

**PLYMOUTH RETIREMENT BOARD**  
**Monday, October 23, 2017**  
**8:37 a.m.**  
**Boston Manager Visits**

Chairman Thomas Kelley called the meeting to order at 8:37 a.m. in the conference room of RhumbLine Advisers at 265 Franklin Street, 21<sup>st</sup> Floor, Boston MA. Present Board members were Lynne Barrett, Shawn Duhamel, Gerald Coughlin, and Dale Webber. Also present were Town of Plymouth Treasurer Pam Borgatti, Wendy Cherry, and Karry Barros. Anthony Tranghese, Maura Goulart, and Matt Fortini all of Fiduciary Investment Advisors were present as well.

**Section I: Investment Manager Annual Reviews:**

Mr. Tranghese introduced Mr. Fortini and Ms. Goulart and informed the Board that each investment manager is scheduled for a forty-five (45) minute review. He added that the Board will be given a tour of the RhumbLine Offices before moving on to the next meeting location.

**RhumbLine Advisers:**

Densie D'Entremont, Director of Marketing and Wayne Owen, CEO welcomed the Board to their office.

Chairman Kelley explained to Ms. D'Entremont and Mr. Owens that the Board meets yearly with each investment manager to receive updates on strategy changes, company changes, and performance.

Mr. Owens told the Board that there are no changes to the process, the strategy remains the same however; Norman Meltz, Co-C.I.O. plans to retire at the end of this year at the age of seventy-three. He is being replaced by Antonio Ballestas, Asst. Portfolio Manager. Mr. Ballestas's position will be filled at some in the future. Mr. Owens added that the OPEB strategy remains the same as well.

Mr. Owens introduced Jeff Kusmierz, Portfolio Manager, and asked him to update the Board on performance.

Mr. Kusmierz told the Board that the Fund was at \$9,533,604.91 as of September 30, 2017. Performance as of 9/30/2017, was 14.20% vs. the S&P 500 INDEX at 14.24%. Performance since inception (6/30/2015) at 11.59% vs. benchmark at 11.62%. Mr.

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Kusmierz reviewed Sector Returns & Weights noting that Information Technology was the best performing sector year-to-date with Health Care in second place.

Mr. Kusmierz informed the Board that the OPEB Fund was at \$1,491,741.94, as of September 30, 2017. Performance as of 9/30/2017, was 14.20% vs. the S&P 500 INDEX at 14.24%. Performance since inception is the same as through September 30<sup>th</sup> as inception date was 12/31/2016.

Chairman Kelley asked Ms. Barrett if the Town is still planning to add 1% of annual payroll to the appropriation for the OPEB Fund.

Ms. Barrett responded that the Town is planning to add 1% of annual payroll, approximately One Million. She inquired if the amounts being reported include the additional monies added July 2017.

Mr. Tranghese explained that the S&P 500 Pooled Index Fund is just one fund, there are other funds such as MSCI EAFE Pooled Index Fund and Core Bond Pooled Index Fund that the money was put into.

Mr. Kusmierz told the Board that the MSCI EAFE Pooled Index Fund had a Total Market Value of \$101.9 MM as of September 30, 2017. Market Value for Town of Plymouth as of 9/30/17, was \$753,841.33 with performance at 20.15% vs. the benchmark at 19.96%. The Core Bond Pooled Index Fund Market Value as of 9/30/17, was \$1,441,731.05 with performance at 3.07% vs. Bloomberg Barclays US AGG at 3.14% since inception (12/31/16).

Mr. Webber asked who the investors are in the OPEB Fund.

Mr. Kusmierz named the city of Marlborough and stated that there are more Retirement Systems as well. He told the Board he is willing to provide them with a list.

Mr. Owen told the Board that the Firm has put money into infrastructure, technology, and people. They have grown slowly and technology has been a great part of their success.

Chairman Kelley asked if they create their own technology internally.

