

The meeting of the Andover Contributory Retirement Board was called to order on Thursday, August 24, 2023, at 8:30 AM in the second-floor conference room located in the Town Offices. Members participating: Hayley Green, Chair, Elena Kothman, Blackwell Taylor, and Eric Teichert. Also present: Office Coordinator Helen Armano and Recording Secretary Susan McKelliget, Greg McNeillie and Kevin Condry from Dahab Associates.

Investments

Dahab Associates - 2nd quarter performance review & July preliminary performance review
Ms. Green welcomed Mr. McNeillie and Mr. Condry from Dahab Associates. Mr. McNeillie began discussion of the Andover Contributory Retirement System Performance Review ending June 2023, by saying that as of June, the total portfolio performance was 6.6% even though the month of August has been flat to negative. Key to positive returns are the top seven stocks in the S & P 500: Apple, Microsoft, Nvidia, Alphabet, Tesla, Amazon, and Meta. These holdings are found in the report as part of the PRIT equity sleeves. Also, the portfolio is overweight in mid cap and small cap which have outperformed large cap recently. Money from the PRIT fund ends up in other places; hedge funds end up in real estate, and private equity ends up in mid cap and small cap.

The goal is to diversify the stocks portfolio, so performance is better over time. The recent three-year period has been positive. Real estate has been at 12.6% over the last three years and the PRIT fund is up 10.5% over that same period.

Mr. McNeillie added that the goal is to beat PRIT over time by using sleeves which means savings with fees. The PRIT fund is running annually at 54 basis points and the Andover Retirement portfolio is at 39 basis points. The PERAC return rate report for all Mass Retirement Systems in 2022 is not available yet.

A breakdown of performance shows PRIT domestic equity (which includes the 7 stocks noted above) and the equity sleeve was 13 basis points. RhumbLine is used for small and mid-cap at 4 basis points each.

Allocations were changed in January 2023, to be heavier in real estate and lighter in fixed income. In discussions with Ms. Kothman, Mr. McNeillie recommended taking cash from PRIT Core when needed. It was noted that last month, there was no money taken from PRIT's Value Added Fixed Income account as Dahab had recommended, however, Mr. McNeillie said with rising interest rates, it is best to keep the money in value added fixed income.

Mr. McNeillie also advised using dollar cost averaging as was done with POB money. This could be done with real estate over the next 6 months. Cash is available but the portfolio is underweight 5% with real estate and there may be further negative returns in the near future. Re-allocation will happen over the next 6 months or so, and there was some discussion about allocating around the PRIT Core fund. Adjustments to the private equity allocation and getting rid of value-added fixed income were also discussed.

Mr. Condry noted that China and Taiwan make up half the index, and though the future can't be predicted, emerging market valuations are lower than domestic. The value-added fixed income sleeve has done better than PRIT Core fixed income, due to floating interest rates on bonds. Money will be moved to PRIT's Core fixed income. Next year yields from core real estate are expected to improve, bringing the portfolio closer to the target rate of return.

Mr. McNeillie noted the difficulty of valuing certain real estate assets as there are no comps in this area and this may lead to looking at models which may be more conservative. He recommended holding off contributions to the real estate sleeve for now and perhaps revisit this at the February meeting.

Other recommendations include minor allocation changes such as balancing the mid and small cap to 5% each, internally with RhumbLine.

Money is still available from the POB bond. There is approximately \$7M over allocation in MMDT Cash, so money is available to move around. Ms. Green asked whether 1/6 would need to continue to be voted, and discussion about manager allocation and target summaries followed.

Mr. McNeillie said the PRIT Real estate allocation should remain at 4.9% rather than the target 10%. The PRIT Core fund has a market value of \$238M, and allocations can be fine-tuned within sleeves, possibly early in the next year.

