

FRANKLIN REGIONAL RETIREMENT SYSTEM
BOARD MEETING MINUTES
May 27, 2020

A meeting of the Franklin Regional Retirement Board, duly posted to be held via remote participation, using the online videoconferencing program Zoom, by members of the Board to stem the spread of COVID-19 on the above date was called to order at 8:03 a.m. by Board Chair Sandra Hanks, with Board Members, Mary Stokarski, Paul Mokrzecki, Angelina Bragdon, Gabriele Voelker and with staff Assistant Director Susan Bobe and Deborah Frentzos present. Also present in the Board office located at 278 Main Street, Suite 311, Greenfield MA was Executive Director Dale Kowacki.

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 is on file in the retirement office, except for those items that are restricted from public viewing.

Review and Acceptance of Meeting Minutes

On a motion made by M. Stokarski and second by G. Voelker, the Board voted unanimously to approve the minutes of the regular meeting held on April 29, 2020.

Payroll, Refunds, Transfers and Bills Warrants

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

Retirees Payroll	\$975,925.78
Refunds	37,441.11
Transfers	25,593.60
Invoices	<u>727,768.49</u>
For a total of:	\$1,766,728.98

Cash Transfer between Investments and Bank

None needed.

Membership

On a motion made by M. Stokarski and a second by G. Voelker, the Board voted unanimously to approve the new member 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>
Fortier, Matthew F	3/2/2020	100%		OGE	Health Agent
Pachalis, William M	4/1/2020	50%		BFW	Operator/Commissioner
Rathbun, John W	4/21/2020	100%		ASH	Chief Operator

New Retirees:

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

Clark, Jack – The retirement packet has been submitted to PERAC to retire Jack Clark for a Superannuation, Option A retirement allowance. His last day of work was March 31, 2020 and his retirement benefit will begin on April 1, 2020. Mr. Clark was a group 1 member working as a truck driver for the Town of Ashfield, accruing 33 years, 10 months of creditable service.

Johnson, Ruth – The retirement packet has been submitted to PERAC to retire Ruth Johnson for a Superannuation, Option C retirement allowance. Her last day of work was April 13, 2020 and her retirement benefit will begin on April 14, 2020. Ms. Johnson was a group 1 member working as a custodian for the Mahar Regional School District, accruing 23 years, 1 month of creditable service.

Accept Liability for Buybacks and Makeups Through Other Systems:

On a motion made by M. Stokarski and a second by G. Voelker, the Board voted unanimously to approve the following buyback:

Dodge, Theresa –Massachusetts Teachers' Retirement System has asked FRRS to accept creditable service liability for a refund taken by Ms. Dodge on 1/26/1996. The refund was for deductions only, no interest was included, in the amount of \$2,491.57. Ms. Dodge served as the elected Town Clerk for the Town of Erving and also worked part-time in the Treasurer/Tax Collector office from 5/6/1991 through 12/31/1995 accruing 4 years, 7 months, 26 days

Deaths:

Greuling, Frances – Option A retiree since 10/08/1990, Ms. Greuling worked in the cafeteria for the Erving Elementary School, accruing 18 years of creditable service. DOD was 05/06/2020 at the age of 91.

Melnick, Lucy – Option C pop-up retiree since 06/30/1993, Ms. Melnick worked as a guidance secretary for the Frontier Regional School District, accruing 31 years, 9 months of creditable service. DOD was 05/02/2020 at the age of 89.

Rose, Anne – Option B retiree since 07/21/1986, Ms. Rose worked as a librarian for the Town of Deerfield, accruing 19 years, 4 months of creditable service. DOD was 05/02/2020 at the age of 88. No annuity balance remains.

Sawyer, Wayne – Option C beneficiary of Patricia Sawyer died 4/26/2020. Ms. Sawyer will pop-up to an Option A monthly benefit.

Thuillard-Rohrs, Sharon – Option C beneficiary of David Rohrs died 4/28/2020. Mr. Rohrs will pop-up to an Option A monthly benefit.

General Business:

Quarterly Investment Managers

Investment Consultant – Dahab Associates

Greg McNeillie, Vice Chairman and Principal, and Kevin Condy, Director of Research with Dahab Associates joined the meeting at 8:13 a.m. and reviewed the first quarter returns for the investment portfolio.

Greg McNeillie informed the Board that Kevin Condy was promoted to Director of Research in January 2020.

The Board discussed and approved the revised investment policy. The revised policy replaces Systematic Financial Management L.P. with Copeland Capital Management to manage a small-cap fund for the benefit of the retirement system, as well as reflect a Board vote to reduce the allocation to PRIT general core fund from 45% to 40%, and increase the allocation to Loomis fixed income from 4% to 9%. (see addendum A).

On a motion made by P. Mokrzecki and a second by G. Voelker, the Board voted unanimously to approve the revised investment policy.