Mr. Owen explained that they have three software programs. They take those products and build interfaces. He added that it is critical to their success for Operations and Portfolio Managers to be on the same page.

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Mr. Owens and Ms. D'Entremont took the Board on a tour of their offices. The Board thanked them for the use of their conference room and their time.

**Boston Advisors-Large Cap Core Equity:**

Andrea Mackey, Client Service Manager and James Gaul, CFA, Portfolio Manager entered the meeting and introduced themselves.

Ms. Mackey told the Board that there have been some changes to the Firm. Eric Eaton took the place of Fundamental Analyst Mike Dorsey. Mr. Eaton, CFA, CPA, earned a Master of Business Administration from Harvard Business School. He also holds an MS in Finance from Bentley University and a BA in Economics and Accounting from Gordon College.

Daniel Sahagian took on a new role as software developer in the Quantitative Group.

Foster Aborn retired as Board Member.

Mr. Gaul reviewed performance for the quarter, stating the Fund (net of fees) was at 5.77% vs. S&P 500 Total Return benchmark of 4.48%. Year-to-Date performance shows the Fund at 14.88% vs. the benchmark at 14.24% . Mr. Gaul reviewed the Risk & Return Statistics charts noting that the long-term numbers are better than the benchmark returns.

Mr. Gaul told the Board that selection drove performance with a positive selection effect in seven (7) of the twelve (12) sectors, Industrials and Energy adding the most. Mr. Gaul stated that Industrials had strength in cyclical Capital Goods names and Energy had focus on Refiners over Exploration & Production in a weak oil environment.

Mr. Gaul explained to the Board that there are Manager stated Portfolio Investment Guidelines in their strategy that stipulate an allowable range of holdings within the portfolio. The current range is 90-120 however, they have been steadily reducing as the breadth and depth of analysis has increased and better risk control tools have been implemented. Mr. Gaul asked the Board if they would be in favor of reducing the current allowable holdings range at 90-120 down to 60-90.

Motion to reduce the current allowable holdings range of 90-120 down to a 60-90 allowable holdings range made by Mr. Duhamel; Seconded by Ms. Barrett. Unanimously voted.

The Board thanked Ms. Mackey and Mr. Gaul.

Shawn Duhamel left the meeting at 10:10 a.m.

**Boston Partners-Large Cap Value Equity:**

John Forelli, CFA, Senior Portfolio Analyst introduced himself to the Board.

Chairman Kelley asked Mr. Forelli to include in his review any company changes, changes in strategy, and performance.

Mr. Forelli told the Board that Derek Dolan was unable to attend the meeting today as planned.

Mr. Forelli told the Board that Boston Partners had \$94.8 Billion in Assets Under Management as of September 30, 2017. The Large Cap Value portion of the assets is equal to \$32,171 Million and the lead Portfolio Manager is Mark Donovan. Mr. Forelli added that there was one intern, Pete Cady, who was hired and added to Quantitative Strategies.

Mr. Forelli told the Board that Market Value as of September 30, 2017, was \$8,634,086 (net of fees). The Fund was as at 4.66% vs. Russell 1000 Value Index of 3.11% for the 3<sup>rd</sup> Qtr. 2017, and at 20.71% vs. the bench mark of 15.12% for the 1 year.

Mr. Forelli reviewed their Value Equity Investment Philosophy consisting of three core principles: Low valuation stocks outperform high valuation stocks, Companies with strong fundamental (high returns on invested capital) outperform companies with poor fundamentals and Stocks with positive business momentum (improving trends/rising earnings) outperform stocks with negative momentum. He added that portfolios with an attractive valuation, strong business fundamentals and positive business momentum tend to outperform over time. Mr. Forelli briefly reviewed sector weights noting Finance at 30% and Technology, at 17.6% are at the top.

Mr. Forelli concluded the review by stating that Defined Contribution Plans hold over \$5.9 Billion in Assets Under Management with more than 60 Clients, this includes Separate Account and Collective Trust Defined Contribution Clients, but not Mutual Fund assets.

