

## **Minutes of the meeting held on October 10, 2017**

Present: Francis Murphy – Chair, James Monagle, Michael Gardner, John Shinkwin, Ellen Philbin, Attorney James Quirk, Chris Burns and Thomas Gibson.

Arrived Late: Nadia Chamblin-Foster (Not present for agenda items 1, 2, 3, 4, 5 and left following Hancock presentation.)

The meeting was called to order at 11:02 AM. The meeting was digitally recorded.

### **Agenda Item #1– Minutes**

Motion by Shinkwin, seconded by Monagle to accept the regular minutes of the meeting held on September 11, 2017. The motion carried on a 4-0 vote, with Chamblin-Foster absent.

Motion by Monagle, seconded by Shinkwin to accept the executive session minutes of the meeting held on September 11, 2017. The motion carried on a 4-0 vote, with Chamblin-Foster absent.

Motion by Shinkwin, seconded by Monagle to accept the minutes of the investment review meeting held on September 20, 2017. The motion carried on a 4-0 vote, with Chamblin-Foster absent.

### **Agenda Item #2 - Warrant**

Motion by Monagle, seconded by Shinkwin to accept payment of warrant #18 in the amount of \$7,023,938.81 and to accept payment of warrant #19 in the amount of \$138,762.33. The motion carried on a 4-0 vote, with Chamblin-Foster absent.

### **Agenda Item #3 – Superannuations**

Motion by Monagle, seconded by Shinkwin to accept the Superannuation retirement applications submitted by Mariete Campiteli, Program Supervisor, Cambridge Health Alliance with twelve years, two months; Faith Marshall, Deputy Director of Operations, Cambridge Housing Authority with twenty-six years, nine months; Judith Martin, Executive Secretary, School Dept. with forty years, five months; Eileen Pires, Office Manager, Cambridge Health Alliance with thirty-five years; Julie Ross, RN, Cambridge Health Alliance with ten years, nine months; and Diane Vendetti, Clerk, School Dept. with twenty-five years, one month. The motion carried on a 4-0 vote, with Chamblin-Foster absent.

### **Agenda Item #4 - Make-ups/Redeposits / Liability**

The Board reviewed make-up and redeposit worksheets for six members.

Motion by Monagle, seconded by Shinkwin to allow the make-up of contributions requested by Agrait Collazo, 9 months (pro-rated); Roy A. McGlashing, 1 month (pro-rated); Nicole Ann Pacheco, 4 months (pro-rated); Mary E. Ruggiero, 5 months (pro-rated); Jo Ellen L. Tucker, 9 months; and to allow the redeposit of a refund requested by Debra P. Morris, 2 years, 7 months. The motion carried on a 4-0 vote, with Chamblin-Foster absent.

### **Agenda Item #5 – Refund Applications**

The Board reviewed a list of refund applications submitted in September.

Motion by Gardner, seconded by Shinkwin to accept six refund applications. Voted unanimously.

The Chairman requested to adjourn the open meeting and go into executive session for the purpose of discussing disability retirement applications. The Chairman stated that the meeting would reconvene in open session at the conclusion of the executive session. On a roll call, the vote was as follows:

Michael Gardner:	YES
Nadia Chamblin-Foster	YES

John Shinkwin: YES  
James Monagle: YES  
Francis Murphy: YES

**Agenda Item #6 – Accidental Disability Application – Michael Travers**

The Board reviewed the member's application, treating physician's statement and employer's statement filed in connection with Michael Travers' Accidental Disability Application. Attorney Thomas Gibson appeared, representing the member.

Motion by Gardner, seconded by Monagle to accept the application submitted by Michael Travers, a Fire Lieutenant, and to request that PERAC convene a medical panel. Voted unanimously.

**Agenda Item #7 – Appointment of Fifth Board Member**

The Board reviewed a proposed timetable, job description and correspondence from Attorney Quirk.

The Director reviewed the process of appointment, and her draft job description. Quirk recommended that the Board may wish to appoint a subcommittee to screen candidates. The Chairman appointed Gardner and Monagle to a subcommittee, and requested that the subcommittee be responsible for reviewing resumes and conducting interviews with candidates.

