

Pursuant to a notice duly filed with the Town Clerk, a meeting of the Concord Retirement Board was held on Tuesday, October 25, 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**
Wendy Rovelli, Finance Committee Observer
Joe Dougherty, Relationship Manger, Columbia Management
Alan M. Erickson, Portfolio Manager
Peter Albanese, Senior Portfolio Manager
John E. Carroll -

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

The Board unanimously approved the September 27, 2016 meeting minutes.

The Board unanimously approved the October 31, 2016 retiree payroll as follows:

Pension \$506,002.19
 Annuity \$113,901.86
Total Payroll: \$619,904.05

The Board unanimously approved the following expenses:

Town of Concord	Reim. Bd's share of ADP Invoice #480385077; tel chg./qtrly tel. main.	\$1,455.27
Newton Bindery	Invoice # 1077 – retiree earnings record cards	\$ 328.00
Town of Concord	Reimb. temp. office staff w/e 09/16 – 10/07/2016	\$3,535.92
CNA Surety	Renew bond #71681156 - Mary M. Barrett	\$ 100.00
W.B. Mason	Invoice # I38210302	\$ 240.69
Mary M. Barrett	Reim. mileage College of Holy Cross – PERAC Emerging Issues Forum	\$ 39.89
Linda A. Boucher	Reim. MACRS Conference:	
	Accommodations: 3 nights @ 143.00 = 429.00	
	Tax/City Assessment: 59.19	
	Parking: 17.00	
	Mileage: 192.20 round-trip x .505 = <u>97.06</u>	
	Total: \$602.25	\$ 602.25
Peter J. Fulton	Reim. MACRS Conference:	
	Accommodations: 2 nights @ 143.00 = 286.00	
	Tax/City Assessment: 39.46	
	Mass. Turnpike tolls: 4.20	
	Coffee 10/4; 10/5: 10.38	
	Dinner- Boucher/Fulton 10/3 55.66	
	Mileage: 174.20 round-trip x .505 = <u>87.97</u>	
	Total: \$483.67	<u>\$ 483.67</u>
Total Expenses:		\$6,785.69

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

BUY/SELL	Trade Date	Ticker/Coupon/ Maturity	Sec Desc	CUSIP(Aladdin ID)	Trade Price	Yield	Moody Rating	S&P Rating
BUY	9/27/2016	PAA 4.900 02/15/2045	PLAINS ALL AMERICAN PIPELINE LP	72650RBH4	91.988	5.46	Baa3	BBB-
SELL	9/27/2016	WPZ 5.100 09/15/2045	WILLIAMS PARTNERS LP	96949LAC9	98.098	5.23	Baa3	BBB-

