

Pursuant to a notice duly filed with the Town Clerk, a meeting of the Concord Retirement Board was held on Tuesday, April 26, 2016 at 8:30 a.m. at the Town House.

Present: **Peter J. Fulton, Chairman, Elected**
Mary M. Barrett, Ex Officio
Anthony T. Logalbo, Appointed
Brian J. Whitney, Elected
Arnold D. Roth, 5th Member, Appointed

Also Present: **Linda A. Boucher, Retirement Administrator**
Richard Jameson, Finance Committee Observer
Alan Erickson, CFA, Portfolio Manager, Columbia Threadneedle
Peter Albanese – Senior Portfolio Manager, Columbia Threadneedle
Joe Dougherty, CFA – Senior Relationship Manager, Columbia Threadneedle

Chairman Peter Fulton opened the meeting at 8:40 a.m.

The Board unanimously approved the March 25, 2016 meeting minutes.

The Board unanimously approved the April 29, 2016 retiree payroll as follows:

Pension \$486,008.34
 Annuity \$108,793.52
Total Payroll: \$594,801.86

The Board unanimously approved the following operating expenses:

Town of Concord	Reimb. Board's share of ADP invoice #471081790	\$1,330.10
Town of Concord	Mo. tel. chg./Qtrly tele. maintenance/Temp. Staff w/e 03/18 – 04/08/2016	\$3,357.16
Thomson Reuters – West	Invoice #833794314 – Chapter 32 pocket part	\$ 94.00
Bank of America	Analysis Invoice – 16030091004	\$ 426.41
Stone Consulting, Inc.	Actuarial Consulting Services – March 2016	\$5,225.00
MACRS	Spring Conference Hyannis:	
	Mary Barrett – Trustees Educational Seminar:	\$ 270.00
	Peter J. Fulton – Annual Conference:	\$ 300.00
	Brian J. Whitney – Annual Conference:	\$ 300.00
	Linda A. Boucher – Annual Conference:	<u>\$ 300.00</u>
	Subtotal:	\$1,170.00
		<u>\$1,170.00</u>

Grand Total: \$11,602.67

The Board was provided with the following list of investment transactions:

BUY/SELL	Settle Date	Orig. Face	Ticker/Coupon/Maturity	Sec Desc	CUSIP (Aladdin ID)	Trade Price	Yield	Moody Rating	S&P Rating
SELL	3/31/2016	-57,000.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	107-08 1/8	2.65	Govt	AA+
BUY	4/4/2016	57,000.00	OXY 4.400 04/15/2046	OCCIDENTAL PETROLEUM CORPORATION	674599CJ2	99.224	4.45	A3	A
SELL	3/30/2016	-613,000.00	T 1.125 02/28/2021	TREASURY NOTE	912828P87	99-01 7/8	1.32	Govt	AA+
SELL	3/30/2016	-110,000.00	T 2.250 07/31/2021	TREASURY NOTE	912828WY2	104-09+	1.41	Govt	AA+
SELL	4/1/2016	-55,000.00	LYB 4.000 07/15/2023	LYB INTERNATIONAL FINANCE BV	50247VAA7	104.928	3.24	Baa1	BBB
BUY	4/1/2016	40,000.00	T 1.625 02/15/2026	TREASURY NOTE	912828P46	98-06+	1.82	Govt	AA+
SELL	4/1/2016	-22,000.00	NWL 4.200 04/01/2026	NEWELL RUBBERMAID INC	651229AW6	103.6	3.76	Baa3	BBB-
BUY	4/1/2016	22,000.00	T 1.625 02/15/2026	TREASURY NOTE	912828P46	98-11	1.81	Govt	AA+
SELL	4/1/2016	-101,000.00	MCD 4.875 12/09/2045	MCDONALDS CORPORATION	58013MFA7	109.981	4.27	Baa1	BBB+
BUY	4/1/2016	84,000.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	108-12	2.59	Govt	AA+
SELL	3/30/2016	-307,000.00	T 1.125 02/28/2021	TREASURY NOTE	912828P87	99-10 3/8	1.27	Govt	AA+
SELL	3/30/2016	-111,000.00	TSTRIP 0.000 11/15/2043	TREASURY STRIP (PRIN)	912803EE9	48.646	2.63	Govt	AA+
SELL	4/4/2016	-55,000.00	CPGX 4.500 06/01/2025	COLUMBIA PIPELINE GROUP INC	198280AE9	99.128	4.62	Baa2	BBB-

