

PLYMOUTH RETIREMENT BOARD
Friday, January 31, 2020
9:35 a.m.
212 South Meadow Road, Unit #3
Plymouth MA 02360

Chairman Thomas Kelley called the meeting to order at 9:35 a.m. in the conference room of the Plymouth Retirement Office. Present Board Members were Lynne Barrett, Gerald Coughlin, Shawn Duhamel, and Dale Webber. Also present were Attorney Michael Sacco, Wendy Cherry, and Karry Barros.

Section I: Regular Business

Minutes:

Minutes of November 22, 2019	Regular Meeting
Minutes of November 22, 2019	Executive Session
Minutes of December 20, 2019	Regular Meeting
Minutes of December 20, 2019	Executive Session

Ms. Barrett asked that the second paragraph of page 379 in the December 20, 2019, Executive Session Minutes be amended.

Ms. Barros confirmed that an error was made and will be corrected.

Motion to approve Minutes, adding the correction noted above, made by Ms. Barrett; Seconded by Mr. Coughlin. Unanimously voted.

Warrants:

Warrant #11 Dated November 30, 2019	\$ 3,729,416.95 Final
Warrant #12 Dated December 31, 2019	\$ 2,534,732.70 Partial
Warrant # 1 Dated January 31, 2020	\$ 358,936.68 Partial
Warrant # 2 Dated February 29, 2020	\$ 6,000.00 Partial

Trial Balance as of December 31, 2019	\$ 186,643,360.00
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Motion to approve Warrants as listed made by Mr. Webber; Seconded by Mr. Coughlin. Unanimously voted.

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New/Old Business:

Chairman Kelley asked the Board to approve letters of appreciation for two office staff members and have the letters entered into their file.

Motion to approve the letters of appreciation mentioned above made by Mr. Coughlin; Seconded by Mr. Webber. Unanimously voted.

Mr. Duhamel told Ms. Cherry and Ms. Barros that the care shown to our members is much appreciated. He added that the Board has received excellent feedback.

PERAC MEMO's:

Memo #1/2020:	Tobacco Company List
Memo #2/2020:	2018 Comparative Analysis Fee Report
Memo #3/2020:	Mandatory Retirement Board Member Training – 1 st Qtr 2020
Memo #4/2020:	Investment Consultant RFP's
Memo #5/2020:	2020 Limits under Chapter 46 of the Acts of 2002
Memo #6/2020:	2020 Limits under Section 23 of Chapter 131 of the Acts of 2010
Memo #7/2020:	COLA Notice
Memo #8/2020:	Actuarial Data
Memo #9/2020:	Buyback and Make-up Repayment Worksheets

The Board acknowledged the PERAC Memo's as listed.

Independent Audit:

Board to review and vote on draft Financial Statement for year ended December 31, 2018, & audit engagement letter for the years ended December 31, 2019, 2020, and 2021, with the option to extend for 2022, and 2023, at no additional cost.

Ms. Cherry explained to the Board that the current contract with Powers & Sullivan has expired and the new engagement letter covers the audits and preparation of Financial Statement for the period of December 31, 2019, 2020, and 2021. She added that should the Board approve extending out to 2022 and 2023, there will be no cost increase.

Motion to approve draft Financial Statement for year ended December 31, 2018, as well as engage in new contact covering the period of December 31, 2019, – December 31, 2023, made by Ms. Barrett; Seconded by Mr. Coughlin. Unanimously voted.

Next Meeting:

February 28, 2020

Attorney Sacco left the meeting at 9:38 a.m.

Section II: Investments:

Anthony Tranghese from FIA joined the meeting at 9:39 a.m.

Mr. Tranghese informed the Board that Fiduciary Investment Advisors (FIA) has decided to combine the Firm with another Institutional Consulting Firm, DiMeo Schneider & Associates, LLC (DSA). He explained that FIA manages approximately 80-85 Billion and DSA manages approximately 100 Billion. He added that there will be no layoffs to FIA's 85 employees or DSA's 100 employees. Mr. Tranghese told the Board that a privately held leading insurance brokerage and consulting Firm, NFP, will facilitate the transaction to combine the two Firms and will retain a similar ownership structure in the combined operations going forward. He informed the Board that in the short term, there will be no name change to the Firm, but they anticipate migrating to a DSA brand for the combined Firm that showcases their shared values later in 2020.

Motion to accept the merger between FIA & DSA and continue using the new combined Firm as the Board's Investment Advisors made by Ms. Barrett; Seconded by Mr. Duhamel. Unanimously voted.

Mr. Tranghese told the Board that he was going to give a quick review of the Flash Reports and look at the Preliminary Appropriation Cash Flow Worksheet before Beutel Goodman, Aristotle, and Boston Partners begin their interviews.