Gibson noted that a number of his clients have requested guidance from PERAC as to how to make an appointment without going through an interview process, in cases where the Board wishes to reappoint the incumbent Fifth Member.

Gardner moved to approve the process and job description without amendment. Shinkwin seconded the motion and it was voted unanimously.

**Agenda Item #8 - PERAC Memos**

The Board reviewed PERAC Memo #30. No action was taken.

**Agenda Item #9 - Old Business**

Burns reported that he made changes to the notification that goes to members who transfer their service to the Teachers' Retirement Board. The letter now gives additional information on the process for enrolling in RetirementPlus.

Gibson described new regulations regarding the Open Meeting Law.

Quirk described proposed legislation which would require Superannuation retirees to file statements showing post-retirement earnings.

The Chairman stated that Cambridge Bancorp stock is now trading above \$70 per share, and the bank will go ahead with plans to list the stock on the NASDAQ exchange. He stated that he believes that the system should consider selling some or all of the holding. Gardner stated that he would be interested in hearing Segal's perspective on the matter.

**Agenda Item #10 - New Business**

Christopher McLaughlin appeared before the Board. He reviewed the Member Services Coordinator position and discussed the process of bringing new members into the system and posting weekly deductions. He also discussed assisting members with the make-up process and tracking make-up payments. He described the process of mailing annual statements to members. The system includes additional information for members in each statement mailing, such as an explanation of beneficiary benefits.

Gibson discussed a case, currently before the Supreme Judicial Court, determining whether supplemental sick leave payments can be considered regular compensation.

The Chairman stated that he would like to consider a process to check in with members when they reach five or ten years of service, in order to review benefits and beneficiary selection on an individual basis.

## **Agenda Item #11 - Executive Session**

Agenda Item #6 – adopted

## **Agenda Item #12 - Chairman's Report**

None offered.

## **Agenda Item #13 – Executive Director's Report**

The Director stated that she would attend the Retired Police & Firefighters Luncheon on October 18<sup>th</sup>.

### **Agenda Item #13 – Timber Manager Interviews**

Rafik Ghazarian distributed a report showing Segal Marco's analysis of the fees charged by the three managers under consideration. Hancock charges a flat fee based on assets under management. RMS uses an incentive fee that kicks in for returns over 8% annually. Campbell has an incentive fee with a 10% hurdle. Ghazarian stated that the Board may wish to consider overcommitting to this asset class. He noted that the existing Hancock fund is a closed-end product and will likely begin liquidation in the next few years.

Tim Cayen represented Hancock Natural Resource Group. A written proposal was submitted to the Board. The firm is a top-five producer of almonds, walnuts, pistachios, cranberries and macadamia nuts. Farmland investments are made primarily in the US, with smaller amounts in Canada and Australia. On the timber side, the firm invests about 60% in the US, and 40% outside the US. Foreign timber markets include Australia, New Zealand, Chile and Brazil. Cayen reviewed the farmland strategy, noting different approaches taken to annual row crops and permanent crops. Hancock directly operates permanent crops, as Hancock feels that they have the expertise to add value through superior management in this space. Row crops tend to be viewed as a commodity product, and there is little value to be added through management. In addition, crop insurance is not available to lands managed by corporations. For these reasons, row croplands tend to be leased to individual farmers. The timberlands are always managed and staffed by Hancock employees. He described the decisions that the firm makes as to when to harvest timber and when to allow trees to grow further, in hopes of selling into a stronger market. Increase in the value of timberlands tends to come mainly from the growth of trees, as the value of the land itself tends to grow no faster than inflation. On the farm side, crops must be harvested every year, so returns are generated mainly by those sales, with a smaller amount coming from increases in land value. He described how investing in multiple crop types provides excellent diversification, as the prices for different crops don't tend to be correlated. He stated that the timberland strategy would be no different from that followed in the Hancock X fund. The fund has a number of potential acquisitions in the pipeline, and will close when the first acquisition is final. This will likely happen around the end of the year. The first capital call will probably happen around the same time. He described the acquisition process, noting that farmland sales tend to be inefficient, with many small family-owned farms up for sale. The fund is targeted to a minimum of \$200 million. Timber and farmland will each constitute between 30% and 70% of the portfolio.