Ms. Kothman wanted to clarify a few things. The Retirement Board got an appropriation of \$7M last month and transferred \$1.3M to PRIT real estate and \$2.7M to PRIT domestic fixed income. The remaining \$1.7M is in Bank of America with 0% interest and she asked if it should go to MMDT or real estate. Mr. Taylor asked about the true weight or layering of asset classes, Ms. Green asked whether we were over target in one of the asset classes, and it was noted that this information was set out on page 6 of the Report.

It was moved by Ms. Kothman, seconded by Mr. Teichert, and voted 4-0 to make an internal adjustment to move \$1.8M from RhumbLine Mid cap to RumbLine Small cap.

It was moved by Ms. Kothman, seconded by Mr. Teichert, and voted 4-0 to move \$1.7M from Bank of America to Real Estate.

Mr. McNeillie said Interest rates may vary and taking monies from PRIT Core is a better choice with rising interest rates. Monetary policy is leaning toward spending and the Fed is leaning toward tightening by raising rates. Bonds at 6% currently will have double digit returns when the Fed starts loosening interest rates.

Mr. Condy noted inflation is at 3-4% and hikes in real estate have led to overbidding for homes with interest rates in the 7-8% range. Funds in the S&P provide good protection relative to Russell 2000 funds which are largely biotech stocks.

Ms. Kothman said an approval amount for September operating expenses was not listed and she needs \$1.4M from month to month. Mr. McNeillie said stay with normal course for now, put monies from PRIT Core into PRIT cash and make payments from there. This approach can be revisited in the next quarter.

It was moved by Ms. Kothman, seconded by Mr. Taylor, and voted 4-0 to authorize Ms. Kothman to move up to \$1.4M from PRIT CORE to Bank of America to pay September's operating expenses.

Statements

MMDT

It was moved by Ms. Kothman, seconded by Mr. Teichert, and voted 4-0 to approve the MMDT statement for 07/31/ 2023.

MassPRIM/PRIT

It was moved by Mr. Teichert, seconded by Ms. Kothman, and voted 4-0 to approve the MassPRIM/PRIT statement for 07/31/23.

RhumbLine

It was moved by Ms. Kothman, seconded by Mr. Teichert, and voted 4-0 to approve the following RhumbLine statements received: Mid Cap 400 & Small Cap 600 07/31/2023.

MassPRIM/PRIT

It was moved by Mr. Taylor, seconded by Mr. Teichert, and voted 4-0 to confirm the wire transfer of \$1,125,000.00 for July's operating expenses.

It was moved by Mr. Teichert, seconded by Ms. Kothman, and voted 4-0 to confirm the wire transfer of \$1,300,000.00 to PRIT Real Estate.

It was moved by Ms. Kothman, seconded by Mr. Teichert, and voted 4-0 to confirm the wire transfer of \$2,724,844.00 to PRIT Fixed income.

Ms. Green noted receipt of the PRIT 2nd 2023 quarter Update.

Electronic Signatures supplemental regulation

Ms. Green noted there will be a public hearing at the September Retirement Board meeting on promulgating an Electronic Signatures supplemental regulation. She asked members if they had any questions about the proposed regulation. Ms. Green said during COVID, PERAC issued a memo allowing electronic signatures for some administrative purposes. Ms. Kothman said the Retirement office has used electronic signatures since then, but without a regulation. Ms. Kothman discussed this with Attorney Sacco, and he drafted a regulation to formalize this practice. Ms. Green noted one of the municipalities using electronic signatures, Methuen, has as an exception in their regulations--treating physician statements--and wondered if Andover's supplemental regulations should include that as an exception as well. Ms. Kothman stated it wasn't included because sometimes in the past, Treating Physician's statements have been faxed, which would be considered electronic. Ms. Kothman will run this by Attorney Sacco to obtain his opinion. Ms. Kothman talked briefly about Arlington exceptions, and noted she would like to exclude withdrawal forms from electronic signatures because of the potential for fraud. Ms. Green asked how the Town of Andover's internal data sharing system would be affected, and Ms. Kothman said she believes it applies only to Neo-Gov. Ms. Kothman will check with Attorney Sacco to see if electronic signatures would apply to Board Member signatures on documents such as expense warrants.