Mr. Tranghese told the Board that performance was good last year. The S& P was up over 30% and Bonds were positive. He informed the Board that they will receive a full detailed report next quarter. The total Fund was at \$197,999,222, as of December 2019. PRIT was at 16.2% (net of fees) for the year and we were at 18.3% for the year. Mr. Tranghese added that Plymouth has been modestly ahead of PRIT over the 10-year period.

Chairman Kelley asked if PRIT's Funding Schedule had been announced.

Mr. Duhamel answered that it will most likely be 7.1% or 7.2%, it still needs to be approved.

Mr. Tranghese told the Board that the OPEB Trust Fund was at \$6,616,897, as of December 31, 2019. He informed the Board that the OPEB Trust Fund was up 20% Year-to-Date through December 31, 2019, and it performed better than the pension fund.

Mr. Webber asked if the Town planned to lower their commitment to OPEB Funding.

Ms. Barrett informed Mr. Webber that the OPEB line item will reflect 1% of payroll which is the Town's commitment.

Chairman Kelley recommended a letter be sent to the Selectmen informing them of the 2019, returns.

Motion to send a letter to the Selectmen, Town Manager, and Finance Committee informing them of where the Retirement System stands financially and include the final 2019, reports made by Mr. Duhamel; Seconded by Mr. Webber. Unanimously voted.

Mr. Tranghese reviewed the Preliminary Cash Flow Worksheet for the FY/2021 Appropriation. He told the Board there is approximately \$10.8 Million to put to work of the total \$15.8 Million Appropriation. He explained that potentially, \$5.5 Million would go into Fixed Income, \$2.8 Million in Domestic Equity, \$1.5 Million in Real Estate, and \$1 Million in Hedge Funds.

Chairman Kelley stated the preliminary looks good for now.

Mr. Webber asked if other Board Members had received notification from PERAC regarding the annual reporting requirements.

Ms. Barrett answered that she received notification and documents are due May 1, 2020.

Mr. Tranghese provided the Board with Finalists Evaluations for the Domestic Large Cap Value RFP. The finalists include Aristotle, Beutel Goodman & Company, and Boston Partners.

The Board decided to review the remaining agenda items before beginning Manager interviews.

Section III: Membership:

Service Adjustment and Waiver Request:

Joseph McKenna retired from the Plymouth Fire Department on September 2, 2019. Mr. McKenna was a call Fire Fighter for the Town of Bourne (prior to his appointment on the Town of Plymouth Fire Department) and later was appointed as a full-time Fire Fighter with the Town of Bourne. He was laid off after six months of full-time permanent service with the Town of Bourne and returned to call service with the Town of Bourne until his full-time appointment with the Town of Plymouth on January 5, 1993. After Mr. McKenna's retirement we received notification from the Barnstable County Retirement Board that although in their original transfer letter, they listed all Mr. McKenna's call service, they would accept 3(8)(c) Liability for 3 years, 8 months and 16 days creditable service only, since he was not rehired to a full time position with the Town of Bourne Fire Department. A correction of negative 1 year and 6 months has been made to Mr. McKenna's creditable service reducing his retirement allowance by \$179.16 per month. Mr. McKenna was overpaid by \$702.41 from September 2, 2019, through December 31, 2019. Will the Board waive repayment of this overage as this error was not discovered until Mr. McKenna was retired?

Request for Waiver of Overpayment:

Donald Kearney, retired November 1, 2019, has been recalculated due to a 6 month buy back of services purchased in 2004, that was found to be service concurrent with his employment with the Town of Plymouth. Mr. Kearney is being refunded the amount he paid for this buy back, with interest, but has asked the Board to waive the overpayment of \$116.56 for the period of November 1 – December 31, 2019.

Ms. Cherry explained both waiver requests to the Board. She told the Board that Attorney Sacco gave two opinions, the more liberal one being that the Board has the discretion to waive due to the errors occurring prior to retirement.

Chairman Kelley recommended the Board waive both.

Motion to follow Attorney Sacco's more liberal opinion, waiving overpayment for Mr. McKenna and Mr. Kearney made by Ms. Barrett; Seconded by Mr. Coughlin. Unanimously voted.

New Hires:

Town:

- 9% Cristani, Craig, Group 4, Police Officer
Perm. Full-time: \$996.32 weekly
Start Date: January 6, 2020

- 9% Cristani, Jeffrey, Group 4, Police Officer
Perm. Full-time: \$996.32 weekly
Start Date: January 6, 2020

- 9% Fraccalossi, Micaela, Group 4, Police Officer
Perm. Full-time: \$996.32 weekly
Start Date: January 6, 2020

- 9% Kelleher, Kieran, Group 1, Local Health Inspector/Health Assistant
Perm. Full-time: 1,007.96 weekly
Start Date: January 21, 2020

- 9% Kierstead, Joshua, Group 4, Police Officer
Perm. Full-time: \$996.32 weekly
Start Date: January 6, 2020

