



Commonwealth of Massachusetts State Retiree Benefits Trust Fund

Board of Trustees

Nicola Favorito, Chair

Deborah Goldberg · Michael Heffernan · William McNamara · John W. Parsons
Theresa Flynn · Michael C. Tow, CFP · Matthew Veno

State Retiree Benefits Trust Board of Trustees Minutes of the Meeting of August 6th, 2020 *as approved at the 12/3/20 meeting*

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (“SRBTF Board” or “Board”) was held on Thursday, August 6, 2020 via remote participation pursuant to the Governor’s March 12, 2020 “Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20”.

A quorum being present the meeting was called to order at 9:32 a.m. The SRBTF Board members or designees present for all or part of the meeting and participating remotely were: Chair Nicola Favorito, William McNamara, Frank Gervasio, James Rust, and John Parsons. All participants were notified that this meeting would be audio recorded. All votes were taken via roll call.

Also present for all or part of the meeting were: Jeffrey Moyer of the SRBTF; Attorney Katherine Hesse and Attorney Matt Feeney of Murphy, Hesse, Toomey & Lehane, LLP (“MHTL”); Paul Todisco, Francesco Daniele, and Emily Green of the Pension Reserves Investment Management Board (“PRIM”), and Jeff Shapiro of the Comptroller’s Office (“CTR”).

I. **Approval of the June 4th, 2020 Meeting Minutes**

The Chair turned to the minutes of the June 4, 2020 meeting.

On a motion made by Mr. McNamara and duly seconded by Mr. Rust, the Trustees took the following action.

VOTED: To approve the minutes of the June 4th, 2020 Board Meeting.

Mr. McNamara - Yes
Mr. Rust - Yes

Mr. Gervasio -	Yes
Mr. Parsons –	Yes
Mr. Favorito -	Yes

II. Investment Report

The Chair welcomed back Mr. Todisco and invited him and Mr. Daniele to provide brief market and PRIT performance updates.

Mr. Todisco began the market update by reminding the Board regarding the nature of the market fall in March and the ensuing recovery as previously described. Market volatility was expected to continue into the foreseeable future despite generally positive second quarter performance, while economic indicators such as GDP continued to struggle.

Mr. Daniele added that PRIM is paying close attention to market conditions and volatility, responding by reducing the portfolio's exposure to global equity. Even if they have a high target, they are looking to be conservative and cautious with the assets PRIM invests, and equity is a major source of the current risk. PRIM continues to look for new investments, and other parts of the portfolio like US STRIPS are doing better. Per a question from Mr. McNamara, PRIM is not having any cash flow issues and continues to rebalance the portfolio.

Mr. Todisco reported that PRIM's offices reopened in late June, but all employees are being encouraged to find a balance of remote and in-office availability that works for them.

The Chair asked Mr. Daniele to review PRIM's performance with their peers. Mr. Daniele cautioned that it is very difficult to make some comparisons to other large funds but can provide additional information later.

Mr. McNamara asked if there were any asset classes that did not recover after the market crash in March. Mr. Todisco stated that the only continuing under performer is private equity, but they are also paying attention to real estate which could be sensitive to a more prolonged slump. Their strategy in this class is defensive and unlikely to underperform over time, and they will continue to be cautious in additional investments in real estate. Mr. Daniele added that PRIM does not have any exposure to hotels or other travel industry exposure.

The Chair asked if any current OPEB participants have reached out to ask about their investment. Mr. Daniele replied that they had not.

Mr. Gervasio asked if they believe that the current rally in municipal debt will continue. Mr. Daniele stated that the Federal Reserve's work is forcing investors to ratchet up their risk tolerance; Mr. McNamara added that most states are not overexposed to debt that would cause them to actually seek bankruptcy relief, and risk is relatively low. There might be more exposure for port authorities and airport districts if travel restrictions continue.

The SRBT Fund returns reviewed were net of fees, versus the PRIT fund performance which are gross of fees. The 1-year return of 2.0% versus 3.9% (benchmark); calendar year to date was -3.6% versus -1.5% (benchmark); 3-year 5.7% versus 6.2 (benchmark); 5-year 6.3% versus 6.4% (benchmark); and 10-year 8.5% versus 8.3% (benchmark). Since the fund's inception in 2001 PRIM has achieved a positive 6.9% return versus the benchmark of 6.5%.

As of June 30th, 2020, the combined SRBT Fund assets were \$1.97 billion.

III. GIC Transfer Payment

The Chair asked Mr. Rust to introduce the transfer schedule for the benefit of newer board members. Mr. Rust stated that this schedule covers payments that the Comptroller releases to GIC to pay for actual retiree health claims. The breakdown between months reflects the seasonality between claims, and the final number usually comes at slightly more than the appropriated amount. The Chair asked whether there are any trends in claims that GIC is observing. Mr. Rust stated that generally retirees cost more than current employees and agreed with Mr. McNamara that there has been a slowdown in claims since March.

On a motion made by Mr. McNamara and duly seconded by Mr. Gervasio, the Trustees took the following action.

VOTED: To approve the FY21 GIC Transfer Schedule as presented.

