

FRANKLIN REGIONAL RETIREMENT SYSTEM
 BOARD MEETING MINUTES
 November 29, 2017

A meeting of the Franklin Regional Retirement Board, duly posted to be held in the Board office, 278 Main Street, Suite 311, Greenfield, MA., on the above date was called to order at 8:02 a.m. by Board Chair, Sandra Hanks with Board Members Paula Light, Paul Mokrzecki and Mary Stokarski present. Also present were Executive Director Dale Kowacki, Assistant Director Susan Bobe, and Auditor Deb Frenzoz.

Prior to and during the meeting, the following items were available for the Board's review: monthly financial statements, current investment statements, invoices, and member and retiree files related to items on the agenda.

A permanent copy of the agenda as presented to the Board, with the exception of those items that are restricted from public viewing, is on file in the retirement office.

Review and Acceptance of Meeting Minutes

On a motion made by M. Stokarski and second by P. Light, the Board voted unanimously to approve the minutes of the regular meeting held on October 31, 2017.

Payroll, Refunds, Transfers and Bills Warrants

On a motion made by P. Mokrzecki and second by P. Light, the Board voted unanimously to approve the warrants as follows:

Retirees Payroll	\$850,991.27
Refunds	25,189.01
Transfers	45,509.02
Invoices 11-17W	61,279.02
Invoices 00-18W	<u>1,125.00</u>
For a total of:	\$984,093.32

Cash Transfer between Investments and Bank

On a motion made by P. Light and a second by P. Mokrzecki, the Board, voted unanimously to transfer \$725,000 from PRIT Core Fund to Unibank to cover next month's warrants.

Membership

On a motion made by P. Light and second by P. Mokrzecki, the Board voted unanimously to approve the new members, new positions, and additional positions as follows:

<u>NAME</u>	<u>HIRE DATE</u>	<u>C.S. %</u>	<u>New %</u>	<u>UNIT</u>	<u>POSITION</u>
Bocon, Dorothy A	11/07/2017	60%		PNR	Assistant Data Coordinator

Brisson, Rebecca J	10/19/2017	100%	MOH	Para Professional
Chaudhri, Tahir M	10/23/2017	90%	PNR	Instructional Assistant
Gaier, Melanie	10/16/2017	50%	FCH	Housing Counselor
Gale, Andrea L	10/23/2017	90%	OGE	Assessor's Office Manager
Gorrell, Ray M	11/06/2017	100%	MOH	Maintenance Tech
Grincavitch, Jennifer L	10/23/2017	100%	FCH	Leased Housing Representative
Lengieza, Heather M	10/16/2017	70%	HLT	Cafeteria Assistant
Messina, Mark S	09/18/2017	90%	MNR	Para Professional
Modica, Kayla M	10/16/2017	90%	PNR	Instructional Assistant
Murray, Carolyn D	10/16/2017	100%	FCH	Homebase Administrator
Niles, Christie S	11/06/2017	100%	MOH	Secretary
Putnam, Daniel N	10/16/2017	90%	PNR	Instructional Assistant
Quinlan, Cara S	08/29/2017	100%	DER	Instructional Assistant
Royal, Sarah E	09/18/2017	100%	MNR	Behavior Aide/Para
Svoboda, Alexis M	10/30/2017	50%	MOH	Before and After School Coordinator
Thompson, Tami J	10/10/2017	100%	FRN	Instructional Assistant
Wallace, Jennifer K	10/30/2017	100%	DER	Town Clerk Assistant

New Positions

Saharceski, Tracy	12/04/2017	100%	ERV	Long-term substitute teacher
Bourassa, Kylee M	08/28/2017	100%	HLT	Teacher

Additional Position

Belder, Christine	07/03/2017	100%	DER	Summer Camp Counselor
Capuano, Timothy	09/18/2017	100%	SND	OST Teacher
Capuano, Timothy	07/03/2017	100%	DER	Summer Camp Counselor
Cheek, Jacquelyn	07/03/2017	100%	DER	Summer Camp Counselor
Cullen, Doloris	07/03/2017	100%	DER	Summer Camp Nurse
Levasseur, Rosina	07/03/2017	100%	DER	Summer Camp Counselor
McHale, Megan	07/03/2017	100%	DER	Summer Camp Counselor
Spadola, Dorothy	07/03/2017	100%	DER	Summer Camp Group Leader
Sullivan, Jean	07/03/2017	100%	DER	Summer Camp Counselor
Wells, Jeremy	07/03/2017	90%	DER	Summer Camp Group Leader

