

FALMOUTH RETIREMENT BOARD

Open Session Meeting Minutes

Thursday, October 20, 2016

Board members in attendance: Russell R. Ferreira, Chairman; Paul D. Brodeur; Gary W. Anderson; Jennifer P. Petit and Ellen K. Philbin (by telephone)

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. The Chairman noted for all that Ms. Philbin's current geographic location makes her physical attendance at today's board meeting unreasonably difficult, and therefore, it has been determined that her remote participation is permissible. The Town Treasurer, Patricia O'Connell, then joined the meeting and she reviewed for the board members the monthly reconciliation of the cash accounts for the months of August and September. Through the end of September, the Treasurer noted that the retirement system had receipts in the amount of \$982,255.87 and disbursements in the amount of \$983,502.70. She noted that the fund balance in the cash account was \$12,287.05. Also, it was noted that the check sequence for the month of August began with check #7554 and ended with check #7589, and the check sequence for the month of September began with check #7590 and ended with check #7626. There are no checks that were unaccounted for in the sequence for either month. After some discussion, the board members entertained a motion to accept the report from the Office of the Treasurer.

Mr. Brodeur moved to accept the report from the Office of the Treasurer. Mr. Anderson seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

Next, the board members reviewed the meeting minutes of the open session meeting that was held on September 8, 2016. After some discussion, the board members entertained a motion to approve the meeting minutes of the open session meeting that was held on September 8, 2016.

Ms. Philbin moved to approve the meeting minutes of the open session meeting that was held on September 8, 2016. Ms. Petit seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES

Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

Then, the board members reviewed the following warrants:

Warrant #46/2016	\$ 3,111.20	Warrant #47/2016	\$ 4,687.58
Warrant #48/2016	\$ 3,111.20	Warrant #49/2016	\$920,192.38
Warrant #50/2016	\$ 3,111.20	Warrant #51/2016	\$ 3,111.20
Warrant #52/2016	\$168,462.59		

The Chairman noted for the board members a change to the amount on Warrant #52/2016. The revised amount is \$168,462.59. After some discussion, the board members entertained a motion to approve the payment, as noted, of the following warrants, #46/2016 through #52/2016.

Ms. Petit moved to approve the payment, as noted, of the following warrants, #46/2016 through #52/2016. Mr. Brodeur seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

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

- Wainwright Investment Counsel, 3rd QTR 2016 consultant fee \$ 25,000.00
- State Street Corporation, July 2016 custodial fee \$ 5,327.17
- RhumbLine Advisers (Growth), 3rd QTR 2016 management fee \$ 855.00
- RhumbLine Advisers (Value), 3rd QTR 2016 management fee \$ 1,020.00
- Earnest Partners, 3rd QTR 2016 management fee \$ 41,893.57
- Seizert Capital Partners, 3rd QTR 2016 management fee \$ 9,151.00

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

Mr. Anderson moved to approve the payment of the above-mentioned investment fees. Mr. Brodeur seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES

Russell R. Ferreira, Chairman YES

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

- Mesirow Financial, capital call due 9/29/2016 \$ 30,000.00

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

Mr. Brodeur moved to approve the payment of the above-mentioned capital call.

Mr. Anderson seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

The board members then reviewed the following cash distributions from investment managers:

- Mesirow Financial, a distribution in the amount of \$67,500.00 on 9/29/2016
- Lexington Capital Fund V, a distribution in the amount of \$2,015.00 on 9/30/2016
- Lexington Capital Fund VII, a distribution in the amount of \$49,185.00 on 9/30/2016
- Metropolitan Real Estate, a distribution in the amount of \$49,501.68 on 10/3/2016

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

- Heather B. Harper; amount of transfer is \$158,620.19; resignation from service with the Town of Falmouth, Office of the Town Manager (*with this transfer, the Falmouth Retirement System will accept 20 years and 6 months of 3(8)(c) liability on a 12 month basis*)
- Eric L. Kraus; amount of refund is \$142.71; deductions taken in error by the Town of Falmouth, Police 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.