Onboarding Copeland

The Board discussed, reviewed, and approved the Investment Management Agreement with Copland.

On a motion made by G. Voelker and a second by A. Bragdon, the Board voted unanimously to approve the investment management agreement for Copeland as presented.

The Board discussed voting a term not to exceed seven years from July 1, 2020 to June 30, 2027.

On a motion made by G. Voelker and a second by P. Mokrzecki, the Board voted unanimously to approve a term not to exceed seven years from July 1, 2020 to June 30, 2027.

Dale Kowacki, Executive Director presented to the Board the funding of the small cap allocation:

The funds for Copeland are coming from Aberdeen.

On a motion made by G. Voelker and a second by A. Bragdon, the Board voted unanimously to transfer on July 1, 2020, \$7 million from Aberdeen to Copeland Capital Management to manage a small-cap core allocation.

The Board discussed, reviewed, and approved the Investment guidelines for Copeland Capital Management.

On a motion made by P. Mokrzecki and a second by M. Stokarski, the Board voted unanimously to approve the investment guidelines for Copeland as presented.

Large Cap Growth Manager – Polen Capital Management

Anthony Xuereb, Senior Relationship Manager and Roland Cole, Research Analyst joined the meeting at 9:27 a.m. Mr. Xuereb reported that the employee ownership has stayed the same, the firm is now 71% employee owned. No changes to the investment team, and all employees are healthy and safe, remote working has been seamless as part of the culture of Polen is to work remotely. Mr. Xuereb also reported that an office was opened in London early this year. Mr. Cole gave a performance update and confirmed that the large cap focus of the fund remains the same.

Large Cap Value Manager – O’Shaughnessy Asset Management

Chris Loveless, Principal, President and Ehren Stanhope, CFA, Principal, Client Portfolio Manager joined the meeting at 10:16 a.m. Mr. Loveless reported that the firm added 2 new hires since last year, a research analyst and a programmer. One employee from Chris’s team is leaving as of June 2, 2020. Mr. Loveless also stated that the firm opted to close the office on April 11 and reopened on May 20. The traders with the firm have been setup to work remotely, which is going well. Mr. Stanhope gave a performance update and confirmed that the large cap focus of the fund remains the same.

Review applicants for 5th member of the Board

As a result of an ad placed for the 5th member of the Board, four letters of interest and resumes were received. A letter of interest and resume was received from Paul Mokrzecki, affirming that he would like to continue as the appointed fifth member of the Board.

The Board members discussed the resumes received and opted not to interview any of the applicants because the other three were far less qualified and the Board decided to reappoint Paul Mokrzecki, current fifth member of the Board to another 5-year term from July 1, 2020 to June 30, 2025.

On a motion made by G.Voelker and second by M. Stokarski, the other members of the Board, voted unanimously to reappoint Paul Mokrzecki to the 5th position on the Board for a five-year term from July 1, 2020 through June 30, 2025.

Adjournment

On a motion made by M. Stokarski and a second by G. Voelker, the Board voted to adjourn the meeting at 11:01 a.m.

Respectfully submitted,
THESE MINUTES WERE APPROVED ON JUNE 24, 2020

Deborah A. Frentzos, Auditor

Sandra A. Hanks, Chair and Treasurer

Angelina J. Bragdon, Council Member

Gabriele H. Voelker, Board Member

Mary A. Stokarski, Board Member

Paul J. Mokrzecki, Vice Chair

Addendum A

FRANKLIN REGIONAL RETIREMENT SYSTEM INVESTMENT POLICY

With revisions effective: April, 2020

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 31.25% Russell 2000, 37.5% S&P 500 and 31.25% 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	40.0%	Customized
Separately Managed Domestic Stocks	32.0%	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 the 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>40.0%</u>	<u>30.0%</u>	<u>50.0%</u>
PRIT Fund *	40.0	30.0	50.0
<u>Domestic Stocks:</u>	<u>32.0%</u>	<u>27.0%</u>	<u>37.0%</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>			
Chartwell Inv't Partners (Active Mid Cap Value)	5.0	0.0	7.5
Fiera Capital (Active Mid Cap Growth)	5.0	0.0	7.5
<i>Small Cap Stocks:</i>			
Aberdeen A.M. (Active Small Cap) *	5.0	0.0	7.5
Copeland Capital (Active Small Cap)	5.0	0.0	7.5
<u>International Stocks:</u>	<u>5.0%</u>	<u>2.5%</u>	<u>7.5%</u>
PRIT International Sleeve *	3.0	0.0	5.0
PRIT Emerging Markets Sleeve *	2.0	0.0	4.0
<u>Domestic Bonds:</u>	<u>13.0%</u>	<u>10.0%</u>	<u>16.0%</u>
Loomis Sayles *	9.0	5.0	13.0
PRIT Value Added F/I Sleeve *	4.0	0.0	6.0
<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 27th day of May, 2020



 for: Franklin Regional Retirement System