

HAVERHILL RETIREMENT BOARD**Tuesday, March 20, 2018 9:00AM****Haverhill City Hall, Room 303**

The meeting was called to order at: 9:05AM

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

Absent: William Klueber due to an acute temporary condition.

New Meeting Software Presentation

Novus to present new meeting software- In person Stephanie DelSignore, on the phone, Mark Western and Byron Gilling.

The Board heard a presentation by Ms. DelSignore from Novus regarding board meeting software.

Investment Funds Reviews & Updates

- In person Presentation by Putnam- 9:45AM- 10:20AM- William Monroe, Ian Estabrooks and Lisa Horkan.

Income Research + Management*Performance Summary (Time Weighted, Gross of Fees)*

| <i>As of 1/31/2018</i> | <i>YTD</i> | <i>1 Year</i> | <i>Since Inception</i> |
|---|------------|---------------|------------------------|
| <i>IR+M Core Bond Fund II, LLC.</i> | -1.07% | 2.54% | 2.63% |
| <i>Bloomberg Barclays Aggregate Index</i> | -1.15% | 2.15% | 2.07% |

A review of the ADV Part 1A and ADV Part 2A (dated of March 30, 2017) for Income Research + Management ("IR+M" or "The Firm") revealed no financial, material, or disciplinary disclosures to report. A Broker Check conducted (on March 26, 2018) on Senior Portfolio Managers on the Target Team (John Sommers, Bill O'Malley, Jim Gubitosi, Ed Ingalls, Sarah Kilpatrick, Bill O'Neill, and Jake Remley) produced no results. A Broker Check conducted (on March 26, 2018) on Paul Clifford (Senior PM) revealed no disciplinary disclosures.

The Firm, founded in 1987, has \$69.5 Billion in total AUM (as of 1/31/2018). A breakdown of AUM by client type has Corporate (32%), Not-for-Profit (21%), Insurance (12%), and Taft Hartley/Union/Other (12%) as the four largest segments. The Firm is privately owned with 52 employee shareholders. The investment team consists of 42 people: 7 Target Team members 11 Portfolio Managers/Directors, 11 Research Analysts, 8 Strategy & Risk Analysts, and a 5 person trading team. The team oriented, bottom up investment strategy focuses on value oriented positions.

The IR+M Core Bond Fund II, LLC. outperformed the Bloomberg Barclays Aggregate Bond Index YTD, over the 1 year period, and since inception. The average credit rating of the Fund's 312 issues is AA2 (AA-) with an average yield of 3.07%. The effective duration of the portfolio was 5.98 which is below the index duration of 6.07. The top three security types held by the fund are Agency RMBS (24.3%), Treasury (23.0%), and Industrial (16.1%). The Fund is overweight in Securitized, Municipal, and Cash. The Fund is underweight in Credit and Government.

- In person Presentation by IR&M- 10:20AM-10:40AM- Neal Gombeski and Allison Walsh.

Putnam Investment Management, LLC.

Performance Summary (Annualized, Net of Fees)

| <i>As of 2/28/2018</i> | <i>YTD</i> | <i>1 Year</i> | <i>3 Year</i> | <i>5 Year</i> |
|---|------------|---------------|---------------|---------------|
| <i>Haverhill U.S. Small Cap Growth Equity</i> | 2.82% | 19.75% | 8.47% | 13.28% |
| <i>Russell 2000 Growth Index</i> | 0.94% | 18.44% | 8.93% | 13.72% |

A review of the ADV Part 1A (dates January 9, 2018) for Putnam Investment Management, LLC. ("Putnam" or "The Firm") revealed a disciplinary disclosure regarding a performance based fee violation from 2006¹. The ADV 2A (dated January 8, 2018) revealed no financial, material, or disciplinary disclosure to report. A Broker Check conducted (on March 26, 2018) on William Monroe (Portfolio Manager) produced no results.

The Firm, founded in 1937, has \$171 Billion in total AUM (as of 12/31/2017). A further breakdown of firm wide AUM revealed that the largest client type was Institutional (45%), followed by Retail (44%), and Defined Contribution (11%). Equity strategies represent 40% of total AUM (\$47 Billion). The US. Small Cap Equity Strategy team is led by William Monroe who took over as the sole portfolio manager in April 2017. He is assisted by 8 dedicated research analysts, and over 60 other research professionals. The team uses a bottom up approach to look for mispriced stocks in the high quality growth, emerging growth, and cyclical growth spaces.

The Haverhill U.S. Small Cap Growth Equity fund ("The Fund") outperformed the Russell 2000 Growth Index YTD and over the 1 year period. The Fund underperformed the Russell 2000 Growth Index over the 3 year and 5 year periods. As of December 31, 2017, the Fund had 80 holdings with a 162% portfolio turnover rate. The Fund's weighted average market capitalization of \$3.1 Billion was higher than the benchmark of \$2.7 Billion. The Fund is overweight Industrials, Consumer Discretionary, Financials, Materials, and Information Technology. The Fund is underweight Utilities, Real Estate, Telecommunication Services, Consumer Staples, Energy, and Health Care.

The top 10 portfolio holdings (as of December 31, 2017) are: JBT Corporation (2.4%), Five Below (2.4%), Patrick Industries (2.4%), SiteOne Landscape Supply (2.4%), Summit Materials (2.3%), RealPage (2.2%), Bright Horizons Family Solutions (2.2%), Evercore (2.2%), Installed Building Products (2.2%), and Trex (2.2%).