SELL	9/29/2016	T 1.500 08/15/2026	TREASURY NOTE	9128282A7	99-15	1.56	Govt	AA+
BUY	9/29/2016	DTE 2.850 10/01/2026	DTE ENERGY COMPANY	233331AY3	99.897	2.86	A3	BBB
BUY	9/29/2016	DB 6.000 09/01/2017	DEUTSCHE BANK AG LONDON	25152CMN3	101.693	4.08	Baa2	BBB+
SELL	9/29/2016	T 1.500 08/15/2026	TREASURY NOTE	9128282A7	99-13 7/8	1.56	Govt	AA+
BUY	9/29/2016	VIA 3.450 10/04/2026	VIACOM INC	92553PBB7	99.481	3.51	Baa3	BBB-
BUY	9/30/2016	T 2.500 05/15/2046	TREASURY BOND	912810RS9	103-22 5/8	2.33	Govt	AA+
BUY	9/30/2016	T 1.375 09/30/2023	TREASURY NOTE	912828T26	99-21 7/8	1.42	Govt	AA+
BUY	9/30/2016	T 0.500 03/31/2017	TREASURY NOTE	912828J92	100-00+	0.47	Govt	AA+
SELL	10/3/2016	T 1.375 08/31/2023	TREASURY NOTE	9128282D1	99-17 7/8	1.44	Govt	AA+
BUY	10/3/2016	T 0.750 09/30/2018	TREASURY NOTE	912828T42	99-29 3/4	0.79	Govt	AA+
BUY	10/3/2016	T 1.375 09/30/2023	TREASURY NOTE	912828T26	99.4858	1.45	Govt	AA+
SELL	10/3/2016	T 0.750 08/31/2018	TREASURY NOTE	9128282C3	99-30 1/4	0.78	Govt	AA+
BUY	10/4/2016	BMWLT_16-2-A2 1.250 01/22/2019	BMWLT_16-2	05582XAB8	99.99298	1.24	NR	AAA
BUY	10/5/2016	DB 6.000 09/01/2017	DEUTSCHE BANK AG LONDON	25152CMN3	102.185	3.48	Baa2	BBB+
SELL	10/5/2016	BK 4.500 12/29/2049	BANK OF NEW YORK MELLON DEPOSITARY	064058AB6	98	4.85	Baa1	BBB
BUY	10/5/2016	BK 4.625 12/31/2049	BANK OF NEW YORK MELLON CORP	064058AF7	98.125	4.78	Baa1	BBB
BUY	10/5/2016	DB 6.000 09/01/2017	DEUTSCHE BANK AG LONDON	25152CMN3	102.139	3.53	Baa2	BBB+
SELL	10/6/2016	T 2.500 05/15/2046	TREASURY BOND	912810RS9	100-28 3/8	2.46	Govt	AA+
BUY	10/6/2016	HARVRD 3.150 07/15/2046	PRESIDENT & FELLOWS OF HARVARD	740816AM5	99.83	3.61	Aaa	AAA
BUY	10/7/2016	T 1.500 08/15/2026	TREASURY NOTE	9128282A7	97-27+	1.74	Govt	AA+
SELL	10/7/2016	PPL 3.400 06/01/2023	PPL CAPITAL FUNDING INC	69352PAF0	104.27	2.67	Baa2	BBB+
SELL	10/12/2016	TOTAL 2.875 02/17/2022	TOTAL CAPITAL INTERNATIONAL SA	89153VAB5	104.285	2.02	Aa3	A+
BUY	10/12/2016	T 1.500 08/15/2026	TREASURY NOTE	9128282A7	97-12 5/8	1.79	Govt	AA+
SELL	10/12/2016	BPLN 3.814 02/10/2024	BP CAPITAL MARKETS PLC	05565QCP1	107.78	2.64	A2	A-
SELL	10/12/2016	XOM 4.114 03/01/2046	EXXON MOBIL CORP	30231GAW2	110.113	3.55	Aaa	AA+
BUY	10/12/2016	T 2.500 05/15/2046	TREASURY BOND	912810RS9	99-21 3/4	2.52	Govt	AA+
SELL	10/12/2016	APC 5.550 03/15/2026	ANADARKO PETROLEUM CORPORATION	032511BN6	114.407	3.68	Ba1	BBB
BUY	10/12/2016	T 1.500 08/15/2026	TREASURY NOTE	9128282A7	97-12 1/8	1.79	Govt	AA+
BUY	10/12/2016	T 2.500 05/15/2046	TREASURY BOND	912810RS9	100-00	2.50	Govt	AA+
SELL	10/12/2016	NBL 5.250 11/15/2043	NOBLE ENERGY INC	655044AG0	102.166	5.10	Baa3	BBB
SELL	10/13/2016	DB 6.000 09/01/2017	DEUTSCHE BANK AG LONDON	25152CMN3	102.306	3.28	Baa2	BBB+
BUY	10/13/2016	PNW 2.550 09/15/2026	ARIZONA PUBLIC SERVICE COMPANY	040555CV4	100.196	2.53	A2	A-
BUY	10/13/2016	CAT 2.500 11/13/2020	CATERPILLAR FINANCIAL SERVICES	14912L6N6	102.881	1.76	A2	A
BUY	10/13/2016	LMT 3.350 09/15/2021	LOCKHEED MARTIN CORPORATION	539830AY5	106.73	1.91	Baa1	BBB+
BUY	10/13/2016	VZ 5.150 09/15/2023	VERIZON COMMUNICATIONS INC	92343VBR4	116.144	2.58	Baa1	BBB+
BUY	10/13/2016	L 3.750 04/01/2026	LOEWS CORPORATION	540424AS7	106.027	3.00	A3	A+
BUY	10/13/2016	VIA 3.450 10/04/2026	VIACOM INC	92553PBB7	100.074	3.44	Baa3	BBB-

