



Commonwealth of Massachusetts

State Retiree Benefits Trust Fund

Board of Trustees

Nicola Favorito, Chair

*Michael Heffernan · Dr. Roberta Herman · Joseph Connarton · Deborah Goldberg ·
Thomas G. Shack III, Esq. · Michael C. Tow, CFP · Theresa Flynn*

State Retiree Benefits Trust Board of Trustees

Minutes of the Meeting of

October 4th, 2018

as amended and approved 12/6/18

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board ("SRBTF Board" or "Board") was held on Thursday, October 4th, 2018 at 9:04am in the Crane Conference Room in the Offices of the State Treasurer on the 12th floor of One Ashburton Place, Boston, Massachusetts.

SRBTF Board members or designees present were: Chair Nicola Favorito, Jenny Hedderman, Margaret Byrne, and Frank Gervasio, Theresa Flynn and Joe Connarton. All votes were by voice, and all participants were notified that this meeting would be audio recorded.

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

The Chair opened the meeting and welcomed Ms. Flynn and Ms. Burns to the Board. Ms. Flynn was appointed by the Governor in August to replace Terrance Finn. Ms. Flynn is from Shrewsbury and works as an employee benefits consultant. She is happy to join the Board and looks forward to learning more about the organization during this first meeting. The Chair noted that he had asked Mr. Moyer to prepare a thank-you letter for Mr. Finn's service, a copy of which can be found in the Board materials. Margaret Burns is representing the GIC as an second alternate designee for Jim Rust.

I. Approval of the August 2nd, 2018 Meeting Minutes

The Chairman turned to the minutes of the August 2nd, 2018 meeting.

On a motion made by Mr. Connarton and duly seconded by Ms. Hedderman, the Trustees took the following action by voice vote with Ms. Flynn abstaining.

VOTED: To approve the minutes of the August 2nd, 2018 Board Meeting as presented.

II. Investment Report

Mr. Todisco welcomed Ms. Flynn to the Board and gave a brief history of PRIM's relationship with the Fund. There is no quarterly update for this month, but Mr. Todisco expects that the returns for the quarter will be up due to strong U.S. stock market performance and PRIM's alternative investments. PRIM is not seeing as strong returns as those from last year, but he hopes to see positive results over the short term. The SRBTF is legally mandated to invest funds through MassPRIM and provides municipal entities the opportunity to accept PRIM's asset allocation and potentially get additional value out of their set aside OPEB funds.

Mr. Daniele outlined organizational updates. PRIM has made several recent hires to add investment professionals and looks to find additional talent through extensive hiring searches as well as their committees.

Mr. Todisco reviewed PRIM's investments detailed in their slide packet, noting the strong returns in private equity assets. PRIM works to limit fees and expenses related to investments to control the overall costs of managing the PRIT Fund.

The SRBT Fund returns reviewed were net of fees, versus the PRIT fund performance which are gross of fees. The 1-year return of 8.9% versus 7.8%, 3-year 9.7% versus 8.9%, 5-year 8.9% versus 7.8% and 10-year 7.2% versus 6.5%. Since the fund's inception in 2001 it achieved a positive 7.3% return versus the benchmark of 6.7%. As of August 31, 2018, the combined SRBT Fund assets were \$1.59 billion and had earned 3.2% for the calendar year.

Mr. Todisco noted a new PRIM Board meeting date on November 29th as well as some committee meetings. Any SRBTF Board members are welcome to attend these meetings.

The Chair thanked Mr. Todisco and Mr. Daniele for their update and asked Mr. Moyer if he makes the slides available on the SRBTF website. Mr. Moyer responded that he does not currently post them but will begin doing so after this meeting.

III. Operations Report

Municipal Contracts

Mr. Fox stated that the Town of Dalton successfully submitted their documents for this meeting and noted that they would need to be admitted provisionally as their trust window had not yet

passed. Dalton currently has \$1.7 million in assets in their OPEB trust. Their trust agreement will become effective on December 19th and objections could still be filed. Mr. Fox noted that the Board had accepted Longmeadow in June on a similar situation.

Mr. Fox stated that

On a motion made by Mr. Connarton and duly seconded by Ms. Hedderman, the Trustees took the following action by voice vote.

VOTED: To approve the Investment Agreement between the SRBTF Board and the Town of Dalton and to accept the Town of Dalton as a participating unit in the SRBTF as of December 20, 2018, provided that no objections are filed to their Declaration of Trust on or before December 19, 2018.

The Chair asked if there were any other entities currently in the process of preparing their submissions. Mr. Moyer stated that Byfield Water District has reached out twice with questions and seems to be preparing to submit, while Cape Cod Regional Transit Authority is waiting to get board approval of the OPEB statute. Mr. Moyer will follow up with CCRTA to determine their current status.

Amendments to Draft Municipal Documents

Mr. Moyer introduced proposed amendments to the Board's forms. The two proposed amended documents (The Trustee's Certificate and the Form of Counsel opinion) contain language he feels may confuse municipal entities as to how their Declaration of Trust takes effect. The new language specifies the date of adoption as distinct from when these documents are filed with the town clerk and executive officer. This will give the Board a solid date on which to base entry into the SRBTF and make this requirement clearer to municipal entities.

The proposed new document (Certificate of Appropriations) gives entities the ability to list all their appropriations into their OPEB trust rather than provide separate votes. Mr. Fox has reviewed all of these changes and agrees that it would be good to direct entities to this distinction.

