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# Commonwealth of Massachusetts State Retiree Benefits Trust Fund

Board of Trustees

Nicola Favorito, Chair

Theresa Flynn · Michael Heffernan · Dr. Roberta Herman · Deborah Goldberg  
Andrew W. Maylor · John W. Parsons · Michael C. Tow, CFP

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## State Retiree Benefits Trust Board of Trustees Minutes of the Meeting of August 1, 2019 as approved 12/5/19

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (“SRBTF Board” or “Board”) was held on Thursday, August 1, 2019 at 9:05 a.m. in the Crane Conference Room in the Offices of the State Treasurer on the 12<sup>th</sup> floor of One Ashburton Place, Boston, Massachusetts.

SRBTF Board members or designees present were: Chair Nicola Favorito, Andrew Maylor, Jim Rust, Frank Gervasio, and John Parsons. Michael Tow participated remotely by phone. Pursuant to the Attorney General’s open meeting law guidance all votes were by roll call during the period of remote participation, and all participants were notified that this meeting would be audio recorded. Mr. Moyer notified the Chair that he was making a recording.

Also present for all or part of the meeting were: Jeffrey Moyer of the SRBTF; Attorney Katherine Hesse of Murphy, Hesse, Toomey & Lehane LLP (“MHTL”) and Francesco Daniele of the Pension Reserves Investment Management Board (“PRIM”).

### I. Investment Report

Mr. Daniele delivered the market report.

Since the end of last year and the December 2018 sell-off, not much has really changed on the economic front except for the fact that worldwide central banks, including the US Federal Reserve Bank have shifted to an accommodative stance. Worldwide economies continue to slow and geopolitical tensions continue to grow, yet during the first half of this calendar year, U.S. and international markets have been very strong -historically strong in the case of the US markets. With economic indicators such as slowing GDP Growth in the U.S., the contraction in

Germany, slowdowns in the rest of the world, and weaker indicators in our own domestic economy such as retail sales, the labor market, manufacturing and housing, the overall economic picture may not be as strong as some reports indicate.

Overall, PRIM is comfortable with the current asset allocation and believes it will serve their portfolio well over the coming FY. Over the last several years they have been working to de-risk the portfolio. Even if this is viewed as overly cautious, these indicators demonstrate that ongoing concern remains.

Mr. Tow asked how PRIM evaluates political risk and how this is discussed in meetings. Mr. Daniele stated that PRIM views it's portfolio bottom-up with a focus on returns of each category. Their current focus is de-risking and they will continue to do this.

The SRBT Fund returns reviewed were net of fees, versus the PRIT fund performance which are gross of fees. The 1-year return of 5.7% versus 6.6%, 3-year 9.3% versus 8.9, 5-year 6.6% versus 6.1% and 10-year 9.5% versus 9.1%. Since the fund's inception in 2001 it achieved a positive 7.2% return versus the benchmark of 6.7%. As of June 30th, 2019, the combined SRBT Fund assets were \$1.795 billion and had gained 9.8% for the calendar year.

PRIM continues to receive recognition for its work, most recently being recognized as having the #1 private equity portfolio of all public pension funds by the American Investment Council for the second consecutive year.

## **II. Approval of the June 6<sup>th</sup>, 2019 Meeting Minutes**

The Chair turned to the minutes of the June 6<sup>th</sup>, 2019 meeting.

On a motion made by Mr. Maylor and duly seconded by Mr. Gervasio, the Trustees took the following action by roll call vote

VOTED: To approve the minutes of the June 6<sup>th</sup>, 2019 Board Meeting.

Mr. Rust — abstain  
Mr. Maylor – Yes  
Mr. Gervasio —Yes  
Mr. Parsons—Yes  
Mr. Tow – Yes  
Mr. Favorito – Yes

## **III. Operations Report**

### Municipal Contracts

The Chair invited Mr. Moyer to present the entities up for consideration.

Mr. Moyer stated there were two entities that had submitted documents for this meeting. The first is, Greater Lowell Regional Technical School District. They submitted all documents except an OPEB valuation for which they have appropriated funding but not yet completed. The Chair asked whether this fund would cover teaching employees. Mr. Moyer stated that he did not know. Greater Lowell submitted a cover memo documenting the filing of the trust, and Mr. Moyer noted that this would allow them to begin investing on 9/12/19.

Mr. Maylor indicated that the initial investment appeared to be \$500,000. Ms. Hesse noted that her firm had helped review and prepare the submitted documents on behalf of Greater Lowell Regional, but due to client confidentiality she only realized this on her own review and had not participated in their preparation. The Chair confirmed with Ms. Hesse that this did not present a conflict of interest.

On a motion made by Mr. Maylor and duly seconded by Mr. Gervasio, the Trustees took the following action by roll call vote

VOTED: To approve the Investment Agreement between the SRBTF Board and the Greater Lowell Regional Technical School District and to accept the Greater Lowell Regional Technical School District as a participating unit in the SRBTF as of September 12<sup>th</sup>, 2019 for \$500,000.