BUY	4/4/2016	30,000.00	CPGX 5.800 06/01/2045	COLUMBIA PIPELINE GROUP INC	198280AG4	99.586	5.83	Baa2	BBB-
SELL	4/4/2016	-8,000.00	M 2.875 02/15/2023	MACYS RETAIL HOLDINGS INC	55616XAH0	94.844	3.73	Baa2	BBB
BUY	4/4/2016	5,600.00	T 1.625 02/15/2026	TREASURY NOTE	912828P46	98-07	1.82	Govt	AA+
SELL	4/5/2016	-130,000.00	KIM 3.125 06/01/2023	KIMCO REALTY CORP	49446RAK5	98.865	3.30	Baa1	BBB+
BUY	4/5/2016	92,000.00	T 1.625 02/15/2026	TREASURY NOTE	912828P46	98-12+	1.80	Govt	AA+
SELL	4/5/2016	-58,000.00	M 2.875 02/15/2023	MACYS RETAIL HOLDINGS INC	55616XAH0	94.851	3.73	Baa2	BBB
BUY	4/5/2016	37,400.00	T 1.625 02/15/2026	TREASURY NOTE	912828P46	98-13	1.80	Govt	AA+
BUY	4/1/2016	300,000.00	T 1.250 03/31/2021	TREASURY NOTE	912828Q37	100-05 3/8	1.22	Govt	AA+
SELL	4/5/2016	-865,000.00	T 1.125 02/28/2021	TREASURY NOTE	912828P87	99.472	1.24	Govt	AA+
BUY	4/5/2016	865,000.00	T 1.250 03/31/2021	TREASURY NOTE	912828Q37	100-00	1.25	Govt	AA+
SELL	4/6/2016	-50,000.00	BXP 3.650 02/01/2026	BOSTON PROPERTIES LP	10112RAX2	103.599	3.21	Baa2	A-
BUY	4/6/2016	45,000.00	T 1.625 02/15/2026	TREASURY NOTE	912828P46	98-13+	1.80	Govt	AA+
SELL	4/6/2016	-80,000.00	BXP 3.800 02/01/2024	BOSTON PROPERTIES LP	10112RAW4	105.035	3.05	Baa2	A-
BUY	4/6/2016	60,000.00	T 1.625 02/15/2026	TREASURY NOTE	912828P46	98-13+	1.80	Govt	AA+
BUY	4/6/2016	108,000.00	T 1.500 03/31/2023	TREASURY NOTE	912828Q29	99-15+	1.58	Govt	AA+
SELL	4/6/2016	-125,000.00	DRE 3.875 10/15/2022	DUKE REALTY LP	26441YAW7	102.74	3.39	Baa2	BBB
BUY	4/4/2016	230,000.00	T 1.625 02/15/2026	TREASURY NOTE	912828P46	98-14	1.80	Govt	AA+
BUY	4/4/2016	1,020,000.00	T 1.250 03/31/2021	TREASURY NOTE	912828Q37	100-03	1.23	Govt	AA+
SELL	4/7/2016	-25,000.00	KMI 2.000 12/01/2017	KINDER MORGAN INC	49456BAD3	98.647	2.84	Baa3	BBB-
BUY	4/7/2016	20,000.00	T 0.875 03/31/2018	TREASURY NOTE	912828Q45	100-08 1/4	0.74	Govt	AA+
BUY	4/8/2016	100	T 0.875 03/31/2018	TREASURY NOTE	912828Q45	100-09+	0.72	Govt	AA+
BUY	4/8/2016	15,000.00	T 0.875 03/31/2018	TREASURY NOTE	912828Q45	100-09 1/4	0.73	Govt	AA+
BUY	4/8/2016	30,000.00	T 1.000 03/15/2019	TREASURY NOTE	912828P95	100-13 7/8	0.85	Govt	AA+
SELL	4/8/2016	-35,000.00	KMI 2.650 02/01/2019	KINDER MORGAN ENERGY PARTNERS LP	494550BR6	98.011	3.40	Baa3	BBB-
SELL	4/8/2016	-15,000.00	KMI 2.000 12/01/2017	KINDER MORGAN INC	49456BAD3	98.58	2.89	Baa3	BBB-
SELL	4/13/2016	-31,000.00	KMI 2.650 02/01/2019	KINDER MORGAN ENERGY PARTNERS LP	494550BR6	98.414	3.25	Baa3	BBB-
BUY	4/13/2016	30,000.00	T 1.000 03/15/2019	TREASURY NOTE	912828P95	100-14 1/4	0.85	Govt	AA+
SELL	4/14/2016	-29,000.00	GILD 4.750 03/01/2046	GILEAD SCIENCES INC	375558BD4	110.345	4.14	A3	A
BUY	4/14/2016	24,300.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	108-29	2.57	Govt	AA+
BUY	4/14/2016	100	T 0.875 03/31/2018	TREASURY NOTE	912828Q45	100-10 3/4	0.70	Govt	AA+
SELL	4/14/2016	-1,000.00	KMI 2.000 12/01/2017	KINDER MORGAN INC	49456BAD3	98.73	2.80	Baa3	BBB-
SELL	4/15/2016	-5,000.00	KMI 2.000 12/01/2017	KINDER MORGAN INC	49456BAD3	98.673	2.84	Baa3	BBB-
SELL	4/15/2016	-4,000.00	T 2.750 08/15/2042	TREASURY BOND	912810QX9	103-29 5/8	2.54	Govt	AA+
BUY	4/15/2016	10,000.00	CNQC 6.750 02/01/2039	CANADIAN NATURAL RESOURCES LIMITED	136385AP6	95.995	7.11	Baa3	BBB+
SELL	4/15/2016	-15,000.00	CVECN 6.750 11/15/2039	CENOVUS ENERGY INC	15135UAF6	95.75	7.12	Ba2	BBB
SELL	4/18/2016	-7,000.00	T 2.750 08/15/2042	TREASURY BOND	912810QX9	103-28 1/8	2.55	Govt	AA+
BUY	4/18/2016	15,000.00	CNQC 6.500 02/15/2037	CANADIAN NATURAL RESOURCES LIMITED	136385AJ0	95.2	6.94	Baa3	BBB+
SELL	4/18/2016	-85,000.00	ETP 6.500 02/01/2042	ENERGY TRANSFER PARTNERS LP	29273RAR0	90.452	7.33	Baa3	BBB-
BUY	4/18/2016	37,000.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	108-22	2.58	Govt	AA+
SELL	4/18/2016	-30,000.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	108-22	2.58	Govt	AA+
SELL	4/18/2016	-20,000.00	CVECN 6.750 11/15/2039	CENOVUS ENERGY INC	15135UAF6	96.5	7.06	Ba2	BBB
BUY	4/18/2016	60,000.00	PAA 4.700 06/15/2044	PLAINS ALL AMERICAN PIPELINE LP	72650RBE1	75.54	6.63	Baa2	BBB
SELL	4/19/2016	-7,000.00	T 2.750 08/15/2042	TREASURY BOND	912810QX9	103-26 3/8	2.55	Govt	AA+
SELL	4/19/2016	-20,000.00	CVECN 6.750 11/15/2039	CENOVUS ENERGY INC	15135UAF6	96.914	7.02	Ba2	BBB
BUY	4/19/2016	15,000.00	CNQC 6.500 02/15/2037	CANADIAN NATURAL RESOURCES LIMITED	136385AJ0	95.517	6.91	Baa3	BBB+
BUY	4/19/2016	5,000.00	CNQC 6.500	CANADIAN NATURAL	136385AJ0	95.168	6.94	Baa3	BBB+