Ms. Hedderman asked if the forms being proposed are mandatory. Mr. Moyer stated that the two amended documents are, while the appropriations certificate contains information the SRBTF requests. Ms. Hedderman suggested that the Board website should clearly list those documents which are required or optional, with the appropriations certificate being listed as optional if the entity can provide the information in an alternative format.

On a motion made by Mr. Connarton and duly seconded by Ms. Hedderman, the Trustees took the following action by voice vote.

VOTED: To approve the new and amended documents for posting to the SRBTF website.

Municipal Outreach

Mr. Moyer outlined the memo distributed as part of the board packet and gave an additional document which shows how the Formstack Municipal Outreach will appear to entities. He is proposing an email outreach campaign on behalf of the SRBTF using an email from the Board to towns, cities, utility districts and regional school districts. Mr. Moyer noted that he has received suggested changes from the Chair. The Chair stated that his changes were not substantive and mostly involved moving information around, and further asked the Board to send any additional changes directly to Mr. Moyer for his consideration. The Chair believes that this outreach will help fill a gap and build the SRBTF's presence among potential clients.

Mr. Moyer will report back to the Board on the response rate at the next Board meeting. He also noted that he was able to use Treasury IT to develop a Formstack replacement for the Google Form proposed during the August meeting in response to security concerns from Ms. Hedderman.

IV. GIC Transfer Schedule

The Chair introduced the GIC transfer schedule for FY '19 proposed by GIC and A&F and referenced the memo that Mr. Moyer prepared. Mr. Moyer stated that the Legislature appropriates money every year to the SRBTF to pay for state employee benefits. This satisfies the Commonwealth's liability under a pay-as-you-go model.

Mr. Moyer noted that these funds are never received into the SRBTF's account but are merely held in anticipation of this transfer request being approved. Ms. Hedderman asked Mr. Moyer who had provided these numbers. Mr. Moyer replied that he had emailed CTR to get the transfer schedule and they had sent over their submission received from A&F. He will forward this email chain to Ms. Hedderman. In response to a question from the Chair, Mr. Moyer stated that the Board needs to vote on this today so that GIC can begin transferring funds to cover benefits.

On a motion made by Mr. Connarton and duly seconded by Ms. Hedderman, the Trustees took the following action by voice vote.

VOTED: To approve the GIC transfer schedule for FY2019 as presented.

V. Administrative Issues

A. Further Amendments to Governing Documents

Mr. Moyer stated that Ms. Hemond had recommended to him that the Board consider reviewing their governing documents every two years, and as the last time they had been reviewed was late 2016. He does not believe there is any specific need to amend these documents but wanted to ensure the Board had an opportunity to be heard on this if needed. In response to a question from Ms. Hedderman, Mr. Fox confirmed that he had reviewed them but did not see a need to change anything unless the Board believes something is causing an issue. The Chair thanked Mr. Moyer for his attention and asked him to continue bringing up this topic annually for Board review.

B. Legislative Updates

The Chair asked if there were any legislative updates pending. There is a supplemental budget that has been proposed but it is unlikely to impact the SRBTF.

C. SRBTF Calendar, Meeting Times

Mr. Moyer introduced the proposed calendar year 2019 meeting times and asked Board members to determine if this meeting time still works and if there are any specific conflicts. These dates will be finalized at the December Board meeting.

D. FY 2019 Budget Update

Mr. Moyer noted the list of FY19 internal encumbrances listed in the Board packet. EOTSS asked for a significant increase over FY18 due to the end of capital funding for the website upgrade. Ms. Hedderman would like to push back on this and asked Mr. Moyer whether he had gotten warning about this change. Mr. Moyer stated that he had not gotten notification, but this may be due to not being on the correct mailing lists. He will continue following up with EOTSS and get more information and contest the amount as relevant.

E. Program Coordinator Evaluation

The Chair distributed the compiled evaluations of Mr. Moyer's performance along with a revised job description. The Chair has reviewed these results with Mr. Moyer and believes that the position has evolved since he has come on board, and he has been responsive to this and to the Board. The consensus from the evaluations indicates that Mr. Moyer has shown a capacity to initiate projects and be self-sufficient so that the Chair can focus on his other responsibilities. The Chair suggested a pay increase from Mr. Moyer's current compensation level of \$25k per year to the low \$30k's per year. He believes the increase, reflects the additional responsibilities, the value that Mr. Moyer is bringing to the position, and is in line with compensation levels at

other agencies for similar positions. Mr. Connarton stated that Mr. Moyer has been very active and engaged and would like to accept the Chair's recommendation for an increase. The Chair proposed a new income level of \$33k per year. Mr. Moyer asked for this increase to be backdated to the beginning of FY19 and confirmed that there were sufficient funds in the budget to cover this increase.

On a motion made by Mr. Connarton and duly seconded by Ms. Hedderman, the Trustees took the following action by voice vote with Mr. Gervasio abstaining.

VOTED: To approve a new job description and compensation level for the Program Coordinator position at \$33,000 per year backdated to July 1, 2018.

VI. Other Business

VII. Adjournment

There being no further business, a motion was made by Mr. Connarton and duly seconded by Mr. Gervasio, to adjourn the meeting at 10:34am. The motion was approved by voice vote.