BUY	10/13/2016	SHPLN 2.400 09/23/2021	SHIRE ACQUISITIONS INVESTMENTS	82481LAB5	99.81	2.44	Baa3	BBB-
BUY	10/13/2016	ORCL 2.650 07/15/2026	ORACLE CORPORATION	68389XBM6	100.074	2.64	A1	AA-
BUY	10/13/2016	SNI 3.950 06/15/2025	SCRIPPS NETWORKS INTERACTIVE	811065AG6	104.507	3.34	Baa3	BBB
BUY	10/13/2016	USB 3.100 04/27/2026	US BANCORP	91159HHM5	102.759	2.77	A1	A-
BUY	10/13/2016	MET 3.600 11/13/2025	METLIFE INC	59156RBQ0	106.094	2.82	A3	A-
BUY	10/13/2016	RF 3.200 02/08/2021	REGIONS FINANCIAL CORP	7591EPAK6	104.068	2.19	Baa3	BBB
BUY	10/13/2016	LLOYDS 6.375 01/21/2021	LLOYDS BANK PLC	539473AH1	116.914	2.19	A1	A
BUY	10/13/2016	T 1.500 08/15/2026	TREASURY NOTE	9128282A7	97-29	1.73	Govt	AA+
BUY	10/13/2016	T 1.375 09/30/2023	TREASURY NOTE	912828T26	98-29 1/4	1.54	Govt	AA+
BUY	10/13/2016	T 1.125 09/30/2021	TREASURY NOTE	912828T34	99-12 7/8	1.25	Govt	AA+
BUY	10/13/2016	T 0.750 09/30/2018	TREASURY NOTE	912828T42	99-26 7/8	0.83	Govt	AA+
BUY	10/13/2016	L 3.750 04/01/2026	LOEWS CORPORATION	540424AS7	106.391	2.95	A3	A+
BUY	10/14/2016	T 2.500 05/15/2046	TREASURY BOND	912810RS9	99-13 3/8	2.53	Govt	AA+
SELL	10/14/2016	FDX 4.550 04/01/2046	FEDEX CORP	31428XBG0	109.325	4.00	Baa2	BBB
BUY	10/17/2016	VOYA 3.650 06/15/2026	VOYA FINANCIAL INC	929089AB6	99.409	3.72	Baa2	BBB
BUY	10/17/2016	VOYA 4.800 06/15/2046	VOYA FINANCIAL INC	929089AC4	98.592	4.89	Baa2	BBB
SELL	10/17/2016	T 2.500 05/15/2046	TREASURY BOND	912810RS9	99-18+	2.52	Govt	AA+
SELL	10/17/2016	DB 6.000 09/01/2017	DEUTSCHE BANK AG LONDON	25152CMN3	102.458	3.09	Baa2	BBB+
SELL	10/18/2016	T 0.750 09/30/2018	TREASURY NOTE	912828T42	99-28 7/8	0.80	Govt	AA+
BUY	10/18/2016	HAROT_16-4-A3 1.470 12/18/2020	HAROT_16-4	43814RAC0	99.99351	1.22	NR	AAA
BUY	10/18/2016	FORDO_16-C-A3 1.450 03/15/2021	FORDO_16-C	34531CAD2	99.97819	1.23	Aaa	NR
SELL	10/18/2016	T 0.750 09/30/2018	TREASURY NOTE	912828T42	99-28 3/8	0.81	Govt	AA+
SELL	10/18/2016	DB 6.000 09/01/2017	DEUTSCHE BANK AG LONDON	25152CMN3	102.475	3.06	Baa2	BBB+
BUY	10/19/2016	CARMX_16-4-A3 0.950 08/15/2021	CARMX_16-4	14312QACO	99.97541	1.41	Aaa	NR
BUY	10/19/2016	T 2.500 05/15/2046	TREASURY BOND	912810RS9	99-19 7/8	2.52	Govt	AA+
SELL	10/19/2016	ILS 5.100 06/01/2033	IL ST PENSION OB	452151LF8	96.143	5.53	Baa2	BBB