Mr. Gervasio —Yes  
Mr. Parsons—Yes  
Mr. Maylor – Yes  
Mr. Rust — Yes  
Mr. Tow – Yes  
Mr. Favorito – Yes

Mr. Moyer further introduced the Town of Northfield. The town submitted some documents after the deadline but everything else appeared in order, so he recommends that the Board consider this submission now or in October. Mr. Parsons asked what determines when an entity is formally accepted. Mr. Moyer explained that the Board has historically preferred to wait until entities have a legally effective trust, which requires a 90-day objection period.

On a motion made by Mr. Maylor and duly seconded by Mr. Parsons, the Trustees took the following action by roll call vote

VOTED: To approve the Investment Agreement between the SRBTF Board and the Town of Northfield and to accept the Town of Northfield as a participating unit in the SRBTF as of October 28<sup>th</sup>, 2019 for \$232,000.

Mr. Rust — Yes  
Mr. Maylor – Yes  
Mr. Gervasio —Yes  
Mr. Parsons—Yes  
Mr. Favorito – Yes  
Mr. Tow – Yes

### Municipal Outreach

Mr. Moyer reported that he is currently working with both the Town of Bellingham as well as the Massachusetts State College Building Authority to prepare submissions for future meetings.

### **IV. GIC Transfer Schedule**

Mr. Rust introduced the annual GIC transfer schedule, which is \$450 million appropriated by the Legislature and calculated per month based on prior experience with transfers. There are no major changes other than inflationary growth. The Chair further explained that this vote would authorize the Comptroller to move the appropriated funds from the SRBTF to GIC where they would be spent on current retiree benefits. Mr. Maylor asked for further explanation on why the transfers are made this way. Mr. Rust stated that the transfers are made to pay current claims, and the Chair further clarified that there is also some consideration for gaining investment income.

On a motion made by Mr. Parsons ~~Mr. Rust~~ and duly seconded by Mr. Gervasio, the Trustees took the following action by roll call vote

VOTED: To approve the FY20 GIC Transfer Schedule as presented.

Mr. Rust—Yes  
Mr. Tow – Yes  
Mr. Parsons- Yes  
Mr. Maylor —Yes  
Mr. Gervasio — Yes  
Mr. Favorito – Yes

### **V. Administrative Issues**

#### **A. OPEB Valuation**

The Chair does not have any further updates. Mr. Rust stated that GIC has sent all relevant paperwork to Aon to begin work.

#### B. Legislative Updates

The Chair is not aware of any legislative updates but informed the Board the SRBTF received two transfers totaling \$42 million from the excess capital gains Stabilization Fund transfers over the last two months. Separately, Mr. Moyer stated that there was a hearing held in June on the legislative bill filed by the MMA to increase the size of the SRBTF Board.

#### C. SRBTF Calendar, Meeting Times

The next Board meeting is on October 3<sup>rd</sup>. The Chair informed the Board that Mr. Moyer will be teaching a class at Suffolk and asked the Board if there was any objection to starting the meeting slightly later to accommodate his return after this class. Hearing no objection, the next Board meeting will start at 9:15am.

#### D. Legal Services Contract

Mr. Moyer introduced the proposal to extend MHTL's contract. The current contract expires at the end of this calendar year, but the bid proposal allows for two additional one-year extensions. Mr. Parsons asked what the contract says about extensions. Mr. Moyer stated that the signed document is not clear on this point, but the fee proposal explicitly gives this option and this was confirmed by Ms. Hemond from CTR.

Ms. Hesse stated that MHTL appreciates the opportunity to work with the Board and would like to continue the relationship.

Mr. Parsons asked if the contract term was originally in the RFR. Mr. Moyer stated that he had only looked at the signed contract and fee proposal but could go review the materials in further detail and send them out to the Board. The Chair agreed with this and announced that the Board will further consider this at the next meeting.

#### E. SRBTF Employee Evaluation

The Chair referenced Mr. Moyer's performance evaluation that they reviewed together in July and was distributed to the Board in the packet. The Chair has had no issues with Mr. Moyer, finding him reliable and effective, and appreciates his efforts to expand the Board's outreach. Mr. Moyer is also completing his dissertation and may be moving on after next summer, and the Chair will work with him to ensure that there is a smooth transition.

The Chair reminded the Board about Mr. Moyer's part-time status. Last year the Board gave Mr. Moyer a increase to reflect expanded responsibilities and his continued work. The Chair is proposing an increase in line with what other agencies are doing which he understands to be between 1.5-3%.

The Chair thanked Mr. Moyer for his service to ensure that the department's responsibilities were maintained.

On a motion made by Mr. Maylor and duly seconded by Mr. Gervasio, the Trustees took the following action by roll call vote

VOTED: To increase the Program Coordinator's annual salary by 3% effective July 1, 2019.

Mr. Rust—Yes  
Mr. Tow – Yes  
Mr. Parsons- Yes  
Mr. Maylor —Yes  
Mr. Gervasio — Yes  
Mr. Favorito – Yes

**VI. Other Business**

None.

**VII. Adjournment**

There being no further business, a motion was made by Mr. Maylor and duly seconded by Mr. Gervasio, to adjourn the meeting at 9:50am.

Mr. Gervasio — Yes  
Mr. Maylor —Yes  
Mr. Parsons—Yes  
Mr. Rust – Yes  
Mr. Tow – Yes  
Mr. Favorito – Yes