Pursuant to the March 12, 2020 Executive Order of the Governor Suspending Certain Provisions of the Open Meeting Law, members of the public can access the meeting only through telephone. Public access will be available by calling 646 558 8656; Meeting ID No.: 546 896 9127

Pursuant to a notice duly filed with the Town Clerk's Office, a meeting of the Concord Retirement Board was held on Wednesday, February 24, 2021 via Zoom Meeting ID No.: 546 896 9127 – passcode: 3068.

Present: Peter J. Fulton, Chair, Elected
Mary M. Barrett, Ex Officio
Kerry A. Lafleur, Appointed
Brain J. Whitney, Elected
Arnold D. Roth, 5th Member, Appointed

Also Present: Linda A. Boucher, Retirement Board Administrator
Anthony Tranghese, Investment Consultant, DiMeo, Schneider and Associates
Anand Dharan, CFA Wellington Management
Beth Catino, - Investor Services
Thomas Gibson, Esquire – Law Office of Thomas F. Gibson
Gerry McDonough, Of Counsel, Law Office of Thomas F. Gibson

Chair Peter Fulton opened the meeting at 8:30 a.m.

The Board unanimously approved the January 26, 2021 minutes.

The Board unanimously approved the February 26, 2021 retiree payroll as follows:

Pension:	$707,086.99
Annuity:	$183,182.42
Total Payroll:	**$890,269.41**

The Board unanimously approved the following expenses:

Staples	Invoice No.: 1632903371	$ 250.61
Comerica	Invoice No.: 464823	$ 1,566.68
ADP, Inc.	Invoices No.: 571088732 and 573453771	$ 4,704.60
Russell Investments	Invoice No.: 20201231-233-A (4th qtr 2020)	$ 70,432.81
Natalie Lefebvre	Reimb. postage:	$ 26.00
Linda Boucher	Reimb. 1099R and 1096	$ 90.27
Amity Insurance	MACRS Fiduciary policy	$ 4,494.00
Town of Concord	Tel. chgs. /Qtr. 3 FY21 tel. maint.	$ 84.31
Subtotal:		**$81,649.28**

The Board unanimously approved the following 3(8)(c) reimbursements:

Winchester Retirement Board	Anthony Celli	$ 4,328.30
Woburn Retirement Board	Donald Jensen	$ 12,554.22
Lexington Retirement Board	Joseph Lahiff; Judith Richardson	$ 485.13
Medford Retirement Board	Nancy Hartwell	$ 788.85
Dukes Country Retirement Board	Beth Toomey	$ 1,162.10
Taunton Retirement Board	Richard Sproul	$ 16,715.95
Subtotal:		**$ 36,034.55**
Grand total:		**$117,683.83**

The Board unanimously approved the following new member:

Name	Unit	Department	Position	Hire Date	Group
Dorothy Carlin	Town	Library	Branch Librarian	12/26/2020	1

The Board recognized there were no new retirements.

Name	Unit/Group	Department	Position	Retirement Date	Service
None					

The Board unanimously approved the following refunds/rollovers:

Name	Unit/Group	Department	Position	Amount	Service
Richard Byajuta	Town/1	CPW	Equipment Operator	$ 9,426.30	2.0833
To IRS:				**$ 2,356.57**	
Crystal A. Orellan	School/1	CPS/CCRSD	Admin. Assistant	$10,392.06	2.2500
To IRS:				**$ 2,598.02**	
Timothy Sparks	Town/4	CMLP	Lineworker	$17,830.92	7.1667
To IRS:				**$ 4,457.73**	

The Board unanimously approved the following transfer to another system:

Name	Unit/Group	Department	Position	Amount	Service
Kevin Gena	Town/4	Police	Police Officer	$25,489.70	3.2500

Transferring to Lynn Retirement Board

The Board respectfully acknowledged the following death:
Mark Farrell – born January 31, 1961. Mark became a member of the Concord Retirement System on October 31, 2000. After suffering an injury, Mark was retired on July 31, 2005. He passed away on February 4, 2021 at the age of 60.

