

## HAVERHILL RETIREMENT BOARD

Tuesday, February 13, 2018 9:00AM

Haverhill City Hall, Room 303

The meeting was called to order at: 9:07AM

In attendance: Board Members: William Klueber, Charles Benevento, James Cleary, Richard MacDonald, Lewis Poore; David Van Dam and Gus Aristizabal (Wainwright).

### Investment Consultant Review & Update

- Overview of Markets and Performance Report.

WIC LLC gave the Board an update on the financial markets through February 9, 2018. Equities, as measured by the S&P 500 index, have returned -7.15% so far in February and are down -1.84% YTD. U.S. Fixed Income, as represented by the Bloomberg Barclays Aggregate Bond Index, had a -0.77% return MTD and a -1.92% YTD. Gus provided an update on tax reform and the potential positive impact on U.S. GDP and equities. On a cautionary note, Gus discussed the high valuations in the equity markets and the potentially contractionary effect of monetary policy as the US Central Bank is in the process of shrinking its balance sheet and increasing the fed funds rate. Gus also provided an update on increased yields in the U.S. fixed income market and the continued weakness of the U.S. Dollar in international markets.

WIC did not provide a performance update for the portfolio as of the end of December 2017 to allow People's Bank to get updated capital accounts for some of the illiquid partnerships as of the end of Q4-17.

The Board reviewed the rebalancing report and had no cash movements in the portfolio.

The Board discussed the request from GFP 8 on AIF Properties Limited. The Board voted not to liquidate and dissolve the investment in AIF properties.

The Board also had a discussion on the request from Courtland Partners to merge with StepStone. The Board did not consent to the request.

The Board approved to issue RFPs for small cap growth and small cap value searches.

The Board approved the request from Putnam Investments to the change in guidelines as follows:

- The portfolio will maintain a weighted average market cap of +/- 35% vs. the weighted average market capitalization of the Russell 2000 Growth Index, at all times.
  - Positions will NOT be initiated in names with market capitalizations greater than the largest name in the Russell 2000 Growth Index.
- 
- GFP GTI

A motion was made by Benevento that the portfolio will remain a weighted average market cap of +/- 35% vs. the weighted average market capitalization of the Russell 2000 Growth Index, at times and

that the positions will NOT be initiated in names with market capitalizations greater than the largest name in the Russell Growth Index, seconded by Cleary.

Vote- 5 yes

- RFP approval for small cap value and small cap growth.

A motion was made by Poore to go out for a Request for Proposal (RFP) for small cap value and small cap growth and seconded by Benevento.

Vote- 5 yes

- Mesirow consent to merger of investment advisor.

A motion was made by Poore to NOT Consent to authorize MFIRE Cayman L.P. to approve the amended and restated Investment Advisory Agreement with StepStone Group Real Estate LP in the form set forth as Exhibit A to the letter and the change of management of the general partner of each Fund in which the board has interest, seconded by Cleary.

Vote- 5 yes

#### New Member Enrollments

Acknowledge new member enrollments:

- **School:** Bianna Robles, Brittany O'Brien, Hannah Guselli, Nelly Lopez, , Alexandra Mezzina, George Fitzgerald, , Dana Semiglia, Lindsay Langlais, Tyler Gibbs,. **Water:** Brandon Corey, Kyle Vasconcellos. **311 Call Center:** Jenniffer Cabrera. **Comm-School:** Richard Rosa.

A motion was made by Poore to accept the new member enrollments as listed above, seconded by Benevento.

Vote- 5 yes

#### Buybacks/Makeups

- **Fire:** Jeremy Fuller- On Call Firefighter an additional 8 months (05/09/12-01/28/17). **Water Dept.:** Steven Curtis, Part-time employee, 1 year 9 months (07/07/14-05/15/16), Kyle Vasconcellos, Part-time employee, 1 year 5 months (06/29/15-12/10/17).

A motion was made by Poore to accept the buybacks/makeups as listed above, seconded by Benevento.

Vote- 5 yes

#### Refunds

- **School:** Pamela Baman; **Library:** Elysia Hamelin; **Fire:** Todd Guertin; **Police:** Cynthia Martinez; **Whittier Vo-Tech:** Adam Douphinette.

A motion was made by Benevento to accept the refunds as listed above, seconded by Cleary.

Vote- 5 yes

#### Transfers

- **School:** Alicia Couturier (Amesbury), Diane DiBartolo (MTRS), Jennifer Donohoe (MTRS), Diana Farrell (MTRS), Nicole Folopoulos (MTRS), Jennifer Gagnon (MTRS), Kendra Hobbs (MTRS), Elizabeth McCloskey (MTRS), Heather McNeil (MTRS), Vanessa Pellot (MTRS), Cheryl Praetz (MTRS) and Colleen Wezesa (MTRS). **Whittier Vo-Tech:** Rachel Rossi (MTRS), Joseph Young (MTRS).