Mr. McNamara -	Yes
Mr. Gervasio -	Yes
Mr. Rust -	Yes
Mr. Parsons -	Yes
Mr. Favorito -	Yes

IV. Operations Report

Mr. Daniele has been conducting some focused outreach to potential clients, including the towns of Woburn, Winthrop and Weston. They have shown modest interest so far under present circumstances, but he is looking forward to updating the Board with

more details on this work at future meetings. Mr. Moyer added that he recently had an inquiry from the Greater Fall River Technical School District.

Municipal Contracts

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

Mr. Moyer presented the Town of Bellingham, which has previously been on the verge of submitting but sent in materials for this meeting. Mr. Moyer asked Mr. Feeney to discuss his review of the materials.

Mr. Feeney stated that on his initial review, he identified several small issues that required changes by town counsel for Bellingham. After having an initial conversation, additional issues with the Declaration of Trust surfaced, and Mr. Feeney stated that he has worked with them to correct these problems. Town Counsel will have the trustees reapprove the Declaration but will not need to go back to town meeting. Mr. Feeney stated that the Board may vote on this today subject to receipt of a correctly amended Trust or may delay action until October.

Mr. Feeney stated that one of the issues that he was able to identify to Town Counsel was portions of the Declaration of Trust that gave the Select Board more legal authority than is authorized by the statute. Mr. Feeney described that sometimes local town officials may believe they have more discretion, but the legal authority does not match this belief. The Chair expressed caution that the SRBTF Board should seek to remain above this potential conflict, and suggested Mr. Feeney should ensure that Town Counsel is aware of this issue.

Mr. Parsons asked the Chair if the Board can approve entities subject to conditions. The Chair stated that the Board may, but he would suggest deferring the vote until the October meeting. Mr. Moyer added that the Board approved entities in the past with minor changes to be made with no money transferred until legal signoff, and that given the delay to the Trust Bellingham would not be able to invest money until after October anyway.

Mr. Parsons stated that since the Board has dealt with these things before and so he is comfortable with moving ahead. Mr. McNamara asked if there is any reason the matter couldn't be deferred. Mr. Moyer added that it had taken the Town some time to complete the paperwork.

The Chair stated that the Town's submission will be taken up at the October meeting to allow time for these issues to be clarified. Mr. Moyer will work with Mr. Feeney and Ms. Hesse to communicate any changes needed to the Town.

Mr. Rust left the meeting at 10:34 am.

V. Administrative Issues

A. Policies & Procedures Update

Mr. Moyer updated the Board with the suggestions that MHTL had added to the proposed amendments to the Policies and Procedures. Mr. Feeney stated that many of their suggested changes seek to clarify and add detail to the Policies and Procedures, and to not put mandates on the Board to take actions in some areas. Mr. Feeney believes that the amendments help clarify the ongoing issue around the audit requirement and compliance with §24A(h) of the enabling statute but is open to additional feedback on this issue. Likewise, Mr. Feeney detailed the effort to update the Policies and Procedures to change authorized signers for existing participants, and Mr. Moyer added that this section merely gives a procedure to PRIM to use to change signers.

The Chair asked Board members for any feedback and suggested that Mr. Moyer and Mr. Feeney continue working on edits and bring back a final version for the Board to vote on in October.

B. Board Contracts

Mr. Moyer stated that the Board has two upcoming contracts for services that will expire. The first is for insurance brokerage services, for which the Board last went out for bid in 2013. While the incumbent provider is still performing well, Mr. Moyer suggested that the Board should consider issuing another RFP to make sure there are no issues from an audit perspective. The next contract comes up in March 2021, so there should be plenty of time to conduct a full RFP search as needed.

Mr. Parsons asked what the time period for the contract would be. Mr. Moyer stated that the last contract in 2013 was for four years and the Board has gone beyond this- he will make sure that the new RFP complies with the standard.

On a motion made by Mr. McNamara and duly seconded by Mr. Parsons, the Trustees took the following action.

VOTED: To permit SRBTF staff to issue an RFP for insurance brokerage services.

Mr. McNamara	Yes
Mr. Gervasio -	Yes
Mr. Parsons –	Yes
Mr. Favorito -	Yes

Mr. Moyer also stated that the Board’s contract with MHTL is up for exercising the final one-year extension at the end of 2020. He suggested that the Board could consider the extension at the October meeting. The Chair agreed and that MHTL has been performing their services and is open to renewal but asked the Board for input. Mr. Parsons asked if the Board has to vote on this. Mr. Moyer stated that they did last year, so would advise the Board to do so this year as well. The Chair stated that he would prefer having the full Board available before acting on the extension.

C. Legislative Update

Mr. Moyer is not aware of any updates affecting the SRBTF.

D. SRBTF Calendar, Meeting Times

The Chair stated that the next Board meeting will be on October 1st.

VI. Other Business

None.

VII. Adjournment

There being no further business, a motion was made by Mr. McNamara and duly seconded by Mr. Parsons, to adjourn the meeting at 10:54 a.m.

Mr. Parsons –	Yes
Mr. McNamara-	Yes
Mr. Gervasio-	Yes
Mr. Favorito-	Yes