WELLINGTON FIXED INCOME REVIEW:
Beth Catino, Investor Services representative at Wellington Management thanked the Board for inviting Wellington to the meeting. Beth noted that Wellington's objective is to consistently outperform the benchmark by combining top-down and bottom-up inputs in order to generate income, mitigate downside risk and diversify the portfolio. Beth told the Board that Wellington has had a change in staffing. Brendan Swords, CEO and Chairman of Wellington Management is retiring on June 30, 2021. Jean Hynes has been selected as Mr. Swords successor.

Jean has nearly 30 years with the firm and has extensive investment and leadership experience and is one of three managing partners. Jean's focus has been on the pharmaceutical and biotechnology industries and has served as manager for the health care sector research team at Wellington.

Beth introduced Anand Dharan to the Board for his portion of the presentation.

Anand began his presentation by noting that 4th quarter 2020 returns were up 54 basis points with credit being the strongest driver for the quarter. At the beginning of the quarter, we were overweight credit. We were in the middle of reducing that overweight gradually over the course of Q-4 – mostly from certain sectors like food and beverage, media-telecom, individual consumer names and some individual big tech names. Page 10 of the presentation report shows the portfolio to be a little bit more balanced than what we would have seen when we talked in September.

You also see the positive 12 from agency MBS. This is really where the tactical position comes from. Working closely with our mortgage team, we were observing certain parts of the market where perhaps investors were a little bit too concerned about pre-payment risk. We were positioning in individual coupons like Fannie and Freddie 2 – 2.5% coupons and using the TBA forwards market to put those positions on – which turned out to be a tailwind to performance in Q-4.

In terms of the kind of credit we were buying, I would say we were buying investment grade corporate - single A or BBB space. This is an area that in March and April of last year spreads were perhaps at their widest decile relative to history. We were buying at those wider levels and then spreads really compressed or returned to where they were at the beginning of the year.

Aside from the fact that we were buying corporate credit, we were not really thinking about migrating further down in ratings within the corporate credit that we were buying. It was more or less looking like what we were buying before.

In the past seven weeks, a lot of what happened in Quarter 4 in credit has continued. The investment grade credit has continued to tighten possibly because the fundamental outlook has continued to improve or, at least markets perception of what is coming, has continued to improve.

One inflection point seems to be in early January after the two senate run-off elections in Georgia. When it became clear that the same party was going to control the White House, the House and the Senate market confidence increased that another aggressive round of fiscal stimulus was going to get passed. At least one if not more - which could help to close the output gap that we could otherwise be facing this year.

It now looks more likely than not that the stimulus will pass in March. The package could be toward the upper end of the expectations. A big unknown was whether this would be a bipartisan package that is going to be a bit smaller in size in order to get bipartisan support, or will the aim be to just go as big as possible without worrying if it can get bipartisan support. Congress may try using the budget reconciliation process to not only get a party line vote on a stimulus package but to get a bigger package as well.

Some of the stimulus measures have helped certain demographics to repair their balance sheets. Another possibility is that consumers have pent up savings as a result of some of these stimulus measures. A lot of the early stimulus money was used by consumers to de-lever - suggesting that we may be coming into this recovery with some balance sheets actually looking better than they did a year ago.

In many ways, the improvement we see in credit spreads is a continuation of themes that we saw last year. The big change seems to be policy driven even though we have seen a sustained rise in rates. Ten-year treasury yields have risen close to 40 basis points year-to-date - 30-year treasury yields have risen a little more than that. We have also seen a little bit of curve steepening.

In terms of our view on the direction of rates, we do not really have a strong view that is different than what markets are pricing in now. If anything, we may think that markets may have overdone things a little bit.

On one hand, we would agree that there is a lot to suggest that maybe what we are seeing now is the catalysts for rates to rise. In particular, if I were to contrast what is happening now to 2017. There was a lot of talk about easy fiscal policy, easy monetary policy and strong economic growth. These are all the ingredients for rates to rise and inflation to rise. One of the differences was that a lot of the fiscal easing we saw was not really designed to be reflationary. For example, the fiscal easing that we saw in 2017 was really centered around tax reform – which frankly benefited larger corporations that already had plenty of cash and were using the reduced tax rate and tax policy to buy back shares or benefitting wealthier individuals who were essentially in a position to hoard more capital. What we are seeing now that is just a little bit different, is more elements of fiscal policy that is geared toward putting money in more people's pockets and people who could be using that money to make different decisions like paying down debt or spending. The design of fiscal policy this time could be more inflationary than was the case in 2017.