The Board thanked Mr. Forelli.

**Boston Trust-Small Cap Core Equity:**

Mark Cushing, CFA and Kenneth Scott CFA entered the meeting and introduced themselves.

Mr. Cushing told the Board that there have been no changes in ownership, senior management, or the business. He added that the Firm has no parent company, it is employee owned, so there is shared interest to manage risks. The clients have been steady and loyal, and there have been no changes in strategy or team. The Firm has 7.9 Billion in Assets Under Management and their strategies are high quality equity and balanced fixed income. Mr. Cushing reviewed performance as of September 30, 2017, informing the Board that the Fund was at 3.1% vs. the Russell 2000 Index at 5.7% for the 3<sup>rd</sup> Qtr. 2017. Year-to-Date performance is 7.1% (gross of fees) vs. the benchmark of 10.9%. He added that the Fund since inception, September 30, 2008, has performance of 12.3% vs. the

Russell 2000 Index at 10.7%, noting that it has performed ahead for the long run but behind in the short period.

Mr. Scott shared some performance commentary with the Board noting that looking back to March 31, 2009, close to the bottom of the financial crisis, the returns were at 16.9% vs. the Russell 2000 at 17.6%. Mr. Scott reviewed the Market Volatility chart noting that volatility is currently near cyclical low. He stated that Boston Trust client portfolios have generally produced superior risk-adjusted returns relative to the market during periods of average, above average, and rising volatility. The top two performing sectors for the trailing twelve months ending September 30, 2017, were Financials and Information Technology. The top ten holdings were reviewed and it was noted that no one stock holds more than 2% weight per sector. Mr. Scott told the Board that the current outlook is more growth and that small cap stock does well in the current environment.

The Board thanked Mr. Cushing and Mr. Scott.

#### **Wellington Management:**

C. Leigh Crosby, Account Manager, introduced herself and welcomed the Board to Wellington's Offices. Ms. Crosby told the Board that Wellington is a stable Firm that recently hit the trillion-dollar mark. She informed the Board that there was an SEC Audit performed during the year which had no effect on the portfolio as there is no private stock in the portfolio. Ms. Crosby stated that there are three Managing Partners in the Firm and most recently, Steve Klar, was elected to that position.

#### **Core Bond:**

Meredith Joli, Investment Director, introduced herself to the Board. Ms. Joli told the Board that Wellington's Core Bond strategy has a high focus on risk. Their objective is to consistently outperform the broad fixed income market as represented by Bloomberg Barclays US aggregate Bond Index with equivalent or lower levels of risk. Their philosophy is believing that a diversity of high quality investment ideas managed in a risk-controlled framework should lead to superior investment results. She explained that in their approach they seek to provide consistent excess returns through all market environments by: diversifying sources of return across multiple perspectives, identifying skilled investors and allowing them to focus exclusively on their area of expertise, and measuring as well as controlling the aggregation of risks. Ms. Joli informed the Board that there have been no material changes to the team or process with the exception of Steve Klar's election to Managing Partner. She briefly reviewed the Broad Markets Team and Core Bond investment processes. Ms. Joli gave the Core Bond performance review as of September 30, 2017, noting that the markets are up and that the portfolio has outperformed the benchmark. For the 3<sup>rd</sup> Qtr. 2017, the Fund was at 1.02% vs. Bloomberg Barclays US Aggregate at .85%. The Year-to-Date performance shows the Fund at 4.12% vs. the benchmark at 3.14%. The active return for the 3<sup>rd</sup> Qtr. being .17% and .98% Year-to-Date. Ms. Joli reviewed sector positions and active risk exposure as well.

Mr. Tranghese asked Ms. Joli her opinion on the Fed unwind.

Ms. Joli responded stating that the Fed has communicated the unwind well, by announcing the plan and the tapering that is slowly happening, she does not see it as a risk, but something to pay attention to. Ms. Joli thanked the Board for their time and left the meeting.