- 9% Mansfield, Dillon, Group 4, Police Officer
Perm. Full-time: \$996.32 weekly
Start Date: January 6, 2020

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- 9% Mitchell, Eric, Group 4 Police Officer
Perm. Full-time: \$996.32 weekly
Start Date: January 6, 2020
- 9% Provo, Isabella, Group 1, Administrative Secretary-Collector's
Perm. Full-time: \$782.63 weekly
Start Date: January 16, 2020
- 9% Rash, Jessica, Group 4, Police Officer
Perm. Full-time: \$996.32 weekly
Start Date: January 6, 2020
- 9% Wentworth, Cameron, Group 1, Assistant Harbormaster
Perm. Full-time: \$1,046.68 weekly
Start Date: January 26, 2020

School:

- 9% Alves, Tyler, Group 1, Custodian
Perm. Full-time: \$1,623.19 bi-weekly
Start Date: December 23, 2019
- 9% Burgess, Tracy, Group 1, Paraeducator
Perm. Full-time: \$1,063.73 bi-weekly
Start Date: January 6, 2020

PHA:

- 9% Brodin, Karen, Group 1, Program Coordinator
Perm. Full-time: \$1,538.46 bi-weekly
Start Date: January 13, 2020
- 9% Robbins, Cari, Group 1, Program Coordinator
Perm. Full-time: \$1,538.46 bi-weekly
Start Date: January 13, 2020

Motion to accept Town, School, and PHA New Hires as listed made by Ms. Barrett; Seconded by Mr. Coughlin. Unanimously voted.

Retirements:

School:

Roderick, Bonnie A., Group 1, Custodian
Twenty-Four (24) Years, Five (5) Months Creditable Service
Superannuation Retirement, opt b
Retirement Date: February 14, 2020

Latosek, Kim D., Group 1, Library Paraprofessional
Twenty-Five (25) Years of Creditable Service
Superannuation Retirement, opt c
Retirement Date: March 30, 2020

Motion to accept School Retirements as listed made by Ms. Barrett; Seconded by Mr. Webber.
Unanimously voted.

Section II: Investments Continued:

Buetel Goodman-U.S. Large Cap Value:

Rui Cardoso, CFA and Craig Auwaerter CFA, joined the meeting and introduced themselves to the Board.

Mr. Auwaerter told the Board that he is the Relationship Manager and Mr. Cardoso leads the International and U.S. Team.

Mr. Webber asked if the term "Relationship Manager" is a new term.

Mr. Auwaerter explained that there are Relationship Managers (RM's) and Portfolio Managers (PM's) that are assigned to each relationship. Mr. Auwaerter continued by informing the Board that Buetel Goodman has been in business for five decades and is 51% owed by staff and 50% owned by their partner, Affiliated Managers Group (AMG). He described Buetel Goodman as a boutique Manager in Toronto with \$32.3 Billion in Assets Under Management. The Firm is primarily owned by employees who have to buy in, these employees stay because they are invested.

Mr. Cardoso told the Board that Buetel Goodman looks for 25-30 great businesses to invest in. He explained that preservation of capital is paramount to Buetel Goodman and their minimum total return requirement is 50% over three years. Their sell discipline seeks to capture gains and mitigate risk. Mr. Cardoso informed the Board that there is a focus on free cash flow which provides the benefits such as independence, financial flexibility, acquisitions, and dividends. He added that it takes three months for a stock to get into their portfolio, their review process takes two to three months.

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Mr. Auwaerter reviewed a list of all Buetel Goodman's holding and gave a brief annualized performance review as of December 31, 2019.

The Board thanked Mr. Cardoso and Mr. Auwaerter. They left the meeting at 10:35 a.m.

Aristotle Capital Management:

Keri Hepburn, Vice President and Aylon Ben-Shlomo, CFA joined the meeting and introduced themselves.

Ms. Hepburn told the Board, when she was in to interview last month, Aristotle had over \$30 Billion in Assets Under Management and now they have over \$36 Billion. She explained that their International Equity product hold 30-40 stocks while this product holds 40-45. She added that there are times when they have four companies in common.

Mr. Ben-Shlomo told the Board that Aristotle's U.S. Strategy has one dedicated Investment Team with 17 analysts covering all global sectors. They have one philosophy that is applied consistently which consists of four parts: to identify high-quality businesses, analyze businesses from a global perspective, invest with a long-term view, and construct focused, yet diversified, portfolios. Aristotle analyzes businesses using three criteria: High Quality, Attractive Valuation, and Compelling Catalyst.

Ms. Barrett asked how long their team spends researching a company.

Mr. Ben-Shlomo explained that the shortest amount of research time is five months. He added that if they are not willing to own 1% then they will own none and if willing to own 1%, then willing to own 100%. He clarified that Aristotle owns companies and not stocks.