New Retirees:

On a motion made by P. Mokrzecki and a second by P. Light, the Board voted unanimously to approve the following retirements:

Belder, Ronald - the retirement package has been submitted to PERAC to retire Ronald J. Belder for a Superannuation, Option B retirement allowance. His last day of work was November 3, 2017 and his retirement benefit will begin on November 4, 2017. Mr. Belder was a group 1 member working as a truck driver for the Town of Whately, accruing 31 years, 10 months of creditable service.

Hastings, David – the retirement package has been submitted to PERAC to retire David Hastings for a superannuation, Option C retirement allowance. His last day of work was September 14, 2017 and his retirement benefit will begin on September 15, 2017. Mr. Hastings was a group 4 member serving as the police chief for the Town of Gill, accruing 35 years, 3 months, of which the State Board of retirement holds 5 years, 8 months plus an additional 2 years, 11 months of shared liability with FRRS.

Nichols, Alan - the retirement package has been submitted to PERAC to retire Alan Nichols for a Superannuation, Option C retirement allowance. His last day of work was October 27, 2017 and his retirement benefit will begin on October 28, 2017. Mr. Nichols was a group 1 member working as an assistant wastewater operator for the Towns of Buckland and Ashfield, accruing 12 years, 3 months of creditable service.

Palmer, David – the retirement package has been submitted to PERAC retire David C. Palmer for a Superannuation, Option C retirement allowance. His last day of creditable service was 05/01/2011 and his retirement benefit will begin on September 14, 2017. Mr. Palmer was a group 1 member serving the Town of Leverett as an elected Assessor, accruing 23 years, 1 month of creditable service.

Accept Liability for Buybacks and Makeups Through Other Systems:

On a motion made by P. Light and a second by M. Stokarski, the Board voted unanimously to approve the following buybacks, makeups and to change service for service previously transferred/approved:

Chaffee, Sherry – State Board of Retirement has asked FRRS to accept creditable service liability if their current member, Sherry Chaffee, re-deposits a refund taken from this system. The refund taken on 6/30/1990 was for \$1,210.32, deductions only. Sherry was a self-contained aide for the Mohawk Regional School District. Creditable service was determined to be 1 year, 9 months, 19 days, 12 for 10 calculation, for the period 9/1/1988 to 5/2/1990.

Putala, Jill – Massachusetts Teachers' Retirement System has asked FRRS to accept creditable service liability if their current member, Jill Putala, re-deposits a refund taken from this system. The refund taken on 1/30/1998 was for \$1,572.01,

deductions only. Jill was an instructional assistant for the New Salem/Wendell Union School District and for the Town of Conway. Creditable service was determined to be 2 years, 12 for 10 calculation, for the period 9/1/1994 to 6/30/1996.

Buybacks and Makeups:

Harding, Thomas – current member in the Town of Shutesbury has requested a make-up of service prior to his enrollment on 08/22/2005. Service is for work as a part-time Police Officer for the Town of Hadley for the period 04/19/1999 – 03/15/2002. Service is based on actual hours worked, determined by reviewing Town of Hadley payroll records, for a total of 4 months, 24 days at a cost of \$1,596.87 if paid by 12/31/2017; otherwise interest will continue to accrue as allowed by law.

Change of service previously approved:

Blanchard, Sabrina – on 10/26/2010 the Board voted to accept 7 years, 13 days of liability for service between 6/24/1999 to 07/07/2006 as the Early Childhood Secretary and part-time OST aide for the Pioneer Valley Regional School District. Sabrina is a current member of the Montague Retirement System and is requesting a buyback of her time with FRRS. A review of her file determined her creditable service should be revised down to 7 years based on service dates of 9/01/1999 to 6/30/2006 provided by Pioneer.

