

SAUGUS RETIREMENT BOARD MEETING
March 5, 2018

The meeting of the Saugus Retirement Board duly posted to be held in the Town Hall Annex, 25R Main St, Saugus, MA on the above date was called to order at 8:59 a.m. by Chairman Cross, with Board Members Decareau, DiBari, Gannon and Matarazzo present.

In addition, present at this meeting were Board Attorney Michael Sacco and Ann Quinlan SRB Administrator, Wainwright Representatives: Michael Dwyer and Jeffrey Fabrizio.

Items for Discussion

Chairman Cross opened the meeting inviting Wainwright Representatives Mr. Dwyer and Mr. Fabrizio to review with the Board Members and Attorney Sacco their evaluation of the Saugus Contributory Retirement System. Each person was given a prepared presentation compiled by Wainwright.

Mr. Dwyer explained that the information about the Saugus Retirement System was obtained by third party managers and/or custodians independent of Wainwright. Wainwright makes no guarantee that the investment objectives referenced in this document will be achieved.

In the comparison of Investment alternatives there are three issues or options to consider. Each option was broken down. Option 1 is to remain in PRIT as a "Participating System", Option 2 is to divest completely from the PRIT Fund and invest with only third-party managers and lastly Option 3 is to invest with PRIT as a "Purchasing System"; invest with third party managers for traditional asset classes and PRIT for alternative classes. The main difference between the three options is that Option 1 PRIT makes all the decisions for Asset Allocation and Investment Managers where Option 2 & 3 both allow for the Board to have more control and choose the Investment Managers and Asset Allocation.

If the Board chooses to remain in PRIT, there is no further action needed or paperwork to be completed. PRIT's private equity is a wonderful Asset Allocation which if you were to go on your own instead for this Asset you would need a lot more money to get access to the best managers that PRIT has in their portfolio. If you were to keep sleeves in PRIT, this would be one of them to keep.

Mr. Fabrizio explained if the Board were to come out of the PRIT Fund, searches would need to happen for all Managers. The search would be dependent upon how many assets categories the Board chose to have in the portfolio. A system the size of Saugus Retirement would need about 12-15 Managers plus the PRIT fund sleeves. Part of the administrative process, Wainwright would assist the Board in getting the Managers who would meet the Board and the Board has the ultimate say on who is hired. The Managers are hired for up to 7 years. All Managers would not be hired at once. Searches would take place throughout the year so not to take all the money out at once and not miss the market.

Something for the Board to consider is fees associated with leaving PRIT. The management fees would be higher and the cost for legal ads and services would increase as well. However, PRIT utilizes commission recapture and securities lending programs to enhance returns and Option 2 and 3 do not. This means a lender transfers securities to a borrower, who needs the securities temporarily to support trading strategies or settlement obligations. The lender retains the most economic benefits over the loan has the right to call it back. The borrower puts up collateral promising to return the identical security.

A return comparison for Wainwright Public Clients included Woburn, Falmouth and Haverhill Retirement System. Annualized risk and return Analysis was shown for each system. There was discussion over Standard duration v. Beta. While standard deviation determines the volatility of a fund according to the disparity of its returns over a period of time, beta compares the volatility of a fund to its index or benchmark.

Attorney Sacco asked if there is a possibility that a recommendation would be to come out of PRIT Fund & to go back into sleeves of PRIT. Mr. Dwyer answered that it is a possibility, but further review of the system would be needed to make that determination. If the Board does come out of PRIT it would be in small increments and would take about 6-9 months for this transition to happen.

Board Members were not ready for a final vote on action for the funds. They suggested another analysis be completed with information provided directly from the Board to Wainwright which would include data from the last 5 years of membership, employee and employer contribution totals and time when the Board receives those funds. The PRIT statements showing cash flow to support monthly retirement payroll if needed. These documents will be sent directly to Mr. Fabrizio in which he will compile a new evaluation and recommendation for the April Board Meeting.

There was discussion of having Attorney Sacco attend the monthly meetings and it was decided that the last Tuesday of each month at 12:00pm would be the best time for everyone. Chairman Cross thanked Mr. Dwyer and Mr. Fabrizio for attending the meeting and would like to invite them to the next meeting on April 24, 2018 at 12:00pm.

Copies of the following were included for review and/or discussion:

- Wainwright RFP


The next meeting is scheduled for March 27, 2018 at 8:30a.m.

Executive Session - None

Adjournment of Open Meeting

There being no further business to come before the Board, at 10:28 a.m., a motion was made by Board Member Gannon and seconded by Board Member Decareau and voted unanimously in favor of adjourning the Open Meeting.

APPROVED BOARD OF RETIREMENT:



 Chairman Cross



 Board Member Decareau



 Board Member DiBari



 Board Member Gannon



 Board Member Matarazzo



 Board Administrator