

A regular meeting of the Retirement Board was held at Town Hall, Wednesday January 9, 2019 at 3PM.

Members present: Wayne Marquis, Chairman; Steve Swanson, Fifth Member; Mike Hagan, Elected Member; Joe Collins, Elected Member; Cory Grace Ex-officio.

Others present: Rodney Conley, Director of Admin. and Finance; Susan Little (Retirement Manager); Cliff White and Isabelle Eckel (Investment Consultants).

Wayne read agenda item: Minutes of the November 28, 2018 and December 19, 2018 meetings to be accepted and signed. Wayne asked the Board if everyone has had a chance to review the minutes and if anyone would like to make a motion to accept the Minutes. **(Vote: Steve Swanson motioned with Joe Collins seconding and the Board unanimously approving).**

The Board unanimously approved the November 28, 2018 Executive Session minutes. **(Vote: Joe Collins motioned with Steve Swanson seconding and the Board unanimously approving).**

The Board unanimously approved the October Cashbooks **(Vote: Cory Grace motioned with Joe Collins seconding and the Board unanimously approving).**

The bills payable and payroll warrants were unanimously accepted and signed. **(Vote: Cory Grace motioned with Steve Swanson seconding and the Board unanimously approving).**

December Payroll 12312018	\$ 1,045,387.12
December Expenses	\$ 26,809.66

Purchases were unanimously accepted **(Vote: Mike Hagan motioned with Joe Collins seconding and the Board unanimously approving).**

Sales were unanimously accepted **(Vote: Cory Grace motioned with Steve Swanson seconding and the Board unanimously approving).**

#### SECURITIES PURCHASED:

##### BMO December

<u>377</u>	<u>Advanced Disposal Services Inc</u>	<u>107</u>	<u>Orthofix Medical Inc</u>
<u>1148</u>	<u>AMC Entertainment</u>	<u>241</u>	<u>PS Business Parks Inc</u>
<u>106</u>	<u>Conmed Corp</u>	<u>1021</u>	<u>Ryder System Inc</u>
<u>293</u>	<u>Cooper-Standard Holdings Inc</u>	<u>1286</u>	<u>Sanmina Corp</u>
<u>2593</u>	<u>Cousins Properties Inc</u>	<u>143</u>	<u>Saul Centers Inc</u>
<u>375</u>	<u>Enersys</u>	<u>711</u>	<u>ScanSource Inc</u>
<u>159</u>	<u>Enterprise Financial Services</u>	<u>513</u>	<u>Texas Capital Bancshares Inc</u>
<u>682</u>	<u>Iberiabank Corp</u>	<u>46</u>	<u>Unifirst Corp/MA</u>
<u>74</u>	<u>Matrix Service Co</u>	<u>769</u>	<u>Vera Bradley</u>
<u>1016</u>	<u>MSG Networks Inc</u>		

##### Twin December

<u>70</u>	<u>Berkshire Hathaway Inc</u>	<u>270</u>	<u>NXP Semiconductor NV</u>
<u>200</u>	<u>Microsoft Corp</u>	<u>300</u>	<u>Steris PLC</u>

**Hillswick November**

30000      US Treasury Note 1.625% 10/31/23

**Lyrical November**

2712      Arrow Electronics Inc

SECURITIES SOLD:

**BMO December**

<u>361</u>	<u>American Assets Trusts Inc</u>	<u>360</u>	<u>ICF International Inc</u>
<u>48</u>	<u>American Equity Investment Life Insurance</u>	<u>893</u>	<u>Independent Bank Corp/MI</u>
<u>299</u>	<u>Angiodynamics Inc</u>	<u>671</u>	<u>Iridium Communications Inc</u>
<u>85</u>	<u>Argo Group International Holdings</u>	<u>182</u>	<u>Merit Medical Systems Inc</u>
<u>109</u>	<u>Black Hills Corp</u>	<u>1429</u>	<u>Meritor Inc</u>
<u>1276</u>	<u>Cohu Inc</u>	<u>3730</u>	<u>RPT Realty</u>
<u>1277</u>	<u>Customers Bancorp Inc</u>	<u>2033</u>	<u>Southwestern Energy Co</u>
<u>113</u>	<u>Eagle Bancorp</u>	<u>4602</u>	<u>SRC Energy Inc</u>
<u>196</u>	<u>Emcor Group Inc</u>	<u>4578</u>	<u>Travelport</u>
<u>245</u>	<u>Exterran Corp</u>	<u>737</u>	<u>Treehouse Foods Inc</u>
<u>484</u>	<u>Franklin Financial Network Inc</u>	<u>348</u>	<u>Trico Bancshares</u>
<u>240</u>	<u>Horace Mann Educators Corp</u>	<u>1717</u>	<u>TTM Technologies Inc</u>

**Twin December**

<u>70</u>	<u>Anthem Inc</u>	<u>170</u>	<u>Jack Henry &amp; Associates Inc</u>
<u>650</u>	<u>Applied Materials Inc</u>	<u>100</u>	<u>Nvidia Corp</u>