Grant Service for Unpaid Leaves:

On a motion made by M. Stokarski and a second by P. Light, the Board voted unanimously to approve the following creditable service:

Jacqueline Clark - Staff is requesting one month of creditable service as allowed by MGL c.32 §4(1)c for Jacqueline Clark, school secretary for the Ashfield Elementary School. Ms. Clark, a pending retiree with 31 years of service, was on unpaid medical leave from 11/3/2015 through 12/23/2015, returning to paid service effective 12/24/2015.

4(2)(b) Police and Fire Service Credit:

On a motion made by P. Light and a second by P. Mokrzecki, the Board voted unanimously to approve the following 4(2)(b) Police and Fire Service Credit:

Lannon, Christopher – Current member working as the Police Chief in the Town of Colrain, Mr. Lannon has requested 4(2)b full-time service for a 5 year period of part-time police work beginning 7/9/2003 through 7/8/2008. Payroll records have been obtained from the town treasurer to complete the worksheet for this service purchase totaling \$557.82 if paid in full by 12/31/2017 otherwise interest will accrue as allowed by law.

Deaths:

Brynda, Josef – Option C retiree since 08/31/2012, Mr. Brynda worked as a custodian for the Frontier Regional School District, accruing 40 years, 4 days of

creditable service. DOD was 11/23/17 at the age of 75. His son, Ryszard Brynda, is his Option C beneficiary.

General Business:

Board Meeting Schedule for 2018

The members of the Board were in agreement to continue the regular monthly meeting schedule generally the last Wednesday of each month, at 8:00 a.m., beginning January, the first meeting of the year will be Tuesday, January 30, 2018 as well as the following exceptions - Tuesday, April 24, 2018, Tuesday, July 31, 2018, Tuesday, October 30, 2018 and Wednesday, December 19, 2018 (the third Wednesday). (see addendum A to these minutes for copy of calendar).

Investment Consultant

Greg McNeille, Vice Chairman and Principal with Dahab Associates joined the meeting at 8:27 a.m. to review the 3rd quarter investment results and present research done by Dahab in regards to the Fixed Income manager bids.

In discussing the 3rd quarter investment results, Greg informed the Board that PRIT is opening up an emerging market sleeve and a value added fixed income sleeve that Boards may use to diversify their portfolios. Greg also stated that small cap growth has been “on fire”.

The Board asked Greg about PRIM private equity options. Greg stated that we already have private equity (5%) with PRIT Core Fund.

The Board asked Greg about the IR&M paper on pending tax reform and changes at the Federal Reserve. Greg told the Board that this paper was information about the markets.

Proposals from Fixed Income managers:

At its August 30, 2017 meeting, the Board asked Mr. McNeillie to conduct a search for Fixed Income managers, and to bring to this meeting his recommendations to the Board.

On a motion made by P. Mokrzecki and a second by P. Light, the Board voted unanimously to interview four (4) Fixed Income Managers to manage a Fixed Income for the benefit of the retirement system.

The Board selected the following four managers, from the pool of 31 that submitted proposals, to be interviewed in 30 minute intervals by the Board on January 17, 2018 starting at 8:30 a.m.

Western Asset Management
Loomis, Sayles Company, L.P.
Wellington Management Company
Income Research + Management

Updated Investment Policy

Dale Kowacki, Executive Director presented to the Board the updated Investment Policy for approval. The new investment policy replaces Daruma Ginkgo with Aberdeen Asset Management as a small cap manager to manage a small cap fund for the benefit of the retirement system (see addendum B).

On a motion made by P. Mokrzecki and a second by P. Light, the Board voted unanimously to adopt the new investment policy, which replaces Daruma with Aberdeen to manage a Small Cap Fund for the benefit of the retirement system.

Adjournment

On a motion made by M. Stokarski and a second by P. Mokrzecki, the Board voted to adjourn the meeting at 10:25 a.m.