**U.S. Research Equity:**

Matthew McKenna, Investment Director introduced himself to the Board. Mr. McKenna reviewed the U.S. Research Equity objective and approach explaining that their objective seeks to consistently outperform the S&P 500 Index over 3-5 year periods and their approach emphasizes stock selection. The portfolio is managed by an analyst team of twenty-five (25) with an average tenure of twenty (20) years. He told the Board there have been no changes to the team or strategy except for one retirement in the past ten (10) months.

Mr. McKenna reviewed performance for the 3<sup>rd</sup> Qtr. 2017, the Fund was at 3.4% vs. S&P 500 at 4.5% showing an active return of -1.1%, with Year-to Date performance of 16.1% vs. the benchmark at 14.2%, active return of 1.9%. Since inception the Fund has performed at 8.2% vs. the benchmark at 6.2%, showing an active return of 2%.

Chairman Kelley asked what total assets are.

Mr. McKenna answered that there are just over a trillion.

Mr. McKenna gave a brief sector review highlighting Technology and Health Care. He explained that advancements in cloud computing have led to more flexible, cheaper, and more efficient IT networks. Also, the rapid adoption of smartphones has upended the way we consume content and created opportunities for the business modes that have effectively monetized it. In Health Care, there has been secular growth in nationwide health care expenditure and major advancements in diagnosing and treating disease.

Mr. McKenna thanked the Board and left the meeting.

**Opportunistic Investment Allocation Fund:**

Saul Henry, Investment Director, introduced himself to the Board. Mr. Henry informed the Board that there are no material changes to the team or investment process. Their approach remains a differentiated, unconstrained, thematic “best idea’s” portfolio focused on non-core areas of global markets. He noted that new exposures around India have been sources of strength. Mr. Henry told the Board that opportunistic investment is a differentiated approach created fifteen (15) years ago, driven by a client need for nimble, multi asset, “best ideas” portfolio. It combines fundamental and macro insights to take thematic, long-term positions in non-core asset classes and markets. The end result being a differentiated portfolio with potential to deliver strong returns.

Mr. Henry reviewed performance for 3<sup>rd</sup> Qtr. 2017, the Fund was at 3.9% vs. the benchmark (65% Equity/35% Fixed Income) at 3.7%. Year-to-Date performance, the Fund is at 15.2% vs. the benchmark of 12.5%. Mr. Henry told the Board he appreciates the patience the Board has had with this investment.

Mr. Henry thanked the Board and left the meeting.

**Discussion:** Entergy decommissioning

Alan Hsu, Global Industry Analyst & Portfolio Manager entered the meeting and introduced himself to the Board.

Chairman Kelley expressed strong concern regarding the closing of the Plymouth Power Plant and the potential for hazardous nuclear waste being left behind. He asked Mr. Hsu if he was aware of any other communities that have gone through the experience and if so, who absorbs the cost.

Mr. Hsu responded that there have not been many nuclear plant closures in the U.S. so there is not much precedence on the matter. He explained that the decision to shut down is almost always predicated on the markets. There is often little notice given in advance due to the probability of a close vote to shut down. It is likely that companies like Entergy and Exelon would look for assistance from the state. The precedence would be that nuclear decommissioning funds would be used and those funds should have been paid for by the consumers that benefited from the energy. He added that there is no precedence that the Town would pay 100% of the cost, the rates are supposed to be a socialized cost plus a small return.

Ms. Barret asked the economics of why a plant would sell the decommissioning to another company.

Mr. Hsu stated that it is just a service that the company provides for a high fee.

Chairman Kelley stated that monies were taken for decommissioning and Entergy is going to store materials on site. He asked if any compensation can be received for this.

Mr. Hsu told the Board that if the actual cost exceeds, the remainder of the state will help defray the cost. He explained to the Board that it is a tough situation with a long history of expected costs coming up short of actual costs. Mr. Hsu added that he is not sure how it will be handled and he does not know if any recourse exists, there is just not enough precedence to determine.