It was moved by Ms. Kothman, seconded by Mr. Teichert, and voted 4-0 to hold a public hearing on this regulation at the September 28, 2023, Retirement Board meeting.

Minutes

It was moved by Mr. Teichert, seconded by Ms. Kothman, and voted 4-0 to approve the minutes of July 27, 2023.

Monthly Payroll

It was moved by Mr. Teichert, seconded by Mr. Taylor, and voted 4-0 to approve the August 2023, payroll as follows:

Annuity	314,904.59		
Pension	1,291,523.81	Total	1,606,428.40

Expenses - August expense warrant #2023-08

Konica Minolta Business Solution, BW & Color Copies	59.30
Konica Minolta Premier Finance, monthly fee	168.00
Elena Kothman - ET digital access reimbursement for July	26.99
Middlesex County Ret Sys - Transfer out: Acct of Nathan Langevin	33,591.24
Deds = 9% = \$32,336.26, 2% = \$1,051.19, interest = \$203.79	
Cred Serv = 9.8333 years = 09/01/2011-07/22/2021	
Refund: Acct of Robert Cotter	32,319.58
Deds = 9% = \$29,579.19, 2% = \$2,647.03, interest = \$93.36	
Total Cred Serv = 6.3333 years	
Andover = 08/08/2022-03/31/2023 = 0.5833y	
Wakefield = 06/13/2022-07/22/2022 = 0.0833y	
Lexington = 08/29/2016-05/21/2022 = 5.6667y	
Refund deductions withheld in error, Edward Higginbottom	401.64
Refund/Rollover: Acct of Chelsea Borden	27,107.17
Deds = 9% = \$22,695.57, 2% = \$2,416.56, interest = \$1,995.04	
Cred Serv = 4.4167 years = 03/11/2018-09/10/2022	
The Law Offices of Michael Sacco, July 2023	870.00
Town of Andover:	
Elena Kothman	10,812.25
Helen Armano	8,267.95
Vincent Malgeri	1,589.16
Susan McKelliget (07/27/2023)	250.00
Total Salaries:	20,919.36
Town of Andover:	
Hayley Green	250.00
Michael Morse	250.00
Total Stipends:	500.00

Total expenses - Warrant #2023-08:

It was moved by Mr. Taylor, seconded by Mr. Teichert, and voted 4-0 to approve the total expenses of \$115,963.28 as printed in Warrant # 2023-08. Ms. Green abstained from voting on her stipend, Ms. Kothman abstained from voting on her salary and her ET digital access reimbursement.

The board noted the following receipts:

Receipts:Employee Contributions - July 2023:

Town	252,700.91	
School	38,821.15	
AHA	4,676.98	
Total employee contributions:		296,199.04

Misc Receipts:

Town/School Appropriation, paid in full	7,124,844.00
Giuliano overpayment reimbursement	4,563.94
Worcester Regional RS payment rec'd, fee for public records request	87.50

Transfers in:

Genna I Jacobs, Town, from Essex Regional Retirement	16,975.49
Deds = 9% = \$15,457.05, 2% = 1,495.66, interest = \$22.78	
Cred Serv = 3.2500 years = 01/27/2020-05/06/2023	

Transfers In total: 16,975.49
 It was moved by Mr. Teichert, seconded by Ms. Kothman, and voted 4-0 to approve transfers in total of \$16,975.49.

Total Receipts: 7,442,669.97

Ms. Kothman noted the Retirement System was reimbursed overpayments to Vincent Giuliano, who died on 09/14/2022, but the Retirement Office wasn't notified until May 2023. It was noted Bank of America electronically reversed the payments made to him.