Respectfully submitted,

THESE MINUTES WERE APPROVED ON DECEMBER 20, 2017

Dale C. Kowacki, Executive Director

Sandra A. Hanks, Chair and Treasurer

Paula J. Light, Council Member

absent
Gabriele H. Voelker, Board Member

Mary A. Stokarski, Board Member

Paul J. Mokrzecki, Board Member

Addendum A

2018 BOARD MEETING DATES
Wednesdays (generally) at 8:00 am

JANUARY	30 (T)
FEBRUARY	28 (W)
MARCH	28 (W)
APRIL	24 (T)
MAY	30 (W)
JUNE	27 (W)
JULY	31 (T)
AUGUST	29 (W)
SEPTEMBER	26 (W)
OCTOBER	30 (T)
NOVEMBER	28 (W)
DECEMBER	19 (W)

Addendum B

FRANKLIN REGIONAL RETIREMENT SYSTEM INVESTMENT POLICY

With revisions effective: April, 2017

I. PURPOSE OF INVESTMENT GUIDELINE STATEMENT

The Franklin Regional Retirement System has been created under the laws of the State of Massachusetts and funded to provide retirement benefits for those employees who through their years of service have earned a right to a pension benefit. The purpose of this fund is to provide for the accumulation and distribution of money in an actuarially sound fashion over the years of the employees' service and subsequent retirement. This document is designed to set forth the policies and guidelines for those who administer and invest the funds in the portfolio.

The Retirement System Pension Board of Trustees maintains that an important determinant of future investment returns is the expression and periodic review of the Fund's investment objectives. To that end, the Trustees have adopted this statement of Investment Guidelines.

In fulfilling their fiduciary responsibility, the Trustees recognize that the retirement system is an essential vehicle for providing income and benefits to retired participants and/or their beneficiaries. The Board also recognizes that the obligations of the Fund are long-term and that the investment policy should be made with a view toward performance return over a number of years. The general investment objective, then, is to obtain a reasonable total rate of return, defined as interest and dividend income plus realized and unrealized gains or losses, commensurate with the Prudent Investor Rule and any other applicable statute or requirement.

A reasonably consistent and adequate return, protection of the assets against the inroads of inflation, and absolute safety of the assets are paramount. However, the volatility of interest rates and securities markets make it necessary to judge results within the context of several years rather than over short periods of one or two years. Performance will be measured quarterly.

II. MASSACHUSETTS LAWS

Since the Franklin Regional Retirement System is a defined benefit plan as defined and set forth by Massachusetts laws, Chapter 32, certain investment procedures and restrictions set forth under these regulations must be followed. If at any time this document is found to be in conflict with Massachusetts laws, the statute shall prevail.

Although this fund is not subject to the Employee Retirement Income Security Act (ERISA), the Board and all of its agents comply with the standards set forth in ERISA. Therefore, all of the individuals associated with the plan should act within the confines of that statute. Where not specifically indicated, the actions or decisions of the individuals are to be governed by the prudent investor rule.

Additionally:

EVERY FIDUCIARY SHALL:

- Discharge his or her duties for the exclusive purpose of providing benefits to the Franklin Regional Retirement System members and their beneficiaries and defraying reasonable expenses of administering the Plan;
- Act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims;
- Diversify investments of the Franklin Regional Retirement System so as to minimize the risk of large losses unless under the circumstances it is clearly not prudent to do so, and;
- Operate in accordance with the Franklin Regional Retirement System procedures, documents and instruments.

NO FIDUCIARY SHALL:

- Deal with the Franklin Regional Retirement System assets for his or her own account or his or her own interest, or;
- Act in any matter affecting the retirement system on behalf of any person or organization whose interests are adverse to the interests of the Franklin Regional Retirement System, its members or beneficiaries.

III. INVESTMENT PERFORMANCE OBJECTIVES

Based upon the Fund's latest actuarial report, the Trustees have established long-term goals for the overall investment portfolio consistent with the liabilities of the Fund. At a minimum, the Fund in aggregate needs to earn a compound annualized rate of return over time of 8.0%.

A. Total Fund Performance

The performance of the total fund will be measured each quarter for rolling three and five year periods. These periods are considered sufficient to accommodate the different market cycles commonly experienced with investments. In addition to achieving the required actuarial rate of return, the total return of this portfolio is expected to exceed the return of the calculated model index as provided by the consultant. The model index is defined as a composite of passive indices whose composition is determined each quarter based on the plan's actual allocation mix.

B. Domestic Equity Performance

The equity portion of the portfolio is expected to perform at a rate at greater than a custom index composed of 37.0% Russell 2000, 44.0% S&P 500 and 19.0% S&P 400 indices.