Mr. Brodeur 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. On roll call, the vote was as follows:

Ellen K. Philbin	YES
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Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

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

- Kristen K. Lawson; accept 3(8)(c) liability request from the Barnstable County Retirement System (*upon repayment of this refunded service, the Falmouth Retirement System will accept 1 year and 8 months of 3(8)(c) liability on a 12 month basis*)

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

Mr. Brodeur moved to accept the above-mentioned request for 3(8)(c) liability. Ms. Philbin seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

The board members then noted the following members retiring from service with the Town of Falmouth:

- Eric L. Kraus; retired on 8/10/2016, Town of Falmouth, Police Department
- Kenneth A. Souza; retired on 8/10/2016, Town of Falmouth, D.P.W. Highway Division

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

- Victoria L. Eisen; 1:1 Special Education Aide, Town of Falmouth, Falmouth Public Schools; Group One; DOM 8/30/2016, 9% + 2%
- Jo-Ann F. Brown; Secretary, Town of Falmouth, Falmouth Public Schools; Group One; DOM 9/6/2016, 9% + 2%
- Caroline N. Merrick; Special Education Teacher Assistant, Town of Falmouth, Falmouth Public Schools; Group One; DOM 9/16/2016, 9% + 2%
- Jill E. Allen; Communications Officer, Town of Falmouth, Communications Department; Group One, DOM 9/16/2016; 9% + 2%
- Valerie J. Thomas; Teacher Aide, Town of Falmouth, Falmouth Public Schools; Group One; DOM 9/19/2016, 9% + 2%
- Jessica H. Gow; Animal Control Officer, Town of Falmouth, Marine & Environmental Services Department; Group One, DOM 9/19/2016; 9% + 2%

- Sean M. Lowe; Communications Officer, Town of Falmouth, Communications Department; Group One, DOM 9/25/2016; 9% + 2%
- Kaitlin E. Kester, Communications Officer, Town of Falmouth, Communications Department; Group One, DOM 9/27/2016; 9% + 2%
- Christopher E. Taylor; Firefighter, Town of Falmouth, Fire Rescue Department; Group Four, DOM 9/29/2016; 9% + 2%
- Gregory W. Thomas; Firefighter, Town of Falmouth, Fire Rescue Department; Group Four, DOM 9/29/2016; 9% + 2%
- Cindy R. Jimenez; 1:1 Special Education Aide, Town of Falmouth, Falmouth Public Schools; Group One; DOM 10/3/2016, 9% + 2%
- Bryce R. Serriello; 1:1 Special Education Aide, Town of Falmouth, Falmouth Public Schools; Group One; DOM 10/3/2016, 9% + 2%
- Marilyn E. Phillips; Receptionist, Town of Falmouth, Falmouth Public Schools; Group One; DOM 10/6/2016, 9% + 2%
- Sharon A. Lennon; Teacher Aide, Town of Falmouth, Falmouth Public Schools; Group One; DOM 10/17/2016, 9% + 2%

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

- Tariesa A. Reine; Food Service Worker, Town of Falmouth, Falmouth Public Schools; request to purchase refunded service, prior to membership with the Falmouth Retirement System; principle amount due is \$6,149.50
- Tariesa A. Reine; Food Service Worker, Town of Falmouth, Falmouth Public Schools; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$3,837.74
- David J. Frye; Custodian, Town of Falmouth, Falmouth Public Schools; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$1,835.77
- Sean J. Bergman; Water Treatment Plant Operator, Town of Falmouth, D.P.W. Water Division; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$53,554.52
- Denise A. Sterner; Teacher Assistant, Town of Falmouth, Falmouth Public Schools; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$2,484.71
- Jill E. Allen; Communications Officer, Town of Falmouth, Communications Department; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$24,362.78
- Morgan M. DiNello; Bus Aide, Town of Falmouth, Falmouth Public Schools; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$219.67
- Cindy R. Jimenez; 1:1 Special Education Aide, Town of Falmouth, Falmouth Public Schools; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$642.85

