

**State Retiree Benefits Trust Board of Trustees  
Minutes of the Meeting of  
August 3, 2017**

Call to Order:

A meeting of the State Retiree Benefits Trust Board (“SRBT Board” or “Board”) was held on Thursday, August 3, 2017 at 9:11 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. The SRBT Board members present were: Chair Nicola Favorito, Mr. Joseph Connarton, Ms. Lauren Peters, and Ms. Jenny Hedderman. Mr. Michael Tow and Mr. Terrence Finn participated remotely via conference call due to geographic distance and in accordance with the Board’s policy and the Office of the Attorney General’s guidelines on remote participation all votes will be by roll call. A quorum was present in the room.

Also present for all or part of the meeting were: Attorney Brian Fox of Murphy, Hesse, Toomey & Lehane LLP (“MHTL”); Mr. Paul Todisco and Mr. Francesco Daniele of the Pension Reserves Investment Management Board (“PRIM”); Mr. Marc Waldman of the Town of Wellesley; Mr. Nick Downing of the Massachusetts Municipal Association (“MMA”); and Ms. Beth Hemond of the Office of the Comptroller (“CTR”).

**I. Approval of the June 1, 2017 Meeting Minutes**

The Chairman turned to the approval of the minutes of the June 1, 2017 meeting.

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

VOTED: To approve the minutes of the June 1, 2017 Board Meeting as presented.

Mr. Connarton--Yes  
Ms. Peters--Yes  
Ms. Hedderman--Yes  
Mr. Tow--Yes  
Mr. Finn--Yes  
Mr. Favorito--Yes

**II. Investment Report**

Mr. Daniele gave an update on the market as of June 30<sup>th</sup>. There are several global issues PRIM is tracking. Overall, the global economy is improving; China is experiencing decelerated growth, while Russia and Brazil are up. U.S. housing starts are up. The S&P 500 has been stronger than expected. The volatility index, known as the VIX, is low, so investors are either confident or complacent. There have been three rate hikes since December. This analysis

presents a strong case for the portfolio to be diversified. PRIM believes its asset allocation positions the fund well for the future.

Mr. Todisco reported an update was given to the PRIM Investment Committee on Tuesday about the efforts to implement the asset allocation plan. US Strips are already down to 2% from 5% of the portfolio and changes to emerging market debt local currency are half way completed. A liquidity study was also presented to assure the fund has sufficient liquidity.

Regarding performance, the total fund had a 3.8% return for the quarter ending June 30, 2017, with most asset classes having positive returns. Equities were the drivers in the portfolio; emerging market equity, developed international equity and private equity performed the best. The lower returns were in bonds. For the one year ended on June 30<sup>th</sup> the Fund's performance was at 13.2% (gross of fees).

The SRBT Fund returns depicted are net of fees, versus the PRIT returns, which are gross of fees. Since the fund's inception in 2001 it achieved a positive 7.2% return versus the benchmark of 6.6%. As of June 30, 2017, the combined SRBT Fund assets were \$1.30 billion and had earned 11.04% for the calendar year.

### **III. Operations Report**

#### Municipal Outreach

Mr. Todisco indicated that Haverhill and Hull have expressed interest in the investing in the fund. He will be attending the Massachusetts Association of Regional Planning Organizations in September.

#### Municipal Contracts

There are no submissions to be reviewed.

*Mr. Todisco and Mr. Daniele left at 9:34.*

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

The legislature appropriated \$432,404,000 to pay the health and life benefits of the Commonwealth's state retirees. The schedule is based on the anticipated monthly amounts needed for expenditure.

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

VOTED: To approve the proposed GIC transfer schedule.

Mr. Connarton--Yes  
Ms. Peters--Yes  
Ms. Hedderman--Yes

Mr. Tow--Yes  
Mr. Finn--Yes  
Mr. Favorito--Yes

## **V. Administrative Issues**

### **A. SRBTF Staffing Update**

The Chairman indicated he was hoping to have the new employee start by now. An individual was identified; an offer was made; before there was an acceptance and any on boarding the candidate stopped communicating with us. The process will begin again and the position reposted. The salary will be listed at \$25,000-\$30,000 for part-time and commensurate with experience

### **B. Legislative Update**

H2578 has been filed to increase the board's membership; two assure an odd number of members one member would be from the Massachusetts Municipal Association and the other from the regional school districts. A hearing was held a week ago before the Joint Committee on Public Service. No referral has been made by the Committee thus far.

### **C. Master Calendar**

The Board had no questions on the calendar and the next meeting is scheduled for October 5th.

### **D. FY17 Budget and Actual Expenditures**

The final expenditures for FY17 were presented.

### **E. FY 2018 Budget**

The Board approved the FY18 budget at the June meeting. It was then filed with the House and Senate Clerks. The Legislature did not take action within 60 days, so the budget is approved.

## **VI. Adjournment**

There being no further business, the Chairman asked for a motion to adjourn. On a motion made by Mr. Connarton and duly seconded by Ms. Peters, the Trustees, voted to adjourn the meeting at 9:42 a.m. by a roll-call vote.

Mr. Connarton--Yes  
Ms. Peters--Yes  
Ms. Hedderman--Yes  
Mr. Tow--Yes  
Mr. Finn--Yes  
Mr. Favorito--Yes