**Twin November**

<u>30</u>	<u>Abvie Inc</u>	<u>100</u>	<u>International Game Technology</u>
<u>30</u>	<u>Accenture Plc</u>	<u>50</u>	<u>ITT Inc</u>
<u>30</u>	<u>Adobe Inc</u>	<u>30</u>	<u>Jack Henry &amp; Associates Inc</u>
<u>150</u>	<u>Ally Financial Inc</u>	<u>70</u>	<u>Johnson &amp; Johnson</u>
<u>10</u>	<u>Alphabet Inc-CI A</u>	<u>100</u>	<u>JP Morgan Chase &amp; Co</u>
<u>10</u>	<u>Amazon.com Inc</u>	<u>220</u>	<u>Kimco Realty Corp</u>
<u>30</u>	<u>Amgen Inc</u>	<u>50</u>	<u>Lazard Ltd</u>
<u>150</u>	<u>Annaly Capital Management Inc</u>	<u>30</u>	<u>Lear Corp</u>
<u>50</u>	<u>AO Smith Corp</u>	<u>50</u>	<u>Liberty Media Corp-Liberty Formula One</u>
<u>100</u>	<u>Apple Inc</u>	<u>50</u>	<u>Lincoln National Corp</u>
<u>50</u>	<u>Applied Materials Inc</u>	<u>150</u>	<u>Marathon Oil Corp</u>
<u>50</u>	<u>Archer-Daniels-Midland Inc</u>	<u>50</u>	<u>Marathon Petroleum Corp</u>
<u>30</u>	<u>Arrow Electronics Inc</u>	<u>100</u>	<u>Merck &amp; Co Inc</u>
<u>250</u>	<u>AT&amp;T Inc</u>	<u>70</u>	<u>Micron Technology Inc</u>

<u>50</u>	<u>Athene Holding Ltd</u>	<u>160</u>	<u>Microsoft Inc</u>
<u>30</u>	<u>Automatic Data Processing Inc</u>	<u>100</u>	<u>Mondelez International Inc</u>
<u>350</u>	<u>Bank of America Corp</u>	<u>50</u>	<u>National Instruments Corp</u>
<u>50</u>	<u>Baxter International Inc</u>	<u>50</u>	<u>Newmont Mining Corp</u>
<u>30</u>	<u>Berkshire Hathaway Inc</u>	<u>100</u>	<u>News Corp</u>
<u>100</u>	<u>Bristol-Myers Squibb Co</u>	<u>30</u>	<u>Nike Corp</u>
<u>30</u>	<u>CH Robinson Worldwide Inc</u>	<u>30</u>	<u>Occidental Petroleum Corp</u>
<u>70</u>	<u>Chevron Corp</u>	<u>100</u>	<u>OGE Energy Corp</u>
<u>100</u>	<u>Chimera Investment Corp</u>	<u>100</u>	<u>Old Republic International Corp</u>
<u>100</u>	<u>Cisco Systems Inc</u>	<u>100</u>	<u>Oracle Corp</u>
<u>150</u>	<u>Citigroup Inc</u>	<u>150</u>	<u>Paramount Group Inc</u>
<u>150</u>	<u>Coco-Cola Co</u>	<u>100</u>	<u>PepsiCo Inc</u>
<u>100</u>	<u>Comcast Corp</u>	<u>160</u>	<u>Pfizer Inc</u>
<u>100</u>	<u>ConocoPhillips</u>	<u>100</u>	<u>Proctor &amp; Gamble Co</u>
<u>30</u>	<u>Copart Inc</u>	<u>100</u>	<u>Prologis Inc</u>
<u>100</u>	<u>Cubsmart</u>	<u>70</u>	<u>Public Service Enterprise Group</u>
<u>30.12</u>	<u>CVS Health Corp</u>	<u>100</u>	<u>PulteGroup Inc</u>
<u>70</u>	<u>Darden Restaurants Inc</u>	<u>30</u>	<u>Regal Beloit Corp</u>
<u>100</u>	<u>Domtar Corp</u>	<u>30</u>	<u>Robert Half International Inc</u>
<u>30</u>	<u>Dover Corp</u>	<u>30</u>	<u>Salesforce.com Inc</u>
<u>100</u>	<u>DowDuPont Inc</u>	<u>30</u>	<u>Schlumberger Ltd</u>
<u>70</u>	<u>East West Bancorp Inc</u>	<u>20</u>	<u>Snap-On Inc</u>
<u>50</u>	<u>Eaton Corp Plc</u>	<u>50</u>	<u>Southwest Airline Co</u>
<u>30</u>	<u>Eli Lilly &amp; Co</u>	<u>70</u>	<u>Starbucks Corp</u>
<u>100</u>	<u>Exelon Corp</u>	<u>30</u>	<u>State Street Corp</u>
<u>70</u>	<u>Expeditors International of WA</u>	<u>70</u>	<u>Tyson Foods Inc</u>
<u>100</u>	<u>Exxon Mobil Corp</u>	<u>30</u>	<u>United Technologies Corp</u>
<u>50</u>	<u>Facebook Inc</u>	<u>30</u>	<u>UnitedHealth Group Inc</u>
<u>150</u>	<u>FirstEnergy Corp</u>	<u>30</u>	<u>Valero Energy Corp</u>
<u>30</u>	<u>FMC Corp</u>	<u>100</u>	<u>Verizon Communications Inc</u>
<u>30</u>	<u>Foot Locker Inc</u>	<u>50</u>	<u>Walgreens Boots Alliance Inc</u>
<u>100</u>	<u>Gap Inc</u>	<u>30</u>	<u>Walmart Inc</u>
<u>100</u>	<u>General Motors Co</u>	<u>70</u>	<u>Walt Disney Co</u>
<u>100</u>	<u>Gentex Corp</u>	<u>100</u>	<u>Wells Fargo &amp; Co</u>
<u>100</u>	<u>Hawaiian Electric Industries Inc</u>	<u>70</u>	<u>Williams-Sonoma Inc</u>
<u>150</u>	<u>Host Hotels &amp; Resorts Inc</u>	<u>30</u>	<u>Zendesk Inc</u>
<u>50</u>	<u>Ingersoll-Rand Plc</u>	<u>30</u>	<u>Zillow Group Inc</u>
<u>150</u>	<u>Intel Corp</u>		