For now, we do not really have a strong view on rates relative to the Aggregate Index. We think what markets are pricing in is about right; maybe a little bit overdone in the near term. Some of the broader questions we are also hearing from a lot of clients is whether or not they should be reducing the portfolios overall allocation. It depends on what the rest of the allocation looks like.

We do think that having duration in the portfolio could be a helpful counterbalance against more risk from equities or from more illiquid asset classes, but it really depends upon what the rest of the portfolio looks like.

On a final note, page 20 shows positioning is very close to where we were a year ago. Our economic outlook is a little better - which is why we are still a little overweight credit as opposed to neutral or underweight credit. You can interpret this as a portfolio that is positioned to be a little bit more defensive right now. Sitting on liquidity through US Government and Agency MBS holdings, puts us in an advantageous position if there is market volatility.

Anand completed his presentation and the Board thanked him for his time.

LEGAL UPDATE:
Tom Gibson and Gerry McDonough joined the Board for their legal update.

Peter asked Tom if he had any updates on House Bill 1794. Tom noted that House Bill 1794 is essentially an early retirement incentive bill that would be available to certain employees who were required to provide services during the state of emergency either at their work site or some other location as ordered by the employer. If they fit the qualifications as determined by the Secretary of Administration and Finance, they would be entitled to a 3-year incentive - three years added to age or years of service or some combination of both.

Initially, it was submitted by one representative in Worcester but has now been signed onto by about 25 other legislators in support of this bill. The bill looks a little bit problematic in that it is imposing a cost upon some municipalities without adding a local option which could be in violation of Prop 2 ½ in its current form. I am sure, by the time it gets through committees, there will be amendments and additions to the bill including corrective language making sure that it is a local option. Otherwise, I do not think it can be enforced in its current state.

I would also add that as of February 10th, there has been over 2,000 bills filed with public service committee that would negatively impact Chapter 32. It is expected that by the deadline for filing legislation this number could be close to 4,000 bills filed.

Every year we see many of these types of early retirement incentive bills. This one has a little unique spin to it because it is linked to COVID – 19. We know this would really not be a savings for employers even if they adopted it without a limitation on back filling the jobs that people would be retiring from.

The Bill aims to cover first responders. However, any other public worker who is deemed to be an essential employee would also be covered. For example, even the staff of the Retirement Board might be deemed essential employees because under the Governor's Order, they provide public benefits. If your business or agency provides public benefits, then your workers are deemed to be essential workers.

The way the language is today, if the legislatures determines that this is what we are going to do to the pension plans, then you are going to have to follow the law.

Gerry McDonough commented that the legislature could easily add language like, "notwithstanding any other special or general law to the contrary". If they don't add something like that, it would be up to some local community to bring a law suit against the Commonwealth and then the Commonwealth would have to fund the bill for all municipalities.

Peter asked if a member worked through the state of emergency and retired shortly after the emergency was lifted but the legislation was not yet enacted, would they be entitled to this additional credit if passed?

Gerry McDonough noted that in the past, early retirement incentives usually have a deadline in the law. If you retire before the start of the legislation, you cannot go back and apply the new law.

Tom reiterated that this was a quickly drafted bill that will most likely be amended many times before it is in its final format. He also noted that it will be difficult to get this legislation passed.

Peter asked Gerry how long he thinks the timeline would be to get this passed. Gerry noted that if the leadership really wanted to get this done, it could be done within a week and then it would need to go to the governor. Gerry also commented that he did not think the Governor would be supportive of this at all.

These kinds of bills would usually come out sometime in 2022. The amount of fiscal pressure on the municipalities as well as the state as resulting from this emergency make it necessary to take a real serious look at this. This is really a bonus and not an early retirement incentive.

Tom Gibson resumed his presentation. He told the Board that they should prepare to get some pressure regarding their investments. PRIM had an outstanding last 6 months of the calendar year and finished at 12.6% gross of fees and 12.1% net of fees. We are already seeing some of the Board's being asked why they do not put all their money into PRIM. One response is that PRIM is not a one-size fits all investment vehicle. When you compare a municipal retirement board's investment program with the state's investment program, you are not really comparing apples to apples. When the state sets their investment program, the are positioning themselves for the state's liability and not for the Town of Concord's liability. They may also have different actuarial assumptions as well.