Alex Hinson represented RMS. A written proposal was submitted to the Board. The firm was established in 1950. The firm is 70% employee owned. Hinson discussed the firm's diversity policy. The Evergreen Fund was created in 2015. It is an open-ended fund. The properties in the fund are timberlands that have been managed by RMS for the last ten years. He stated that the fund formed when a prior closed-end fund terminated. At present, there is an exit queue from prior investors who wish to liquidate. Hinson stated that any new commitment would be invested immediately. The fund has seen steady appreciation since inception. He described the management of forestry lands, noting that actively managed timberlands are less susceptible to damage from insects, fire or hurricanes. He also described the appraisal process, which is conducted every six

months. He noted the advantage of investing in an established open-end fund, where the investment assets are known prior to making a commitment. All the assets are located in the US South, consisting of 2.1 million acres in eight states. The fund may opt to make additional investments outside of the South, but will not invest outside of the United States. RMS currently has no clients among Massachusetts public pension funds. Hinson described various sources of revenue for timberlands, including harvested timber, land sales and recreational leases. The vast majority of timber is used in the US, with small amounts exported to foreign markets, including China and India.

Steven King, Jenny West and Chris Wilson represented Campbell. A written proposal was submitted to the Board. The firm is based in Portland, Oregon. The firm currently manages a separate account on behalf of the PRIM Fund. Wilson noted that PRIM's portfolio is primarily invested in timberlands in the Pacific Northwest. The fund under consideration will focus on investments in Brazil, New Zealand, Uruguay, Australia, Chile, Canada, and the US. Brazil is targeted to 30% of the portfolio. It is a closed end fund, targeted to \$500 million, with a hard cap at \$750 million. West described the strategy as being opportunistic, and noted that the firm is in the process of negotiating a number of exclusive, off-market acquisitions in Latin America. The portfolio would be susceptible to currency fluctuations. King stated that the firm relies on consensus forecasts in determining the likely effect of currency appreciation/depreciation. West stated that she believed the fund was well positioned to make acquisitions in Brazil as the Real is now weak relative to the Dollar. Wilson reviewed Campbell's investment in OneFortyOne Plantations, in South Australia. He stated that this acquisition was a platform for further investment in that region, as the firm plans to integrate a sawmill and export operations in the area. The property has generated strong returns over the last year. The management fee includes a performance incentive which is triggered if the fund returns more than 10% annually. Wilson stated that the firm has reached that target in the past. Appraisals are conducted annually by a third party. The firm has three other acquisitions in their pipeline, and King stated that he felt the firm could draw Cambridge's full commitment by the end of the year.

Gardner stated that he would favor splitting the mandate between Hancock and Campbell. He stated that he felt that the system should make some investment in farmland. He also felt that the system would benefit from Campbell's geographic diversity. The Director stated that the office would need to move quickly in order to complete the hiring process by the end of the year. Motion by Gardner, seconded by Shinkwin to hire Hancock and Campbell, investing \$15 million with each manager. The motion carried on a 4-0 vote, with Chamblin-Foster absent.

The following documents were also reviewed by the Board:

- Correspondence from Attorney James Quirk re: Proposed Legislation - H1428.
- Correspondence from Attorney James Quirk re: Special Commission on Pension Forfeiture.
- Correspondence from MassDivest.org.
- Correspondence from Intercontinental Real Estate Corporation re: Devin Sullivan.
- June Financials - General Ledger, Summary of Accounts, Trial Balance, Adjustments, Cash Disbursements, Cash Receipts, Wire Transfers.
- July Financials - General Ledger, Summary of Accounts, Trial Balance, Adjustments, Cash Disbursements, Cash Receipts, Wire Transfers.
- August Financials - General Ledger, Summary of Accounts, Trial Balance, Adjustments, Cash Disbursements, Cash Receipts, Wire Transfers.
- Lazard Asset Management Portfolio Review - August 2017.

Monagle moved to adjourn at 3:10 PM.