¹ According to the "Regulatory Action Disclosure Page" on the Investment Advisors website, "The SEC alleged that Putnam violated Section 205 of the Investment Advisers Act of 1940(advisers act) in connection with the alleged receipt from a mutual fund of performance based fees that did not comply with that section. Following notification by the SEC staff that the performance fee for the research fund did not comply with Section 205 of the Advisers Act, Putnam discontinued the method and subsequently reimbursed the fund excess fees in the amount of \$1,307,482 with interest of \$343,119, for a total payment of \$1,650,601. The SEC order censures Putnam and orders it to cease and desist from committing or causing violations of Section 205(a) but did not impose any additional monetary penalties. Putnam neither admitted nor denied the findings in the SEC order.

Investment Consultant Review & Update

- Overview of Markets and Performance Report. Gus gave an end of year overview to the Board.
 - Up to \$2.2M for March month-end warrant.
1. WIC LLC gave the Board an update on the financial markets through March 5, 2018 (Meeting was postponed due to a snow storm. Client requests the presentation be sent before the meeting and numbers were not updated).
 2. WIC did provide a performance update for the portfolio as of the end of December and as of January 2018. These two reports were discussed in detail and compared to the PRIT Fund for the same time periods.
 3. The Board reviewed the rebalancing report and voted to take \$ 2 M from IR&M for benefit payments. In addition, the Board voted to take \$ 2 M from PRIT hedge funds and put the proceeds, when available, back with IR&M.
 4. The Board discussed the request from GFP 6 and 8 on the election of the Board of Directors for the new calendar year. The request was approved by the Board.
 5. The Board voted to approve and sign the amendment to the guidelines as requested by Putnam Investments.
 6. WIC provided an update; through December 31, 2017; on their private investments.
 7. WIC provided a performance update on Fisher Investments.

A motion was made by Poore to move \$2.2 million from IR&M to the Eastern Bank Account and to move \$2.2 million from the PRIT Hedge Account to IR&M, seconded by Benevento.

Vote- 4 yes, 1 absent.

- GFP GTI 6 & 8 Board Vote.

A motion was made by Poore to make Cleary the Acting Chair for the meeting, due to the absence of the Chair, William Klueber, seconded by MacDonald.

Vote- 4 yes, 1 absent.

A motion was made by Poore to accept GFP GTI 6 as presented, seconded by Benevento.

Vote- 4 yes, 1 absent.

A motion was made by Benevento to accept GFP GTI 8 as presented, seconded by MacDonald.

Vote- 3 yes, 1 no and 1 absent.

- Updated Objectives and Guidelines for Putnam

A motion was made by Benevento to accept the Updated Objectives and Guidelines for Putnam as

presented, seconded by Poore.

Vote- 4 yes, 1 absent.

New Member Enrollments

Acknowledge new member enrollments:

School: Linda Cerullo, Jean Rotondi, Edward Strawhecker, Duverly Jacques, Richard Berganti, Maude Gaston, Manuel Sabando, Ramon Minaya, Elizabeth Bertoni, Zuleyka Aleman, Anne Graciale, Michelle McCarthy, Susan McDonald, Amy Foley and Sarah Garcia. **Haverhill Housing Authority:** Remi Charoux.

A motion was made by Benevento to accept the New Member Enrollments as listed above, seconded by MacDonald.

Vote- 4 yes, 1 absent.

Refunds

- **School:** Todd Baker.

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

Vote- 4 yes, 1 absent.

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: **School Department:** Carol A. Gaudette (03/15/18; 13 yrs. 6 months; 13.500 yrs.). **Hale Hospital:** Judith O'Connor (03/28/18; 13 yrs. 5 months; 13.4167 yrs.)
- §12(2)(d) **Hale Hospital:** Deborah Eggers (Keith Eggers)

A motion was made by Poore to accept the Retirements/Disabilities/Survivor Benefits as listed above, seconded by MacDonald.

Vote- 4 yes, 1 absent.

PROSPER Update

The Administrator reported that there is no pending information on PROSPER for the Board to take action at this time.

Legal Update

- Litigation Update- Scott + Scott- FX

The Administrator updated the Board on Litigation cases with Scott + Scott.

Minutes

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

A motion was made by Benevento to accept the regular meeting minutes for January 2018 and February 2018, seconded by MacDonald.

Vote- 4 yes, 1 absent.

Warrants

Review and approve the warrants:

- February 2018 Warrant 02-2018: \$2,587,231.00 (approved for up to \$2,600,000.00).
- Estimated March 2018 warrant: \$2,200,000.00.

A motion was made by Benevento to approve the Warrants as listed above, seconded by MacDonald.

Vote- 4 yes, 1 absent.

Cash Books

Review December Cash Books.

The Administrator presented the December Cash Books for review and signatures.

Correspondence to be reviewed

| | | |
|---------------------------|---------|---|
| PERAC Memo #12 | 2/16/18 | PERAC v. CRAB & others, SJC No. 12331 (February 13, 2018) |
| PERAC Memo #13 | 2/23/18 | Mandator Ethics Training |
| PERAC Memo #14 | 3/2/18 | Interest Payments in Certain Situations |
| PERAC SFI Filing for 2017 | | Statement of Financial Interest |
| Scott + Scott Update | 3/6/18 | FX Litigation Update |
| Putnam Investments | 3/2018 | Manager Guidelines |
| Eastern Bank | 1/2018 | Bank Reconciliation |

New Business

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

A motion was made by Cleary to adjourn the meeting at 12:05PM, seconded by MacDonald.

Vote- 4 yes, 1 absent.

Date of next scheduled Retirement Board meeting is Tuesday, April 10, 2018, 9:00AM.

William J. Klueber, Chairman

James P. Cleary, III

Richard MacDonald

Charles Benevento

Lewis F. Poore, Jr.