			02/15/2037	RESOURCES LIMITED						
BUY	4/19/2016	25,000.00	L 3.750 04/01/2026	LOEWS CORPORATION	540424AS7	102.788	3.41	A3	A+	
SELL	4/19/2016	-25,000.00	T 1.625 02/15/2026	TREASURY NOTE	912828P46	98-16+	1.79	Govt	AA+	
BUY	4/21/2016	2,800.00	T 0.875 03/31/2018	TREASURY NOTE	912828Q45	100-08	0.75	Govt	AA+	
SELL	4/21/2016	-14,000.00	KMI 2.000 12/01/2017	KINDER MORGAN INC	49456BAD3	98.754	2.80	Baa3	BBB-	
BUY	4/21/2016	11,000.00	T 0.875 03/31/2018	TREASURY NOTE	912828Q45	100-08	0.75	Govt	AA+	
BUY	4/21/2016	20,000.00	NI 4.800 02/15/2044	NISOURCE FINANCE CORPORATION	65473QBC6	110.209	4.17	Baa2	BBB+	
SELL	4/21/2016	-10,000.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	108-28	2.57	Govt	AA+	
BUY	4/22/2016	310,000.00	T 0.875 03/31/2018	TREASURY NOTE	912828Q45	100-07 1/4	0.76	Govt	AA+	
SELL	4/22/2016	-410,000.00	FNMA_13-121-KD 3.500 08/25/2041	FNMA_13-121	3136AHEX4	104-08	0.61	Agency	AA+	
SELL	4/22/2016	-28,000.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	108-14 1/4	2.59	Govt	AA+	
BUY	4/22/2016	50,000.00	NBL 5.250 11/15/2043	NOBLE ENERGY INC	655044AG0	91.349	5.89	Baa3	BBB	
BUY	4/25/2016	1,300,000.00	WAMU_03-AR8-A 2.475 08/25/2033	WAMU_03-AR8	92922FAS7	100-28	1.70	Baa1	A-	
SELL	4/25/2016	-20,000.00	CP 4.800 08/01/2045	CANADIAN PACIFIC RAILWAY COMPANY	13645RAU8	106.417	4.40	Baa1	BBB+	
BUY	4/25/2016	15,000.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	108-04	2.60	Govt	AA+	
BUY	4/26/2016	4,000.00	NI 4.800 02/15/2044	NISOURCE FINANCE CORPORATION	65473QBC6	109.017	4.24	Baa2	BBB+	
SELL	4/26/2016	-3,000.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	106-10	2.69	Govt	AA+	
SELL	4/26/2016	-35,000.00	PEP 4.600 07/17/2045	PEPSICO INC	713448CZ9	114.079	3.79	A1	A	
BUY	4/26/2016	32,000.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	106-08 3/4	2.69	Govt	AA+	
BUY	4/26/2016	30,000.00	LYB 4.625 02/26/2055	LYONDELLBASELL INDUSTRIES NV	552081AM3	93.079	5.03	Baa1	BBB	
SELL	4/26/2016	-26,000.00	T 3.000 11/15/2045	TREASURY BOND	912810RP5	106-14+	2.68	Govt	AA+	