A motion was made by Cleary to accept the transfers as listed above, seconded by Benevento.

Vote- 5 yes

#### Retirements/Disabilities/Survivor Benefits

- Retirement Board Staff have verified that the necessary paperwork is in order and has determined applicants to be eligible for such benefits:
- Acknowledge Superannuations: **Haverhill Housing Authority:** Michael Delorey (2/24/18; 30.0 yrs.). **Department of Public Works (Highway):** Raymond Bradshaw (2/24/18; 43.333 yrs.).

A motion was made by Poore to accept the retirements/disabilities/survivor benefits as listed above, seconded by MacDonald.

Vote- 5 yes

#### 2018 COLA

- Set special meeting on April 10, 2018@9AM (followed by the Board's regular meeting @9:15AM) for the purpose of granting a 3% COLA to retirees and to notify the legislative bodies of the meeting.

A motion was made by Poore to set up a special meeting on April 10, 2018 at 9AM for the purpose of granting a 3% COLA to retirees and to notify the legislative bodies of the meeting, seconded by Cleary.

Vote- 5 yes

#### Investment Funds Reviews & Updates

- In person presentation by DDJ

##### **DDJ Capital Management, LLC.**

*Performance Summary (Time Weighted, Net of Fees)*

(Q4 2017)      (YTD, as of 12/31/17)



DDJ High Yield Investment Fund	1.82%	11.86%
ICE BofA Merrill Lynch U.S. High Yield Interest	0.41%	7.48%

A review of the ADV Part 1A (as of August 14, 2017) for DDJ Capital Management, LLC. (“DDJ”) revealed no disciplinary disclosures. DDJ became a signatory of the UN supported “Principles for Responsible Investing” initiative in 2016 and updated their ADV 2A (as of March 28, 2017) to reflect this material change. Further review of the ADV 2A revealed no financial changes. A Broker Check conducted (on February 26, 2018) on the three portfolio managers (Joseph Lind, Benjamin Santonelli, and John Sherman) produced no results.

The firm, founded in 1996, has \$7.83 Billion in total AUM (as of 12/31/2017). DDJ has 59 total employees (20 of which are on the investment team). The investment team is made up of 3 Portfolio Managers, 10 dedicated Research Analysts, 2 In-house attorneys, and a 3 person trading team. The team invests using a value driven strategy by focusing on inefficient areas of the market where they can identify undervalued companies. Downside protection is a key principle for the fund and they perform in depth risk analysis on each holding to ensure they fully understand each holding’s risk potential. The DDJ High Yield Investment Fund outperformed the ICE BofA Merrill U.S. High Yield Index in 2017 with net returns of 11.86% and 7.48% respectively. The average credit rating of the fund is CCC1 with an average coupon of 8.71%. The adjusted duration of the portfolio was 2.24 which is below the index duration of 3.89. The top three security types held by the fund are Senior Unsecured Loans (28.2%), Term Loans 2nd Lien (24.5%), and Secured Loans 1st Lien (17.1%). The fund is overweight in Healthcare, Basic Industry, Insurance, Automotive, Capital Goods, Consumer Goods, and Real Estate. The fund is underweight in Energy, Banking, Financial Services, Leisure, Media, Retail, Services, Technology & Electronics, Telecommunications, Transportation, and Utilities.

- Call in Presentation by Courtland

#### **Courtland Partners, Ltd.**

*Performance Summary (Time Weighted, Net of Fees)*

	(Q3 2017)	(YTD, as of 09/30/17)
RE International Partnership I (MFIIE Intl Fund I)	0.23%	2.89%
NCREIF Property Index	1.70%	5.07%

A review of the ADV Part 1A (as of September 27, 2017) for Courtland Partners Ltd. (“Courtland”) revealed no disciplinary disclosures. The ADV 2A (dated January 13, 2016) listed a material change related to the passing of Courtland’s Managing Partner in November 2016, however Wainwright no longer believes this to be a material change for the 2017 calendar year. Further review of the ADV 2A revealed no financial changes. A Broker Check conducted (on February 26, 2018) on Marc Rivitz (Senior Vice President) and Amy Stone, CPA (Director of Fund Admin) produced no results. According to the most recent ADV Part I dated September 27, 2017, Courtland has \$69.9 Billion in total AUM. Of the total \$69 Billion, \$2.1 Billion are classified as Discretionary assets and \$67.8 Billion are Non-Discretionary assets.