It would be prudent to prepare for a question or two regarding the advantages of being in your own investment plan versus being part of the state's investment plan. Tom noted that we have a conservative investment program that fits our funding profile. Those are the facts that you need to have ready to show people who would be quick to criticize without having all of the facts.

Tom also noted that there are about eight bills that have been submitted by PERAC this year. A lot of them are duplicates of bills that have been filed in the past. The pension forfeiture bill is going in for its third time this year because we are still faced with pension forfeiture. Concord has been fortunate to escape this so far.

The argument touches base on Constitutional grounds of whether that loss of pension is an excessive fine. The Bettencourt case that set that standard. If you can prove that there is no balance between the crime and what you are paying as a penalty, the court will nullify that pension forfeiture.

The courts required PERAC to go back and fix the law so that we are not nullifying these cases all the time. PERAC has resubmitted this bill.

The Veteran's Buyback Bill is another issue for retirement boards. There was legislation submitted last year that would allow military veterans who somehow missed the 180-day deadline after receiving notice of their intent to purchase military service. What this bill will do, is essentially give these individuals another bite of the apple. This will only apply to active members and not to retirees.

Another bill of significance is the Equity Pay Act. There is a law right now that requires all people doing the same job for an employer to be paid equally. Some agencies have recognized that they have to raise salaries. However, in doing so, the anti-spiking provisions that were passed as part of the pension reforms can be invoked. If someone were to get a benefit because the Commonwealth's employer is complying with the law to increase the salary, they may be penalized by not being able to use the increased wages in their pension benefit. This bill is designed to create an exception under the anti-spiking law for salary increases that originate under the Equity Pay Act.

One other piece of legislation that is linked to a particular case is the Vernava case. Two years ago, the Supreme Judicial Court ruled that payments to employees who are receiving Worker's Compensation and receive supplemental pay through sick leave or vacation leave is not considered regular compensation. When it came time for an employee to retire, Boards had to refund contributions that were taken from supplemental pay, sick and vacation and go back and redo the retirement calculation as if those payments were never made to them.

The courts seem to have limited that situation to just cases where an employee was retired for accidental disability retirement. However, five retirement boards challenged that interpretation by PERAC and argued that the exception should really apply to all supplemental payments paid in conjunction with Worker's Compensation payments. Recently, a Superior Court Judge agreed with those five retirement systems. PERAC is now seeking an ability to appeal that decision with the Appeals Court. They do need approval from the Attorney General in order to do so. They have not received that approval yet; but they are seeking a legislative resolution.

Two other bills that I want to highlight today include: (1) waiving the notice requirement for emotional disability cases where an emotional disability has been caused by an event that happened in the remote past. For example, if you are suffering from post-traumatic stress disorder because of an event that happened in 2017 but it does not totally disable you until 2021 - because the injury happened more than 24 months before your application, you would be precluded from pursuing this. Police officers and firefighters usually do not have this problem because there is an official record in the police department or fire department log which records that event and their participation at that event. This bill would extend that notice issue to Group 1 employees as well as Group 4 and (2) the Statement of Financial Interests. This year, you will be filing your Statement of Financial Interest online. The first time you submit this online, you will have to enter all of your information manually. Next year, you should be able to just sign into PROSPER and the information will self-populate.

Every year the chairperson and the Board Administrator must review the minutes from Executive Sessions to determine whether or not these minutes can become public. Most retirement boards enter into Executive Session to discuss disabilities, medical and other confidential information. The need for secrecy on these issues never really goes away. Nevertheless, you have to do an exercise and I would suggest that you have it recorded in the minutes that the Executive Session minutes have been reviewed and that no Executive Session minutes will be released into the public.

Sell backs of unused vacation time was once considered regular compensation under certain circumstances. This was knocked out by CRAB (Contributory Retirement Appeal Board) in an infamous case called O'Leary. The decision was upheld by the Superior Court and it has been appealed to the Appeals Court. Due to the delays in the court system because of the pandemic, the case is yet to be transferred from the Suffolk Superior Court to the Appeals Court.