C. Fixed Income Performance

The fixed income portion of the portfolio is expected to perform at a rate greater than the Lehman Aggregate Index and/or in the top 40% of an appropriate broad market fixed income universe.

While the Trustees acknowledge that market conditions can produce periods where such returns are difficult to achieve, the advisor is expected to contribute to meeting the long term objectives of the plan as well as others set forth in this document.

IV. BROKERAGE

Investment managers shall use their best efforts to ensure that portfolio transactions are placed on a "best execution" basis. Brokerage transactions should not be directed to any firm if in doing so, taking all factors into consideration, the Fund will incur a disadvantage with respect to the market price of the security. Further, irrespective of any obligations to pay for services engaged by either the investment managers or the Trustees, only transactions that would normally be made for the Fund in the absence of such obligations should be executed.

V. PROXY VOTING

Responsibility for the exercise of ownership through proxy solicitation shall rest solely with the investment managers. Guidelines for voting proxies will be listed in individual manager guidelines.

VI. ASSET ALLOCATION

The Board of Trustees has currently adopted the following asset allocation at market value:

	<u>% allocated</u>	<u>Corresponding Index</u>
Diversified Investment	45.0%	Customized
Separately Managed Domestic Stocks	27.0%	Customized
International Stocks	5.0%	MSCI ACWI-ex US
Separately Managed Domestic Bonds	13.0%	Barclay's Aggregate Bond Index
Real Estate	10.0%	NCREIF Real Estate Index

Although cash is not included in the asset allocation of the Fund, the Trustees realize the need to provide liquidity to pay obligations as they come due. Surplus cash flows, additional contributions, and investment manager cash will be utilized to pay obligations of the Fund and periodic re-balancing of the assets. The Fund's investment manager(s) shall be kept informed of the liquidity requirements of the Fund, and to the extent possible, avoid untimely sales of assets which could be detrimental to the performance of the Plan.

VII. MANAGEMENT STRUCTURE

To diversify plan assets so as to minimize the risk associated with dependence on the success on one enterprise, the Board of Trustees has decided to employ a multi-manager team approach to investing plan assets.

Investment managers will be employed to utilize individual expertise within their assigned area of responsibility. Each manager will be governed by individual investment guidelines. Separate manager guidelines for each investment manager shall serve as addenda to this Policy. Commingled funds will be governed by the guidelines adopted by said fund and reviewed during the contract negotiation process.

The asset management structure at market value is currently as follows:

	<u>Target</u>	<u>MINimum</u>	<u>MAXimum</u>
<u>Diversified Investments:</u>	<u>45.0%</u>	<u>35.0%</u>	<u>55.0%</u>
PRIT Fund *	45.0	35.0	55.0
<u>Domestic Stocks:</u>	<u>27.0%</u>	<u>22.0%</u>	<u>32.0%</u>
<i>Large Cap Stocks:</i>			
O'Shaughnessy A.M. (Active LC Value)	6.0	0.0	10.0
Polen Capital Mgmt (Active LC Growth)	6.0	0.0	10.0
<i>Mid Cap Stocks:</i>			
Seizert (Active Mid Cap)	5.0	0.0	7.5
<i>Small Cap Stocks:</i>			
Aberdeen A.M.(Active Small Cap) *	5.0	0.0	7.5
Systematic A.M. (Active Small Cap)	5.0	0.0	7.5
<u>International Stocks:</u>	<u>5.0%</u>	<u>0.0%</u>	<u>7.5%</u>
PRIT International Sleeve *	5.0	0.0	7.5
<u>Domestic Bonds:</u>	<u>13.0%</u>	<u>10.0%</u>	<u>16.0%</u>
Income Research and Management *	13.0	10.0	16.0
<u>Real Estate:</u>	<u>10.0%</u>	<u>0.0%</u>	<u>12.5%</u>
PRIT R/E Sleeve *	10.0	0.0	12.5
* Denotes Commingled Fund			

VIII. IMPLEMENTATION

All monies invested for the Plan by the investment managers after the adoption of these Investment Guidelines shall conform to this statement.

Adopted this _____ day of _____, 20__

for: Franklin Regional Retirement System