Intent to Retire

It was moved by Mr. Teichert, seconded by Ms. Kothman, and voted 4-0 to approve the following intents to retire:

Daniel Verrington, Town/DPW, DOR 08/15/2023, Cred Serv = 36y, 1m, Superannuation
 Jennifer Di Francesco, School, DOR 08/27/2023, Cred Serv = 20y, 8m, Superannuation
 Mary Jane Burwell, Town/Info Systems, DOR 08/27/2023, Cred Serv = 38y, 1m, Superannuation
 Cynthia Distefano, School, DOR 09/01/2023, Cred Serv = 10y, 0m, Superannuation

The Board noted the following:

Retirement Allowance Calculations approved by PERAC:

David Billard, Town, DOR 07/09/2023, Cred Serv = 34y, 1m, Superannuation

	<u>Annual</u>	<u>Monthly</u>
Allowance	87,753.00	7,312.75

Linda Murphy, Town/Library, DOR 07/30/2023, Cred Serv = 17y, 3m, Superannuation

	<u>Annual</u>	<u>Monthly</u>
Allowance	15,907.68	1,325.64

Deaths

The board was informed of the following deaths and Ms. Green expressed her condolences:

Nancy Anderson, School, active member, DOD 08/02/2023, DOE 10/02/2006

James Nault, School, active member, DOD 08/07/2023, DOE 08/30/2021

Report from the Executive Director:

PERAC memos: 18/2023 informs the Board since the State's budget was signed by the Governor, the supplemental dependent allowance meant adjusting some disability retiree's dependent allowance payments for the FY2024 COLA.

PERAC email: Emerging Issues forum, 9/21/2023 9AM to 3PM, Holy Cross, Ms. Kothman has link, attendees will be reimbursed for mileage, and will receive 3 educational training credits.

Mass Retirees - *The Voice* September 2023. PRIT investments trending up; COLAs and WEP updates.

Mass Retirees - request for list of retirees and surviving spouses since 12/31/2016 - The Board previously discussed the policy of giving out info on retirees and Ms. Kothman explained that the president, Frank Valeri, asked the Board to re-consider its previous denial. After some discussion, it was decided once again to deny Mass Retirees' request.

Ms. Kothman noted The Hartford - Fiduciary insurance renewal notice 10/23/23-10/23/24 was received but a bill hasn't been received yet.

Cash/Accounting:Cash Books:May 2023

It was moved by Mr. Teichert, seconded by Mr. Taylor, and voted 4-0 to approve the trial balance, cash receipts, cash disbursements, adjusting journal entries, and bank reconciliation.

June 2023:

The Board conducted a first reading of the trial balance, cash receipts, cash disbursements, adjusting journal entries, and bank reconciliation. Vote to be taken next meeting.

Cash balance: as of August 24, 2023

It was moved by Mr. Teichert, seconded by Ms. Kothman, and voted 4-0 to approve the cash balance as of August 24, 2023, in Bank of America at \$1,811,318.38.

Ms. Green noted receipt of the Cash Flow Forecast for August 2023.

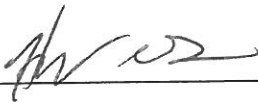
Ms. Green noted Budget compared to actual - 2nd quarter 2023.

Next Meeting date:

Thursday, September 28, 2023, at 8:30 AM - Public Hearing will be taken up first

Adjourn

It was moved by Ms. Kothman, seconded by Mr. Teichert, and voted 4-0 to adjourn the meeting at 9:32 AM.



Hayley S. Green



Elena M. Kothman



Blackwell O.J. Taylor



Eric J. Teichert

Documents:

Dahab Associates 2nd qtr performance review
 Dahab Associates July 2023 preliminary performance review
 MMDT Statement
 PRIT Statement
 RhumbLine Statements
 Wire transfer confirmations
 Electronic Signatures supplemental regulation information
 Unofficial Minutes 07/27/23
 Monthly Payroll
 Expenses
 Receipts
 Deaths
 PERAC Memos
 PERAC email Emerging Issues forum 09/21/2023
 Mass Retirees *The Voice* September 2023
 Cash books -May & June 2023
 Cash flow forecast August 2023
 Budget compared to actual 2nd qtr 2023