Tom asked Linda Boucher to discuss her issues surrounding the current location of the Retirement Board at 55 Church Street. Linda noted that she was not certain if the town still had an interest in renting the space to the Board and that the Board does not have a lease agreement with the town.

Kerry wanted to remind everyone that the Board has also recognized some limitations regarding their occupancy at this location such as the size of the conference and the hallway noise when meetings are in progress.

Tom noted that under the current circumstances we are a tenant at will. As a tenant at will, we are subject to being notified that within 30-days your tenancy is over - which would be problematic for the Board. Tom asked if there are any terms of our tenancy that has been reduced to writing. Linda Boucher noted that we have very little in writing as to what the Board is paying for.

Tom stated that the Town does not have to do anything for the Board. Allowing the Board to occupy the space is actually out of the goodness of their heart. The trend over the last several decades is for retirement boards to find their own offices. Town Halls get over-crowded and renovated. The retirement board is not a municipal department so there is no obligation for the town to support the retirement board with office space or any other administrative support.

Brian noted that if the Board thought we were going to move anyway, then a draft lease would not be appropriate at this time. As tenants under the current circumstances, the board is left without any control over anything that the town wants to do with the building.

Tom stated that if the Board wants to stay at 55 Church Street, then he would draft a lease agreement. If the board wants to look for something else, then we can wait to draft something until we have found a new location. Tom also noted that there are a lot of expenses that the Board could incur if they decide to move to a facility that is not owned by the town.

Peter noted that he and Linda Boucher would schedule a meeting with the Town Manager to see if he can provide us with what his plans are regarding the staff from the town house that has been relocated to 55 Church Street during the town house renovations.

Linda also noted that the Board still does not have its own tax-payer ID no. Tom stated that retirement boards should have their own tax-payer ID and that he was somewhat surprised that this matter has not been resolved yet. Tom Gibson noted that there is no escaping that fact that the retirement system is a separate autonomous legal entity. You cannot be using someone else's taxpayer ID number and you have to correct that. You will have to leave the past in the past; it is corrected going forward. If things come up from the past, you can address it with what you have done now.

Kerry asked the status on the Memorandum of Understanding. Tom noted that back in late 2019, we had essentially agreed to language in the Memorandum of Understanding. Then the issue of rent and office space interjected itself and the two matters became merged. Kerry suggested that the language regarding office space be removed from the Memorandum of Understanding.

Kerry noted that the Town has concerns about responsibilities it might have relative to a separate taxpayer ID when the Town has always maintained all of the tax filings on behalf of the retirement system.

Tom noted that the issue regarding the taxpayer ID is not in the Memorandum of Understanding. He stated that the only two items in the Memorandum of Understanding addressed staff and support and the retirement board's adoption of a personnel handbook - which they should have any way.

One other issue is the termination of agreement. If there is a default in the agreement, each party wants to preserve the right to terminate the agreement.

Tom's recollection was that the memorandum got shut down because the Board felt that they could deal with the Town Manager absent a formal Memorandum of Understanding. Tom noted that he has a great relationship with the town's labor counsel, Marc Terry. He has no problem contacting Marc and finalizing the Memorandum.

Lastly, Tom mentioned that the Board may still want to keep remote presentation available. Although many of us will be happy to return to our offices, remote participation for board meetings has been successful during the pandemic and some participants may still want to have this as an option.

Brian Whitney had one more question for Tom. He asked if it was possible that a person who had call firefighter time in Holden during the same period of time, he was an active firefighter in Concord could have his service and funds transferred to Concord. Tom noted that if he has terminated from Holden for more than 5 years, we could most likely resolve this issue and suggested that the Board Administrator send another transfer letter along.

Tom concluded his presentation and the Board thanked him for his time.

INVESTMENT CONSULTANT REVIEW:
Tony Tranghese reviewed the January Flash Report with the Board. He noted that returns for the month were mixed after a very strong finish in December 2020. Core Bonds in January, (Barclays Aggregate) down 0.7% in the month. So far this year, we have seen rates rising. When rates go up, bond prices go down. Although bonds had a great year in 2020, the have been a little more challenging this year as rates continue to rise. That trend is continuing into February. Through last night, the Aggregate Bond Index is down about 2.0%. A completely different environment in fixed income this year as the Wellington team talked about this morning.