The Board unanimously approved the following new members:

Name	Unit	Department	Position	Hire Date	Group
Carolyn Douglas	School	CPS	Tutor	03/21/2016	1
Tak Kin Low Chan	School	CPS	Cook	03/21/2016	1

The Board acknowledged there were no new retirements.

Name	Unit	Department	Position	Retirement Date	Service
None					

The Board acknowledged there were no refunds/rollovers.

Name	Unit	Department	Position	Amount	Service
None					

The Board unanimously approved the following transfers to another system:

Name	Unit	Department	Position	Amount	Service
Amanda Graber	School	CPS	Kindergarten Assist.	\$2,693.35	1.5833

Transferring to MTRS

Theresa Maturevich	Town	Library	Branch Librarian	\$67,204.27	14.1667
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Transferring to Winchester Retirement System

Paula Michaud	School	CPS	Tutor	\$16,112.50	5.0000
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Transferring to MTRS

Gillian Rafuse	School	CPS	One:One Aide	\$	
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The Board respectfully acknowledged the following death:

Thomas F. Murphy, Jr. – born July 18, 1947 in Concord, Massachusetts. Thomas became a member of the Concord Retirement System on July 7, 1988 as an apprentice Lineworker with the Concord Municipal Light Plant. By 1996 he had

worked his way through the ranks and became Lead Lineworker. He served the community for 24 years before retiring on July 21, 2012. Thomas also served in the armed forces of the United States and was awarded a National Defense Service Medal, a Vietnam Service Medal and a Vietnam Campaign Medal. He passed away on April 1, 2016 at the age of 68.

Columbia Threadneedle Investment Review:

Joe Dougherty began the presentation by introducing himself to the Board. He noted that he was a Senior Relationship Manager with Columbia Threadneedle and that he was joining our meeting today because Erik Saarinen, Head of Global Institutional Relationship Management was out of the country. Mr. Saarinen will be taking over for Kenneth Hedgebeth who retired on April 22, 2016. Joe also noted that from a business perspective, nothing has changed as a result of Kenneth's retirement and that Brian Condon will still be our portfolio manager on the equity side and Alan Erickson would remain as the portfolio manager on the fixed income side. Joe also noted that Brian Condon was not available for our meeting today but Peter Albanese, Senior Portfolio Manager - Quantitative Strategies, will fill in for Brian. Joe turned the floor over to Peter Albanese for a performance review of the equity portfolio.

Peter told the Board that he co-manages our equity portfolio with Brian Condon and that he has been part of the Quantitative Strategy Group for about two years.

