved to approve the CY 2017 budget of \$1,028,000.00. Ms. Petit seconded the motion, all board members present voted in the affirmative.

Then, Attorney Poser noted that there is no new information to report in either of the pending legal matters: *Kevin Murphy v. Falmouth Retirement Board*, CR-15-677 or *Karen Kraus v. Falmouth Retirement System*, CR-16-288.

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 2:45 p.m., the board members concluded the open meeting.

The next scheduled board meeting will begin at 11:00 a.m. on Thursday, February 23, 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

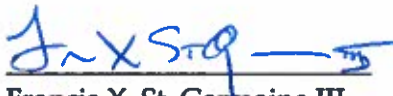
Gary W. Anderson
Appointed Member



Ellen K. Philbin
Fifth Member

EXCUSED

Paul D. Brodeur
Elected Member



Francis X. St. Germaine III
Director