Arnold asked Tony about Hedge Funds. Tony noted that the hedge fund index in the flash report is reported on a one-month lag. Arnold commented that the historical returns for the hedge funds look pretty bad too. Tony commented that the PRIT Hedge Funds struggled quite a bit last year. Hedge fund returns over the last 7 or 8 years have been on the disappointing side.

The large tech stocks have really been the best place to be for a number of years - including most of 2020. However, in November and December we saw that segment of the market underperform value, small-cap and non-US equities - which is something that really hasn't happened very much in the last 7 or 8 years. That trend has continued into this year. It is a little early to make this statement but perhaps we are seeing a bit of a leadership shift. If that is the case, it is one that some investors have been calling for quite a while.

January value and growth are about even. So, the Russell fund is just a little bit behind. February, they are a little bit ahead. Through last night, January and February return, the Russell mandate was about .25% ahead of its index.

We have Acadian scheduled to present in March and then in April we will have Russell in.

US equities were up in the double digits, international equities were up in the high single digits and the aggregate bond index was up about 3.08% - which is right in line with hedge fund returns.

At the end of January, the plan assets were up to $197.5 million. Right about the same level as we were the month prior. The asset allocation a little bit underweight fixed income, a little overweight equities, but all comfortably within the stated ranges within your Investment Policy Statement. Some of this will be corrected as we will need to raise funds to cover monthly pension payments and other distributions out of the plan from the overweight asset classes. Possibly next month we will be talking about a rebalancing in a small magnitude in order to get the portfolio back to target.

The Russell mandate and the PRIT Core Fund each represent about one-quarter of the overall portfolio. The rest of the mandates are sprinkled around those two multi-asset mandates in order to have a well-diversified portfolio with an asset mix that aligns with the stated objectives of the plan. We touched on those earlier with Tom's comments of the 6.75% expected return and that the plan is about 90% funded. It will be interesting to see the actuarial valuation this year.

In the month of January, the plan was basically flat. The blended benchmark was down about 0.3%. The portfolio roster of managers collectively offered a little bit of protection in somewhat of a sideway market. If you look at the one-month numbers, you will see where the protection came from. The Wellington mandate was in line with their index, down about 0.7%. The combination of equities (US and Non-US) was up 0.6%. Interestingly, large cap stocks were down 1.0% while small cap stocks were up 6.3% for the month of January. An incredible disparity.

Acadian active international did a really nice job of protecting in the month. They were up when their index was down. For a difference of about 1.5%.

Real Estate did okay. The two biggest pieces, the PRIT Fund, down about 0.1% in the month and the Russell mandate was down about one-half of a percent for the month. The Russell mandate annualized return since inception (about 2 -years) is 7.9% versus a 13.5% target. Even with the outperformance they posted so far this month, it is not nearly enough to offset the shortfall.

PRIT Private Equity is up 1.7% for the month. On the year, a little disappointing result out of that sleeve of the portfolio.

No recommendation for changes at this time in the portfolio. We are doing some work on contemplating broader diversification with fixed income. We can talk about this next month when we get together. The Wellington Fixed Income mandate represents about 20.0% of the portfolio. They have done a really good job at the mandate that we have given them. What I will talk to you about next month is the potential to perhaps broaden out that mandate - which may require an RFP, depending upon what avenue we decide to take to try to offer a little bit more diversification and perhaps protection in a more challenging interest rate environment.

Both PRIT and Russell mandates within their broad portfolios have the ability to allocate to international and other segments of fixed income. It is not as if the portfolio is devoid of exposure - but contemplating a deliberate and express allocation is what I will discuss with the Board next month.

Tony concluded his presentation and the Board thanked him for his time.

PERAC MEMOS:
The Board was notified of the following PERAC Memo: PERAC Memo #8/2021 - Required Minimum Distribution: Now Age 72 For This Year's Notifications

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.

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Peter J. Fulton, Chair, Elected

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Kerry A. Lafleur, Appointed

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Mary M. Barrett, Ex Officio

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Brian J. Whitney, Elected

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Arnold D. Roth, 5th Member, Appointed