The Real Estate International Partnership Fund I returned 0.23% net for Q3 2017. The net IRR, since inception, through Q3 2017, was 1.47%. As of September 30, 2017, Haverhill has contributed a total of \$2,339,535 to the Fund. Through the end of the third quarter the Fund has distributed 57% of the total capital (\$1,343,999) for a total remaining value of \$1,192.861. Courtland’s Real Estate Fund of Fund’s

is heavily weighted in Asia (51.76%), and Europe (23.24%) with the remaining positions in Canada, Latin America, and Australia/Pacific. The management team believes performance across Asia/Pacific should strengthen as growth projections across the region improve. The top three property types are Residential for Sale (21.8%), Office (20.2%), and Residential Niche (17.6%).

The largest portfolio holdings are Gateway III (13.4%), Fortress Japan II (12.5%) and Woodbourne Canada II (12.2%). Third quarter performance was driven by the Fortress Japan II Fund (10.4% net return), Woodbourne Canada II Fund (7.0%), and Blackstone Europe III Fund (6.3%). The Redwood Grove International Fund (-22.2% net return), JER Europe III Fund (-18.4%) and Blackrock Asia II Fund (-12.2%) were the main detractors from overall fund performance.

### PROSPER Update

David Van Dam, the Administrator, gave a status update to board members MacDonald and Klueber as to their credit requirements for 2018.

### RFP's:

- Request to move forward with an RFP for legal services, Investment consultant and actuarial services, all set to expire on 12/31/18.

A motion was made by Poore to move this item to the April 10, 2018 meeting with the understanding that the Administrator would research a potential free actuarial service provided by the state, seconded by Cleary.

Vote- 5 yes

### Legal Update

- Security Litigation: Scott + Scott, FX Update

A legal update was provided by the Administrator.

### Minutes

- Review and approve the updated January 16, 2018 regular meeting minutes and the February 13, 2018 regular meeting minutes.

A motion was made by Poore to modify the minutes of the January 16, 2018 regular meeting minutes to include the seconded vote made by MacDonald to reappoint Jay Cleary to another 3 year term on the Retirement Board, seconded by Cleary.

Vote- 5 yes

### Warrants

Review and approve the warrants:

- January 2018 Warrant 01-2018: \$2,180,327.61 (approved for up to \$2,300,000.00).
- Estimated February 2018 warrant: \$2,600,000.00.



A motion was made by Benevento to approve the warrants as listed above, seconded by Cleary.

Vote- 5 yes

### Cash Books

Review November 2017 cash books.

Cash books were reviewed by the Board.

### Budget

2018 Budget

A motion was made by Poore to approve the 2018 budget and emulate it based on the 2017 budget, seconded by Benevento.

Vote- 3 yes, 1 no, 1 absent

### Renovations

Update

The Administrator gave a final update on the renovations, all necessary paperwork has been signed off and the final check will be given to the general contractor as directed by the Board.

### Correspondence to be reviewed

PERAC Memo #3	1/5/18	COLA Notice
PERAC Memo #4	1/9/18	Tobacco List
PERAC Memo #5	1/12/18	Mandatory retirement Board Member Training- 1 <sup>st</sup> Quarter 2018
PERAC Memo #6	1/23/18	Buyback and Make-up Repayment Worksheets
PERAC Memo #7	1/12/18	NCPERS 2018 State and federal Legislation Webcast- Three Credits
PERAC Memo #8	1/24/18	840 CMR 10:10(3)&10:15(4)-Annual Review of Medical Testing Fee
PERAC Memo #9	1/25/18	Actuarial Data
PERAC Memo #10	1/26/18	2018 Interest Rate set at 0.1%
PERAC Memo #11	1/31/18	Investment Related Issues and Concerns
Wolf Popper LLP	11/17 & 12/17	Security Litigation Report
Scott + Scott	1/15/18	4 <sup>th</sup> Q17 Portfolio Monitoring Report
Eastern Bank	12/2017	Bank Reconciliation

All correspondence was presented by the Administrator to the Board.

### New Business

Matters and issues the Board would like to discuss at future meetings.

A motion was made by Benevento to adjourn the meeting at 12:26PM, seconded by Cleary.

Vote- 4 yes, 1 absent

Date of next scheduled Retirement Board meeting is Tuesday, March 13, 2018, 9:00AM.

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William J. Klueber, Chairman

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Charles Benevento

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James P. Cleary, III

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Lewis F. Poore, Jr.

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Richard MacDonald