- Timothy R. Smith; Deputy Fire Chief, Town of Falmouth, Fire Rescue Department; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$8,390.75
- Timothy R. Smith; Deputy Fire Chief, Town of Falmouth, Fire Rescue Department; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$385.78
- Stephanie L. Seales; Library Assistant, Town of Falmouth, Falmouth Public Library; request to purchase service, prior to membership with the Falmouth Retirement System; principle amount due is \$3,552.10
- Christopher G. Cowan; Firefighter, Town of Falmouth, Fire Rescue Department; request to purchase military service; prior to membership with the Falmouth Retirement System; principle amount due is \$18,553.42

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

Mr. Anderson moved to approve, as recommended, the requests of the above-mentioned members to purchase their service prior to membership with the Falmouth Retirement System. Mr. Brodeur seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

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

- Joshua R. Oliver; Police Officer, Town of Falmouth, Police Department; Group Four; while investigating a commercial alarm call, employee injured his right knee. Date of Injury 8/13/2016
- Ryan W. Hergt; Police Officer, Town of Falmouth, Police Department; Group Four; while directing traffic, employee injured his right ankle. Date of Injury 8/23/2016
- Richard E. DallaCosta; Mechanic, Town of Falmouth, D.P.W. Parks & Forestry Division; Group One; while removing a pin on the backhoe bucket, employee injured his left pinky finger. Date of Injury 8/23/2016
- Stephen P. Senior Jr.; Police Officer, Town of Falmouth, Police Department; Group Four; while returning to the police station, employee was involved in a motor vehicle accident and injured his forehead. Date of Injury 9/7/2016
- William J. Baldic; Laborer, Town of Falmouth, D.P.W. Waste Management Division; Group One; while walking to scan in a customer, employee was hit by a car and injured his left forearm. Date of Injury 9/8/2016

- James F. Porter II; Police Officer, Town of Falmouth, Police Department; Group Four; while attempting to place into custody a combative suspect, employee injured his neck. Date of Injury 9/23/2016

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

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| • PERAC memo #23/2016 | Tobacco Company List |
| • PERAC memo #24/2016 | Mandatory Retirement Board Member Training - 4 th Quarter 2016 |
| • PERAC memo #25/2016 | Other Post-Employment Benefits (OPEB) Summary |
| • PERAC memo #26/2016 | Appropriation Data Due October 31, 2016 |

Also, the board members reviewed other relative correspondence.

Next, Michael Dwyer and Jeffrey Fabrizio of Wainwright Investment Counsel joined the meeting. To start, J.E. Taylor III of Metropolitan Real Estate Partners was introduced to the board members so that he could give a brief presentation on their Distressed Co-Investment Fund as part of the annual review of investment managers required by P.E.R.A.C. He began by noting that they are part of the Carlyle Solutions Group, a segment of the Carlyle Group, which is a multi-manager platform of different alternative asset classes. His firm is the private real estate component of that platform. Metropolitan Real Estate Partners is able to make independent investment decisions with access to the many resources of the Carlyle Group. He noted for the board members that their senior investment team has, for the most part, remained the same, and that they will continue to act autonomously. He noted some global real estate market trends and discussed some investment themes or strategies. In terms of the fund, 97% of the capital has been called while 122% in distributions have been returned to their investors through Q4 2015. He provided the board members with a partnership summary of the fund including the performance, the projected net cash flow timing as well as the committed exposure and the current exposure. In closing, it was noted that the fund seems to be doing very well, and that they are extremely pleased to be able to tell their story. After some additional discussion with the board members, Mr. Taylor exited the meeting.