The Board unanimously approved the following new members: **None**

The Board noted with sympathy the passing of **Bertram Russell**, Retired Police Officer, did 12/17/2018

The Board unanimously approve the following retirements: **None**

Approvals received from PERAC: **None**

Cliff White and Isabelle Eckel of MS/Graystone provided a review of the systems Investment Profile. Cliff recommends increasing the current investment policy target of alternatives from 12% to 22%. He explained this change will likely take 5 to 10 yrs. to be fully realized. Cliff explained they are also proposing to reduce the bond exposure from 20% to 18% and equities exposure from 61% to 52%. The 20-year forecast assumption increases the return from 9.1% to 9.5%, the volatility reducing from 10.6% to 10.5% and, the probability of loss reducing from 19.20% to 18%. Cliff explained he will provide a new Investment Policy with the proposed changes for the Board to vote on at the January 30<sup>th</sup> Board Meeting.

Cliff and Isabelle provided some educational information to the Board on Capital Markets, putting 2018 into context and MS/Graystones current outlook for 2019.

Cliff and Isabelle reviewed portfolio performance as of November 30, 2018 with a 1-month Return of -1.19 vs. the Strategic Benchmark of +.72% and a YTD return of -2.44% vs. the Strategic Benchmark of -.98%. Cliff and the Board discussed Lyrical's Performance with a 1 month return of +4.37 vs. the Russell 1000 Value benchmark of +2.99 and a YTD underperforming return of -7.56% vs. the benchmark of +1.48. Isabelle explained she spoke with the Morgan Stanley analyst and there have been no changes in the company. They will be meeting again in the 1<sup>st</sup> quarter and will update us after the meeting. Cliff explained he is still confident and recommends having patience with Lyrical. He also explained he recommends giving a manager a full market cycle (roughly 2 yrs.) provided there have not been any changes in the company and they have not deviated from what they were hired to do. He cautioned against the board adopting a firm rule for handling underperforming managers because it would have the undesirable effect of terminating a manager at the wrong time and realizing the underperformance loss. He explained he is still confident in Lyrical and wouldn't be surprised if in a couple of months, they are outperforming their benchmark. Wayne explained the Board would like to be kept apprised and would also like to know what happens at the 1<sup>st</sup> Quarter meeting.

Rodney Conley, Dir. of Admin. and Finance reviewed PERAC Memo's and other items of interest.

- PERAC Memo #2 - **Scheduled PERAC training in Danvers 3/21 10AM – 1PM (snow date 3/28).**

Rodney reviewed, and the Board unanimously approved the FY20 Retirement Budget (**Vote: Cory Grace motioned with Joe Collins seconding and the Board unanimously approving**).

4:05PM Cliff and Isabelle left the meeting. Board thanked them for their time.

Board reviewed and voted on the Accidental Disability Retirement Application of Robert Parsons.

Board voted with a roll call vote to go into Executive Session Pursuant to G.L. c. 30A, § 21(a) to discuss medical particulars (physical condition) of Robert Parsons (**roll call vote: Mike “yes”; Joe “yes”; Steve “yes; Wayne “yes”; Cory “yes”**).

Board voted to come out of Executive Session to vote on the accidental disability application (**roll call vote: Joe “yes”; Cory Grace “yes”; Mike “yes”; Steve “yes”; Wayne “yes”**).

Board voted unanimously to approve the Accidental Disability Retirement Application of Robert Parsons based on the medical panel results and pending PERAC legal review (**Vote: Cory Grace motioned with Steve Swanson seconding and the board unanimously approving**).

Meeting Adjourned: 4:25PM (**Cory Grace motioned with Joe Collins seconding and Board unanimously approving**).

NEXT MEETING: January 30, 2019

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Joseph Collins, Elected Member

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Michael Hagan, Elected Member

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Corinna Grace, Ex-Officio Member

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Wayne P. Marquis, Chairman

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Stephen Swanson, Fifth Member