The Board unanimously approved the following new members:

<u>Name</u>	<u>Unit</u>	<u>Department</u>	<u>Position</u>	<u>Hire Date</u>	<u>Group</u>
Julia Holzwasser	School	CPS	SPED Tutor	08/31/2016	1
Lauren Barretta	Town	COA	Program Supervisor	09/15/2016	1
Maxwell Close	School	CCRSD	Library Tech.	09/22/2016	1
Michael Logue	School	CPS	SPED Tutor	05/22/2016	1
Hannah Adley	School	CPS	SPED Assistant	02/22/2016	1
Tracy Towers	School	CPS	Preschool Tutor	08/31/2016	1
Aynsley Wedge	School	CPS	SPED Assistant	08/31/2016	1
Joseph Bohenek	School	CCRSD	Duties Monitor	10/11/2016	1
Shauna Tibbit	School	CPS	Tutor	10/16/2016	1

The Board unanimously approved the following new retirement:

<u>Name</u>	<u>Unit</u>	<u>Department</u>	<u>Position</u>	<u>Retirement Date</u>	<u>Service</u>
Herbert Gent	Town	CMLP	Line Supervisor	10/26/2016	36.6667

The Board acknowledged there were no refunds/rollovers.

<u>Name</u>	<u>Unit</u>	<u>Department</u>	<u>Position</u>	<u>Amount</u>	<u>Service</u>
None					

The Board unanimously approved the following transfers to another system:

<u>Name</u>	<u>Unit</u>	<u>Department</u>	<u>Position</u>	<u>Amount</u>	<u>Service</u>
Meaghan Engdahl	School	CCRSD	Library Technician	\$27,284.90	7.9167
Transferring to Middlesex County					
Bonnie Hardy	School	CPS/CCRSD	Food Svc. Mgr	\$63,704.96	15.1667
Transferring to Middlesex County					
Ian McKenzie	Town	CPW	Asst. CPW Eng.	\$35,801.64	5.3333
Transferring to Waltham					
Nathan Dee	Town	Water/Sewer	W/S System Main.	\$1,534.58	0.3333
Transferring to Maynard					

The Board respectfully acknowledged the following death:

Harriet Parish – born February 25, 1925. Harriet became a member of the retirement system on November 18, 1974 working as a Registrar for Adult Education. She worked in this position for over 14 years before retiring on August 6, 1985. Harriet passed away on September 15, 2016 at the age of 91.

Columbia Management Investment Review:

Peter Fulton welcomed managers from Columbia Management and then invited Joe Dougherty to begin the investment review. Joe introduced Peter Albanese, Senior Portfolio Manager of Quantitative Strategies, to the Board and asked him to begin the presentation with his review of the equity markets and Concord's equity portfolio performance as of September 30, 2016.

Equity Market Review:

Peter told the Board that the equity portfolio is a Discipline Value strategy and is benchmarked against the Russell 1000 Value Index. This is a low tracking-error strategy where alpha is achieved by stock selection within sectors and not by market timing. Stocks are selected by looking at the most attractive companies within each segment under a risk controlled process.

He noted that portfolio performance was good for the quarter and that long-term performance is still solid. He mentioned that the current strategy began about seven years ago but the past few years have been particularly challenging for managers. He also noted that some of the performance drivers include oil sensitive industries such as airlines; however, with oil prices tanking lately we are seeing some negative performance within the sector.

Peter concluded his presentation and turned the floor over to Alan Erickson for a review of the fixed income markets.

Fixed Income Market Review:

Alan Erickson provided an investment review of the fixed income markets. He noted that Concord's fixed income portfolio performance for the one-year period ended September 30, 2016 is up 7.0% versus the index (Barclay US Gov/Credit Bond Index) return of 5.86%. Alan further commented that the Concord portfolio also outperformed the index for the three-year, five-year and ten-year returns.

Alan commented that fixed income yields have been relatively stable this year but there is the possibility of the Fed's increasing interest rates in December. On a macroeconomic basis, Brexit did cause global yields to go down a bit but they have rebounded at this point. Treasury yields are between 1.30% and 1.80% which is causing investors to look for income in other sectors. We are seeing some foreign interest coming into US markets.