Then, 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 \$123.5 million. Year-to-date, the plan is up 7.01% versus the policy benchmark which is up 6.12%. Compared to its policy benchmark, the domestic equity sector is a bit ahead. Earnest Partners continues to have a strong year and it is ahead of its benchmark after another decent month. LMCG Investments and Seizert Capital Partners are trailing their benchmark, but both seem to be closing the performance gap. The international equity sector (up 1.82%) is just ahead of its benchmark (up 0.83%) with Dimensional Fund Advisors having decent performance for the month. The domestic fixed income strategy (up 6.49%) is on par with its benchmark (up 6.54%) which is to be expected as these investments are indexed. The international fixed income strategy, Baring Asset Management, is having a very solid year. This sector is up

11.79% versus its benchmark which is up 10.36%. Year-to-date, the performance of the real estate sector is up 8.83% versus a benchmark that is up 4.29%. At the moment, Dimensional Fund Advisors continues 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. Year-to-date, the private equity sector is up 0.78% versus a benchmark that is up 1.77%. For the year, the P.R.I.T. fund is up 1.08% versus a benchmark that is down 0.59%. Lastly, the cash balance is approximately \$2.0 million. It was noted that the retirement system would need an additional \$1.0 million in cash to cover the operating expenses for the remainder of the calendar year. Mr. Dwyer and Mr. Fabrizio suggested that these needed funds be redeemed from Earnest Partners. After some discussion, the board members entertained a motion to redeem \$1.0 million from Earnest Partners and transfer these needed funds to our cash account with State Street Bank.

Mr. Brodeur moved to redeem \$1.0 million from Earnest Partners and transfer these needed funds to our cash account with State Street Bank. Ms. Petit seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

Next, Mr. Fabrizio reviewed with the board members the responses received to the R.F.P. for up to \$5.0 million in private equity. He noted that the fund proposed by HarbourVest Partners had had its final close earlier in the week so this fund would no longer be a viable option. Still, if the board members have a willingness, there are some very good funds from which to choose. After some additional discussion and at the suggestion of Wainwright Investment Counsel, the board members entertained a motion to invite to the November board meeting StepStone Group, Lexington Capital Partners and Hamilton Lane Advisors so that each of them could present their proposed private equity fund.

Mr. Brodeur moved to invite to the November board meeting StepStone Group, Lexington Capital Partners and Hamilton Lane Advisors so that each of them could present their proposed private equity fund. Ms. Philbin seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

Mr. Dwyer then presented the board members with an amended consulting agreement which would extend their current contract, at their current annual fee, for an additional two years through December 31, 2018. After some additional discussion, the board members entertained a motion to approve the amended consulting agreement between Wainwright Investment Counsel and the Falmouth Retirement Board.

Mr. Brodeur moved to approve the amended consulting agreement between Wainwright Investment Counsel and the Falmouth Retirement Board. Ms. Philbin seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

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

Then, the Chairman skipped ahead to the financial audit report agenda item and Terenzio Volpicelli from Roselli, Clark & Associates joined the meeting to discuss with the board members the 2015 financial statement provided as part of their annual 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 did note several format changes in the presentation of the written financial report as well as the G.A.S.B. pronouncements, but other than these changes in presentation, he noted that it was a very good audit. Again, they did not find any material deficiencies, and thus, there is not a need to issue a management letter. After some discussion, Mr. Volpicelli exited the meeting and the board members entertained a motion to accept the Report on Examination of Basic Financial Statements for Year-Ended December 31, 2015 conducted by the auditing firm of Roselli, Clark & Associates.

Mr. Brodeur moved to accept the Report on Examination of Basic Financial Statements for Year-Ended December 31, 2015 conducted by the auditing firm of Roselli, Clark & Associates. Mr. Anderson seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

Next, the Chairman asked for a motion to leave the open meeting and to move into executive session for the purpose of discussing the reputation, the character, the physical condition, or the mental health of an individual.

Mr. Brodeur moved to leave the open meeting and to move into executive session for the purpose of discussing the reputation, the character, the physical condition, or the mental health of an individual. Ms. Philbin seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

At approximately 2:45 p.m., the board members left the open meeting and moved into executive session for the purpose of discussing the reputation, the character, the physical condition, or the mental health of an individual. At the conclusion of the executive session, as noted by Chairman Ferreira, the board members would reconvene their open meeting.