As of February 11, 2016, equity markets were down 11.0% in response to oil prices. Oil prices were back up into the \$40 a barrel range as of April 25, 2016. We've noticed that some energy companies that performed well last year are not working as well as expected this year. Consumer disposable income resulting from lower energy costs has not really helped the market as consumer seem to be more likely to spend the savings on experiences versus tangible items.

Tony asked Peter what makes the Russell 1000 Value Index the appropriate benchmark for Concord's portfolio as value and growth are still two different things. Peter responded that the Russell 1000 Value Index is the appropriate benchmark because all investment decisions are active weights to the benchmark. In other words, we look for companies with price/book yields close to the Russell 1000 Index and then, from those companies identified with similar price/book ratios, we will choose the cheap stock over the expensive stock. Asset value in this portfolio is \$22 million.

Tony asked the Columbia management team to give us a statement regarding which energy companies we are invested in. Most particularly, he is interested in knowing whether any of our funds are invested in any company on the list known as the "dirty 200".

Peter ended his portion of the presentation and handed over the floor to Alan Erickson for a fixed income review.

Alan began his presentation by noting that during the first quarter, we've seen higher levels of volatility in the fixed income markets as investors fear recession in both the U.S. and Chinese economies.

He noted that the 10-year treasuries that formerly were returning 2.30% to 1.60% are now returning 1.85% to 1.90%. Financial markets are beginning to show more stability. The portfolio outperformed the index by 3.69%. Rates are moving lower and risk spreads are leveling off. Sector weighting is adding value to the portfolio.

One year ago, as risk spreads moved higher, we underweighted corporate bonds. Now, we are adding corporates to the portfolio.

Arnold asked Alan to explain how Columbia separates the differences in credit quality. For instance, by lowering credit quality, you expect to pick up yield. How much yield is attributed to credit quality versus sector weighting?

Alan explained that reaching for yield is a great strategy but we don't want to have a lot of credit risk in the portfolio when the time comes that we have any type of equity correction. The biggest changes in the portfolio were in the corporate sector; up from 41.0% to 47.0%.

Tony asked if we should conduct another sensitivity analysis. Alan noted that there is not a lot of room for rates to move lower. Inflation would be the only element that would cause yields to rise. The long-end is dropping which means nobody ever expect inflation again.

Asset allocation and market value:

Tony provided the Board with an update of the asset allocation and market value at March 31, 2016. He noted that it was a very interesting quarter with market values of the combined assets (Retirement System assets and the Town’s Pension Reserve Fund) ending up 0.38% down from values one year earlier.

Most of the turmoil in the market between December 31, 2015 and March 31, 2016 was in response to oil prices. “Fracking” introduced a new surge of uncertainty – signifying a rush to the exit or a rush back in.

Arnold noted that the asset allocation is slightly over our target allocation that was adjusted by vote at the March 2012 retirement board meeting.

PERAC Memos:

The Board was notified of the following PERAC Memos: PERAC Memo #12/2016 – Retirement Board Election Regulations; PERAC Memo #13/2016 – Disability Regulations 840 CMR 10.00; PERAC Memo #14/2016 – Mandatory Retirement Board Member Training – 2nd Quarter 2016; PERAC Memo #15/2016 – Disability Regulations and Signed Transmittals

Spring MACRS Conference:

The Massachusetts Association of Contributory Retirement Systems is hosting their annual spring conference in Hyannis from June 4 through June 8, 2016. Mary Barrett expressed interest in attending the Trustees Educational Seminar on June 4 and June 5; Peter Fulton, Brian Whitney and Linda Boucher are interested in attending the conference from June 5 – June 8th. The cost of registration is \$270 for the Trustees Educational Seminar, June 4 – 5; \$300 for MACRS Annual Conference \$300 each June 5 – 8.

MOTION:

Motion was made by Mary Barrett to approve attendance at the MACRS Conference and Trustee Educational Seminar for four attendees with the estimated cost of travel to be presented at the May retirement board meeting. Brian seconded the motion. **Voted unanimously.**

Statement of Financial Interests:

The Board was reminded that their Statement of Financial Interests must be filed with PERAC no later than 5:00 p.m. on Sunday May 1, 2016.

There being no further business before the Board, it was upon motion made and duly seconded that the meeting adjourned at 10:45 a.m.

Peter J. Fulton, Chairman, Elected

Mary M. Barrett, Ex Officio

Anthony T. Logalbo, Appointed

Brian J. Whitney, Elected

Arnold D. Roth, 5th Member, Appointed