The Board thanked Mr. Hsu and he left the meeting.

The Board took a tour of the Equity Trading Floor.

**Westfield Capital Management:**

Justin Moscardelli, Partner, Marketing & Client Service, entered the meeting and introduced himself. He told the Board that the Firm is Boston-based, has sixty-three (63) employees, and 13.5 billion in assets under management as of September 30, 2017. They specialize in growth equities across the market capitalization spectrum and use a team approach allowing analysts to have an impact on portfolios, creating a differentiated culture. The 100% employee ownership aligns the interest of the employees and clients. There were no team changes except the addition of Michael Poe to Financials. Mr. Moscardelli gave a brief relationship overview and turned the meeting over to William Muggia, President, CEO & CIO.

Mr. Muggia told the Board that the first two months of the 3<sup>rd</sup> Qtr. were a continuation of a year-long trend (large, growth, quality leadership) and then a reversal occurred in September (value, small, high-beta, risk-on). The dip was evident in sector performance as well with cyclicals leading during the month-Financials, Energy, Energy-related Industrials and Materials. Despite September's price action, leadership for the year remains in Technology, Health Care, large cap and growth. The performance differential between Large Growth and Small Value peaked at over 20% in August before reversing in September. Despite the September hit to relative gains, performance remains strong broadly speaking for the year. Performance for the 3<sup>rd</sup> Qtr. 2017, shows the Fund at 6.19% vs. the Russell 1000 Growth at 5.90%. Year-to-Date the Fund is at 24.43% vs. the benchmark at 20.72%.

Garth Johnson, CFA, Vice President, introduced himself to the Board. Mr. Johnson spoke to the Board regarding Health Care. He told the Board that this is an exciting time as astounding advances are being made in Cancer treatment. Tumors are being unmasked to the body due to new drugs that allow the immune system to identify the tumor as a foreign invader. These drugs amplify the bodies response to attack the foreign invaders by using the body's own immune system. Mr. Johnson stated that they are currently invested with a couple companies that create these drugs.

Rich Lee, CFA, Managing Partner and Deputy CIO introduced himself to the Board. Mr. Lee spoke to the Board regarding Technology noting that the biggest trend in technology is "The Cloud" and acceleration into the cloud.

Chairman Kelley mentioned that it is difficult for him to have trust in that type of storing of information.

Mr. Lee agreed that security is a huge point. Updates are done without the user even being aware. He stated that security concerns do exist but growth is accelerating. He added that they have invested in "The Cloud" as it is a good long-term trend. There is also growth in semiconductors (iphone displays). Mr. Lee stated that Technology is 30+% of the portfolio. Mr. Lee added that financial services companies move the most sensitive information (customer information) last, if at all.



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The Board thanked Mr. Muggia, Mr. Johnson, and Mr. Lee.

**Adjournment:**

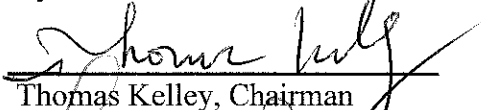
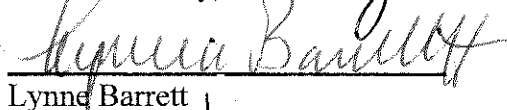
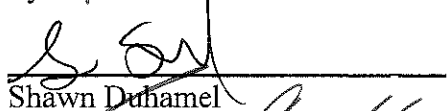
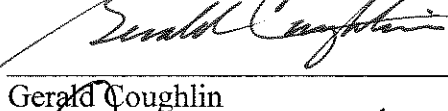
Motion to adjourn meeting made by Mr. Coughlin at 3:40 p.m.; Seconded by Ms. Barrett.  
Unanimously voted.

Respectfully submitted,



Karry A. Barros  
Assistant Director

**Plymouth Retirement Board:**

  
Thomas Kelley, Chairman  
Lynne Barrett  
Shawn Duhamel  
Gerald Coughlin  
Dale Webber

December 15, 2017

Dated