

**Minutes
Retirement Board Meeting of
April 27, 2021**

The monthly meeting of the Marlborough Retirement Board was held on April 27, 2021. The meeting was held remotely due to the Covid-19 crisis. Gregory Brewster, William Taylor, Daniel Stanhope, Diane Smith, Margaret Shea, and Nathaniel Chen were participating remotely. Michael Ossing, Robert Gustafson, Steve Kerrigan, Laura Wagner, Gar Chung, Dan Sherman, Henry Jaung, Stephen MacLellan, and Adam Toczylowski were also attending.

1. The meeting was called to order at 8:15 a.m.
2. The director told the members that the minutes for February 23, 2021 were being resubmitted for their approval due to an error recording the meeting start time. A motion was made and seconded to approve the minutes of the meeting of February 23, 2021 as amended and March 30, 2021.

Diane Smith - Yes
Daniel Stanhope – Yes
William Taylor - Yes
Gregory Brewster – Yes
Motion carried.

3. A discussion of the actuarial valuation for January 1, 2021 was the next topic for discussion. Dan Sherman, the Board's actuary, began by discussing a COLA base study. The Board asked Mr. Sherman to prepare a new study of the cost of increasing the COLA base to \$14,000. The mortality assumption was also discussed. Despite the impact of COVID on deaths, Sherman recommends no changes in the mortality assumptions. Sherman then addressed investment return. The current return assumption is 7.50%. Sherman indicated that he was comfortable using return assumption of 7.5% but noted that PERAC was recommending reductions based on more conservative returns projected by NEPC. Diane Smith noted that the City's auditors and the rating agencies recommended lowering the rate as well. Sherman indicated that he will run valuations with 7.5% and 7.25% discount rates. The Board also discussed the length of the funding schedule. The funding schedule was extended by two years to 2028 at the last study. Based on requests by the Board, he will prepare funding schedules based on 2026 and 2028 payoff dates. The Board then addressed the potential increase in appropriation cost if lower interest rate assumption is used along with a shorter funding schedule. Lastly, the Board requested that the study break down the appropriation between units using both the payroll and actuarial method.
4. The Board discussed the FY22 cost of living adjustment (COLA). After discussion, a motion was made and seconded to approve a 3% COLA on the first \$12,000 of a retirement allowance.

Daniel Stanhope – Yes



William Taylor – Yes
Gregory Brewster - Yes
Diane Smith – Yes
Motion carried.

5. Henry Jaung, Stephen MacLellan, and Adam Toczyłowski from Meketa were present via Teams to discuss the first quarter investment performance and the results of the Board's search for an infrastructure manager. Mr. Jaung noted the highlights of the first quarter report: market value of fund was \$215 million; the return for the quarter was 2.8%; and the one-year return for the fund was 34.4%. The fund's standouts were Frontier Capital Appreciation with a 103.2% one-year return and DFA with a one-year return of 67.3%. Jaung spoke briefly about the infrastructure search. Jaung also noted that the Board pays less than most public funds its size for management fees. Currently, Marlborough pays about 27 basis points for fees whereas funds our size typically pay between 40 and 45 basis points.

Stephen MacLellan spoke about asset allocation. The fund is currently underweighted in private debt but Meketa expects to do a manager search later in the year. He also spoke briefly about Frontier's performance. Frontier's portfolio is cyclically focused. They should continue to do well in the post-COVID market. He reviewed the performance of private equity assets. The returns at 6.7% for the quarter are good but not as impressive as public market returns. He noted that private equity returns are a quarter behind private equity markets and half of the Board's private equity investments are relatively new and are still reporting at cost.

Adam Toczyłowski was introduced. He specializes in infrastructure, real assets, and natural resources at Meketa. The Board is considering a \$10 - \$12 million commitment to open-ended core infrastructure. There were five responses to their RFP. After a review, Meketa rated each response. IFM Investors were rated highly advantageous while the four other respondents were rated advantageous. Toczyłowski told the members that IFM Investors was owned by 26 Australian pension funds. It has the longest history of all respondents with a value of \$33.3 billion and 17 investments in its Global Infrastructure Fund (GIF). Since its inception in 2004, GIF has a gross IRR of 11.1%, a cash yield of 6.1%, and a net return of 8%. They have a management fee of .77%. Mr. Toczyłowski noted that the other four funds did not have the track record that IFM had. Although KKR has over 15 years in infrastructure, this was their first open ended fund. The Board discussed the respondents. After discussion, a motion was made to meet with IFM representatives at the May meeting.