The portfolio was slightly overweight energy bonds to the benchmark during the 1st and 2nd quarter. Finance has done well so far this year; short-rates are expected to move higher and will become more neutral across the yield curve. However, low

rates/low volatility does not create great yields. We've also increased our exposure to commercial mortgage-backed securities (CMBS).

Arnold commented that the commercial mortgage-back securities are often shopping or retail properties and this sector could be under risk going forward. Alan commented that they did select all AAA rated CMBS and that he agreed with Arnold's philosophy; therefore, although the quality of the bonds is good, the weights were taken back a bit. Corporate bonds have been largely overweight to the benchmark because risk spreads are still attractive

Alan also noted that they increased total exposure from 47.0% - 49.0% with utility bonds and energy bonds.

Market behavior is indicating a 70.0% chance that the Fed interest rate hike could happen in December and will be about ¼%. He emphasized that we may see a "knee-jerk" reaction but the portfolio shouldn't be affected too much.

Arnold commented that there still doesn't seem to be any sector that is doing well. Alan responded that there are pockets of housing that are doing well but the focus is more on multi-family homes versus single-family homes.

Alan concluded his presentation and the Board thanked Columbia Management for their time.

Asset Allocation and Market Value Report:

Tony reviewed the asset allocation and market values at September 30, 2016 with the Board. He noted that September was a fairly unexciting month and October was slightly negative at the time of the retirement board meeting. He pointed out that the combined assets (Retirement Board assets and the Town's Pension Reserve Fund) increased by 0.23% from the prior month's end. (\$145.02 million in the Retirement System and \$9.18 million in the Town's Pension Reserve account).

For the one-year period ended September 30, 2016, market value of retirement system assets has increased by 10.64% compared to the state's Pension Reserve Investment Trust Fund's increase of 10.84% for the same one-year period.

Tony commented that if this trend continues through calendar year end, we may come close to meeting the Board's actuarial assumed rate of return.

Proposed Budget 2017:

The Retirement Board is proposing the following budget for calendar year 2017:

Investment Management Fees:	\$ 715,500
Staff Salaries and Benefits:	\$ 151,400
Operating Expenses:	<u>\$ 138,450</u>
Total proposed budget:	\$1,005,350

Chapter 306 of the Acts of 1996 requires retirement boards to file their expense budgets at least 30 days prior to adoption with the appropriate legislative body of the governmental units whose employees the board serves. The expense budget is funded solely from the investment income of the system without any further appropriation from the governmental units served by the system. Member units will be notified of the proposed budget and a final vote will take place at the Board's December 22, 2016 meeting.

MOTION:

Tony Logalbo motioned to propose the 2017 budget of \$1,005,350 and to forward notice of such to each member unit of the Concord Retirement System to be voted on at the December 22, 2016 retirement board meeting. Arnold Roth seconded the motion. **Voted unanimously.**

RFP/OCIO/INVESTMENT POLICY:

The Board has talked about the potential of securing the services of an Out-Sourced Chief Investment Officer to assist in the asset allocation and management of retirement system assets. The board is still working on specific language for an Investment Policy before issuing a Request for Proposals. Board members will review the sample investment policy that was provided at the September retirement board meeting and will table this matter for a date in the future.

PERAC MEMOS:

The Board was notified of the following PERAC Memos: PERAC Memo 24/2016 - Mandatory Board Member Training – 4th Quarter 2016; PERAC Memo 25/2016 – Other Post-Employment Benefits (OPEB) Summary; and PERAC Memo 26/2016 – Appropriation Date Due October 31, 2016.

Executive Session:

The Board voted by roll call to move into Executive Session for the purposes of discussing the application for disability retirement for an individual and to reconvene in Open Meeting Session solely for the purpose of adjournment.

Roll Call Vote:

- Peter J. Fulton, YES
- Mary M. Barrett, YES
- Anthony T. Logalbo, YES
- Brian J. Whitney, YES
- Arnold D. Roth, YES

The Board reconvened in Open Meeting Session for the purpose of adjournment.

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