

PENSION COMMITTEE MEETING MINUTES

January 30, 2018

A meeting of the Pension Committee was held at 10:00 a.m. on January 30, 2018 at the Smithfield Town Hall.

In attendance were:

Paul Santucci – Town Council President
Randy R. Rossi – Town Manager
Gregg Catlow, Sr. – Police Retiree
Bill Pilkington – Police Retiree
Donald Gliottone – Fire Union President
John Sutherland – Fire Department
Derek Keene – Fire Department
John O’Rourke – Fire Department
Ken Goodreau – WhaleRock
Robert Cusack – WhaleRock
Nick Trotman - WhaleRock
Donna Corrao – serving as Secretary

Meeting was called to order.

- Emergency evacuation and health notification – Randy Rossi gave the Emergency Evacuation and Health Notification
- Old Business: None
- Meeting Minutes - The minutes from the September 27, 2017 Pension Committee meeting were reviewed. A motion was made by John O’Rourke, seconded by Derek Keene, to approve the September 27, 2017 meeting minutes, as amended. The vote on the motion was all in favor and the motion carried.
- New Business:

Presentation from Ken Goodreau, WhaleRock, concerning the status of transfer from John Hancock and a review of a draft investment policy.

Ken Goodreau distributed the asset allocation and investment policy for the police and fire departments.

Ken Goodreau reviewed the target asset allocation for the funds and stated that what is important to note are the minimums and maximums and that they try to operate in the middle.

Robert Cusack stated that he thinks that this investment policy is strong and better than anything in the state.

Ken Goodreau requested that if anyone has any changes or additions to the investment policy to email them to him.

Ken Goodreau stated that he will provide monthly email updates so that the Committee will not have to wait for meetings in order to be kept up to date.

Ken Goodreau reviewed the statement of investment policy stating that protecting retirees over the long term is the goal and which outlines delegation of responsibilities including language governing the Town Council's oversight of this board.

Paul Santucci noted the importance of this section of the document and this Committee being responsible for making long-term asset allocations and evaluating investment managers. Ken Goodreau stated that the only time a manager will be brought before this Committee is if it is something outside of their scope of work, even though there is the discretion to do so within the policy guidelines, but stated that the Committee can strike that item from the investment policy if that is the wish. The Committee agreed to remove Item 6.C that "the committee will evaluate managers on a risk-adjusted basis" from the investment policy.

Randy Rossi stated that he wants to ensure that both groups, police and fire, are on board with running one investment policy for both group's pension funds and noted that they will remain separate funds but having the same investment policy.

Ken Goodreau reviewed the commonly held fundamental investment beliefs.

Ken Goodreau stated that the investment policy will be revised to redo the term "board" to "Council", change "Finance and Investment Committee" to "Investment Committee" representing this board and WhaleRock is the "OCIO consultant" which is the Outsource Chief Investment Officer consultant. Randy Rossi requested a change in the policy from "fund" to "funds".

Ken Goodreau reviewed the Delegation of Responsibilities and Relationship between Board and the Investment Committee. Ken Goodreau added that basically this paragraph lets the Town know that the investment policy is not just the Committee's responsibility but also the Town's.

Ken Goodreau stated that all of the items on page 3 are delegated to the OCIO but which have to be stated.

Ken Goodreau stated that usually he prefers to strike "social constraints" from the policy and that they are not going to do "securities lending" but added that, if down the road, the Committee wanted to, they would then have to approve it. Randy Rossi suggested revising the policy to state that securities lending is not allowed.

Ken Goodreau reviewed the Investment Managers section stating that they are not only looking at what should be in the fund but questioning is it the most cost efficient way to be in the fund.

Ken Goodreau stated that the Fund Custodian Responsibilities are all checked off with Principal's RFP but that he has not yet 100% verified it.

Ken Goodreau reviewed the Objectives and Guidelines and Return Measurement Objectives. Robert Cusack stated that actuarial assumption is different for two funds and questioned if that is a concern and Ken Goodreau replied that it is not a problem if the return assumption is higher than both actuarial assumptions. Randy Rossi stated that one is 8.5% and one is 7.75% and Ken Goodreau suggested 7.5% for both funds.

Ken Goodreau reviewed the Fund Constraints and it was suggested to add “is delegated to the OCIO” to item #1. Liquidity.

Paul Santucci stated that item #2 under Return Measurement Objectives indicates a hard 70/30 split and Ken Goodreau replied that is the benchmark they are trying to beat but if the Committee wanted less risk he would suggest 65/35 or 60/40. Randy Rossi requested this be changed to a 65/35 split.

In reviewing Table B: “Comparative Indices for Investment Managers” it was requested by the Committee to remove small value and small growth from the domestic equity asset class.

Paul Santucci requested explicitly stating the exclusion of individual securities from the Investment Policy.

In review of the section on Investment Policies for Investment Managers under “Other”, Ken Goodreau stated that “Securities Lending” will be stricken.

Paul Santucci stated that the Statement of Investment Policy will be approved at least annually and that the board must approve any material changes and Ken Goodreau stated that he thinks the Committee should have the responsibility to approve material changes. Paul Santucci agreed as long as the Council is apprised of the changes.

Randy Rossi suggested having the Investment Policy be signed by the Town Council President and the Town Manager.

Paul Santucci questioned ERISA guidelines and Ken Goodreau suggested adding a sentence stating that although the entity is tax-exempt it will do its best to abide by ERISA standards.

Randy Rossi suggested that the changes be circulated and then convene a meeting for the Board to accept it and followed by presentation to the Town Council for them to accept it. Ken Goodreau suggested having the Committee approve the investment policy provisionally until the final document is received.

Consider, discuss and act upon adopting an investment policy for the Police and Fire Pension Funds and to be forwarded to the Town Council for consideration.

A motion was made by Bill Pilkington, seconded by Derek Keene, to approve the provisional asset allocation in order to grant temporary approval until the final document is approved by the Town Council. The vote on the motion was all in favor and the motion carried.

Meeting adjourned at 11:43 a.m.