William Taylor – Yes
Gregory Brewster – Yes
Diane Smith – Yes
Daniel Stanhope – Yes
Motion carried.



6. The Board reviewed Magistrate Kenneth Forton's decision in the matter of Marlborough Retirement Board v. PERAC as well as Attorney Michael Sacco's analysis. The Somerville Retirement Board had a similar case pending at DALA that had retired members impacted by PERAC's opinion regarding salary ordinance. After a discussion, a motion was made and seconded to accept and place on file.

Gregory Brewster – Yes
Diane Smith – Yes
Daniel Stanhope - Yes
William Taylor – Yes
Motion carried

7. The Board reviewed a draft copy of the Board's financial statement for the year ending December 31, 2020. The Director told the Board that the statement is due at PERAC on May 1, 2020. A motion was made and seconded to approve as submitted.

Diane Smith – Yes
Daniel Stanhope - Yes
William Taylor – Yes
Gregory Brewster – Yes
Motion carried

8. Approval of retirements was the next item on the agenda. The following individuals had applied to retire in March: John Stewart and James Beauregard. After a review of pertinent information, a motion was made and seconded to approve.

Daniel Stanhope – Yes
William Taylor – Yes
Gregory Brewster - Yes
Diane Smith – Yes
Motion carried.

9. Approval of refunds and transfers was the next item on the agenda. The Board reviewed a refund due to Justin Roy. The Worcester Regional Retirement Board requested a transfer of Cherice Nicole Lowe's annuity savings fund. The Massachusetts Teachers' Retirement Board requested a transfer of Ashanti Freitas' annuity savings account. A motion was made and seconded to approve the refund and transfers as submitted.

William Taylor – Yes
Gregory Brewster - Yes
Diane Smith – Unavailable for vote
Daniel Stanhope - Yes
Motion carried.



(During this agenda item, Diane Smith's PC dropped its connection. A roll call vote was taken but she did not respond. In the interest of time, a decision was made to continue through regular monthly items.)

10. The Financial Review was the next item on the agenda. The Board reviewed the following documents:
 - a. Operating Budget as of 04/30/21
 - b. Cash Flow Analysis
 - c. Cash Reconciliation
 - d. April 2021 AccountingA motion was made and seconded to accept and place on file.

Gregory Brewster – Yes
Diane Smith – Unavailable for vote
Daniel Stanhope – Yes
William Taylor – Yes
Motion carried

11. A motion was made and seconded to approve the following warrants: payroll warrant for April 2021, warrant #102021, and warrant #112021.

Diane Smith – Unavailable for vote
Daniel Stanhope – Yes
William Taylor – Yes
Gregory Brewster - Yes
Motion carried.

A short recess was taken to allow Diane Smith to reconnect to the meeting. When she returned the Board informed her of their previous votes.

12. A discussion of staff compensation/benefits was the next topic for discussion. After discussion, a motion was made and seconded to authorize a change in the sick leave buyback provisions that would allow retirement between July 1, 2021 and September 20, 2021.

Daniel Stanhope – Yes
William Taylor – Yes
Gregory Brewster – Yes
Diane Smith – Yes
Motion carried

13. New Business/ Old Business (Reserved for Topics Not Anticipated by the Chairman) was the next topic for discussion. The director spoke to the Board about the difficulty discussing certain staffing matters in open meeting. She will be talking with the City Solicitor to determine if these types of discussions can take place in executive session.



14. Greg Brewster thanked Councilors Webster and Ossing for attending meeting. A motion was made and seconded to adjourn the meeting at 9:45 a.m.

Diane Smith – Yes

William Taylor – Yes

Daniel Stanhope – Yes

Gregory Brewster - Yes

Motion carried.

A handwritten signature in cursive script, appearing to read "Greg P. Brewster".

Gregory P. Brewster, Chairman