Mr. Duhamel left the meeting at 10:45 a.m.

Mr. Ben-Shlomo reviewed a list of their Value Equity holdings.

Mr. Tranghese asked how Twitter met the quality criteria.

Mr. Ben-Shlomo explained that they view Twitter as a news source and threat to CNN, not just a social media vehicle. Twitter has over 145 million daily active users and a high-quality Management Team which is willing to clean up for the long term.

Ms. Barrett mentioned that she does not see that Aristotle owns any utilities.

Mr. Ben-Shlomo replied that they have owned utilities in the past but do not at this time.

Ms. Hepburn reviewed the rolling 3-year and rolling 5-year returns noting that over the long term, they outperformed 100% in all time periods.

Mr. Ben-Shlomo told the Board that when the Markets are tough, they hope to outperform and perform even better in down Markets.

The Board thanked Ms. Hepburn and Mr. Ben-Shlomo. They left the meeting at 11:00 a.m.

Boston Partners -Large Cap Value Equity:

John Forelli, CFA and Derek Dolan CFA joined the meeting and introduced themselves.

Mr. Dolan thanked the Board adding, he understands that Boston Partners is under review. He told the Board he would like to help them understand their recent performance. He explained that Boston Partners is a Value Equity Manager that manages long and short strategies. Adding value, this investment process is used across the Firm. He informed the Board that there have been no changes to operations or the investment process since they were hired in 2012. There have also been no key departures, the continuity of the Investment Team is a strength.

Mr. Forelli reviewed performance. He told the Board that for the second half of 2019, from July 1, 2019, thru December 31, 2019, the Fund was at 9.77% vs. the Russell 1000 Value Index at 8.86%, outperforming by .91%. He informed the Board that there was a nine (9) month slump which can be seen looking at the One-Year numbers of 23.53% vs. the benchmark at 26.54%. Mr. Forelli noted that with an initial investment of \$6,000,000, Boston Partners has more than doubled the investment with assets as of December 31, 2019, at \$12,294,257.

Mr. Forelli explained that there was a rough patch as of September 30, 2018, adding, it typically does not pay off to get rid of a Manager due to a slump. He told the Board that Boston Partners has been very consistent in performance and reminded that Board that they are a true Value Manager. He showed the Board a graph of Up and Down Markets (the entire period being 180 months) proving the composite outperformed the Index 59% of the time for that period.

Mr. Dolan told the Board that currently, Management Fees are in Share Class B charging .60 bps on total assets however, they are proposing changing to Share Class C dropping Management Fees to .50 bps on total assets. He added that historically, Boston Partners will get through this slump and significantly outperform the benchmark.

Mr. Forelli told the Board that the way you win in this business is to buy low and sell high, he added, he thinks the Board should stick with Boston Partners.

The Board thanked Mr. Forelli and Mr. Dolan. They left the meeting at 11:20 a.m.

Chairman Kelley shared that his feeling is, Aristotle is the key. They have the highest returns, low risk, and competitive fees.

Mr. Tranghese told the Board that of the three Managers, Boston Partners is a true Value Manager. The true definition of Value is cheaper.

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Value has outperformed over ten (10) years and over fifteen (15) years as well. Boston Partners is always a Value Manager. The question is, will the performance play out over the next ten years.

Mr. Coughlin mentioned that a true Value Manager like Boston Partners will perform better when there is a correction. He told the Board that he is leaning towards Aristotle or Beutel.

Ms. Barrett asked if hiring Aristotle would mean putting too many eggs in one basket.

Mr. Tranghese explained that it would equal approximately 12%, which is still a modest allocation. He added that if one underperforms then both would for that period but then there would be a correction.

Motion to hire Aristotle as Large Cap Value Manager made by Mr. Coughlin; Seconded by Mr. Webber.

Discussion:

Ms. Barrett informed the Board that she liked the length of time Beutel Goodman looks at potential companies. She noted that both Beutel and Aristotle say they own “business’s” while Boston Partner’s says “stocks.” She told the Board she is leaning towards Beutel and Aristotle however, if Aristotle floats to the top, she would lean towards them.

Motion stands. Unanimously voted.

Motion to terminate Boston Partners made by Ms. Barrett; Seconded by Mr. Coughlin. Unanimously voted.

Mr. Tranghese left the meeting at 11:35 a.m.

Next Meeting:

February 28, 2020

Adjourn:

Motion to adjourn Regular Meeting at 11:36 a.m. made by Mr. Webber; Seconded by Mr. Coughlin. Unanimously voted.

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Respectfully submitted,



Karry A. Barros
Assistant Director

Plymouth Retirement Board:

Mr. Thomas Kelley, Chairman

Lynne Barrett

Shawn Duhamel

Gerald Coughlin

Dale Webber

Dated: March 27, 2020