At approximately 2:55 p.m., the board members reconvened their open meeting, and the Director reviewed with the board members the quarterly education statement from P.E.R.A.C. for the period ending September 30, 2016.

Then, Attorney Poser provided the board members with an update on pending legal matters. It was noted that there has been no new information to report in the matter of *Kevin Murphy v. Falmouth Retirement Board*, CR-15-677 or in the matter of *Karen Kraus v. Falmouth Retirement System*, CR-16-288.

Attorney Poser then presented the board members with an amended fee agreement which would extend his current contract for an additional two years and increase his hourly rate from \$200.00 per hour to \$225.00 per hour. It was noted that, since his hire in 2007, his hourly rate had remained the same. Additionally, it was noted that, after conducting a brief survey, his new hourly rate was comparable to that paid by other retirement systems. After some additional discussion, the board members entertained a motion to approve the amended fee agreement between Attorney Poser and the Falmouth Retirement Board.

Ms. Philbin moved to approve the amended fee agreement between Attorney Poser and the Falmouth Retirement Board. Mr. Brodeur seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES

Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

Next, the Director noted for the board members that the current agreement for custodial banking services will expire on December 31, 2016. The options would be either to issue an R.F.P. for custodial banking services now or to extend the current agreement for up to two more years during which time an R.F.P. for custodial banking services would be issued. After some discussion, the board members entertained a motion to issue an R.F.P. for custodial banking services now to potentially replace the custodial banking services currently provided by State Street Bank.

Mr. Brodeur moved to issue an R.F.P. for custodial banking services now to potentially replace the custodial banking services currently provided by State Street Bank. Ms. Petit seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

Then, the Director provided the board members with an update on our current relationship with Citizens Bank. Previously, Citizens Bank had announced their intention to significantly adjust their pricing structure for the banking services associated with our cash account. The board members seemed to be of the opinion that, should Citizens Bank move forward and begin to collect the proposed fee increases, the retirement system would look to establish a relationship with another local bank. It was noted that Citizens Bank is now collecting their proposed fees on this operational cash account. So, after some discussion, the board members entertained a motion to authorize the Treasurer and the Director to conduct a search for local banking services to potentially replace the current operational banking services provided by Citizens Bank.

Mr. Anderson moved to authorize the Treasurer and the Director to conduct a search for local banking services to potentially replace the current operational banking services provided by Citizens Bank. Ms. Philbin seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

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

Mr. Brodeur moved to adjourn the open meeting. Ms. Petit seconded the motion. On roll call, the vote was as follows:

Ellen K. Philbin	YES
Jennifer P. Petit	YES
Gary W. Anderson	YES
Paul D. Brodeur	YES
Russell R. Ferreira, Chairman	YES

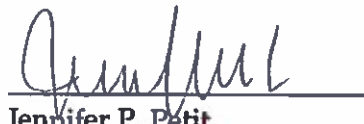
At approximately 3:10 p.m., the board members concluded the open meeting.

The next scheduled board meeting will begin at 2:00 p.m. on Thursday, November 17, 2016 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



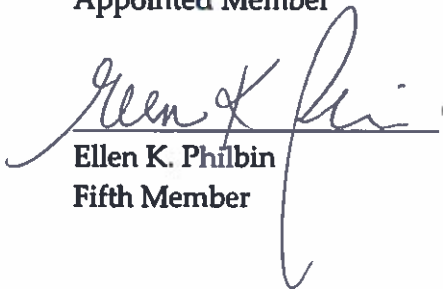
Jennifer P. Petit
Ex-Officio Member



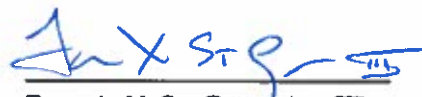
Gary W. Anderson
Appointed Member



Paul D. Brodeur
Elected Member



Ellen K. Philbin
Fifth Member



Francis X. St. Germaine III
Director