January 15, 2020

A meeting of the Malden Retirement Board was held this day of January 15th, at 8:30AM in the 4th floor conference room of 17 Pleasant Street with the following Board Members being present Warren Atkinson Jr., Douglas Elsner, Charles Ranaghan, Domenic Fermano, Scott Lucey, Retirement Director James Ryan, and Board Secretary Laurie MacDonald.

On motions duly made and seconded, it was voted:

To approve the minutes of the previous meeting, and financial reports of the previous months.

To approve all payrolls and expenditures for the last half of December and first half of January.

Accept Prior Board Meeting Minutes and PERAC Financial Reports:

New Members:
Bouchenafa, Amira-PARA
Luong, Michelle-School Committee
Gray, Joseph-School Committee
Rivers, Sires-Schools
Pierre, Ashley-School HR Director
Poliard, Adele-School Behavioral Analyst
Martinez, Joseph-Police Cadet
Chen, Andy-Police Cadet
Ferry, Blake-Police Cadet
Linehan, Amanda-City Counsel
Cicolini, Philip-DPW Traffic Labor

Deceased:
Grant, John Jr.-Legal (12/19/19, Opt B, Balance of $9,668.92 to beneficiary Kevin Grant)
McDonald, Thomas L.-Public Facilities (12/27/19, Opt B, Balance of $36,149.05 to beneficiary Nancy Crowley)

Retirements:
Greenberg, Joan-PARA (12/31/19 Opt A)
Brennan, Thomas-City Clerk (1/4/20 Opt C)
Smith, Beverly-Police Adm (1/10/20 Opt B)
Crannell, Jon-Police (1/18/20 Opt C)
Solano, Sharon-PARA (1/4/20 Opt B)

Service Purchase/Buyback:
Edward Silva MHA-9 months $4,262.12

Transfers:
None

Withdrawals:
None

Correspondence:
December 2019 PERAC Financials
Neil Kinnon-Request for Military Buyback Attorney Sacco & PERAC
Ron Hogan Buyback request package
PERAC- 2018 Comparative Analysis Fee Report
PERAC Memo-1st Quarter 2020 Training courses
Vote:

Neil Kinnon Military Buyback Request
Mr. Ryan recapped to the Board that Mr. Kinnon who is an in-active member, requested to purchase military service time. Mr. Ryan conferred with attorney Sacco who in turn submitted a request for opinion letter to PERAC. PERAC denied the purchase as Mr. Kinnon would have to be an active member in order to purchase the military service time.

A motion was made by Mr. Ranaghan to deny the military service purchase. The motion was seconded by Mr. Fermano, all were in favor of the denial and the vote was unanimous.

Ron Hogan Service Make-up request
A motion was made by Mr. Fermano to accept the service make-up request of Mr. Hogan. Mr. Ranaghan seconded the motion. All were in favor. Mr. Ryan will calculate the make-up purchase amount and submit it to the Board for review.

Discussion:

PERAC-2018 Comparative Analysis Fee Report
Mr. Ryan indicated that based upon the report issued by PERAC, the MRB had the lowest management fees for Boards within the Commonwealth of Massachusetts.

Ron Hogan Service Make-up request
Mr. Ron Hogan who is the Director of Traffic and Parking for the City of Malden, submitted a request to Mr. Ryan to purchase time that he served as 5th member of the Malden Retirement Board. His term as 5th member went from December 1996 to May of 2012. During this time period he was very active in his duties and indicated in his request letter that he worked at least 20 hours per month on Retirement Board related duties. This time was confirmed by Board members Warren Atkinson and Doug Bianco who served during the same time period as Mr. Hogan. Mr. Hogan documented numerous duties and accomplishments that he performed over his 5th member tenure. Mr. Hogan has requested that he be allowed to be credited with one week of creditable service per month based upon the 20 hours worked on Retirement Board related duties. The Malden Retirement Board’s Supplemental Creditable service regulation allows a member to be credited as one week for each twenty hours of documented service rendered. Furthermore, the Board member must have been compensated to be eligible for the service purchase. Mr. Ryan has estimated that Mr. Hogan is eligible to purchase 3 years and 6 months of creditable service. Mr. Ryan will calculate the buyback cost and apply interest at half the actuarial rate of return.

The deBurlo Group - MRB Portfolio December 2019
During 2019 stocks rallied despite the fact that both the economy and corporate earnings had slowed. The Federal Reserve cut rates three times during the past year, despite having raised rates during 2018. This change in monetary policy had a sizable impact on markets because lower rates led to higher estimated stock valuations. Stocks became better options compared to fixed income instruments which offered lower yields. High dividend stocks appreciated in value since yield-hungry investors were willing to pay more for these holdings. Lastly, with lower borrowing costs, corporations were able to buy back more of their own stock.

Portfolio Allocation at December 31, 2019 was 60% stocks and 40% Bonds.

Fourth Quarter Performance
Malden’s entire portfolio appreciated 1.06% during the fourth quarter, a result of positive equity returns and negative fixed income returns.
• The portfolio’s stocks were up 3.34% in value, which was below the 9.07% gain for the Standard & Poor’s 500.
• The portfolio’s bonds were down 1.51%, which was lower than the -0.01% total return of the Barclays index.

Bond Performance: Fourth Quarter
Malden’s bond portfolio underperformed the index by 1.50% (150 basis points) during the fourth quarter. This underperformance is attributed to the following factors:
• Longer duration than the index throughout the quarter, with interest rates rising meaningfully, resulted in higher price declines, even for the high-quality bonds in the portfolio.
The portfolio's significant underweight to riskier, lower quality corporate bonds, whose spreads continued to tighten during the quarter.

Stock Performance: Fourth Quarter
The sector that had the most impact on the portfolio during the fourth quarter was the financial sector.

The portfolio’s underweighting in financials hurt performance since this sector was one of the strongest performers in the index; and several large holdings such as Willis Towers and Discover Financial Services were up only 1% and 5%, respectively. As a result, the portfolio’s financial stocks, as a group, were up only 5%.

Secondly, the healthcare sector was a negative contributor during the fourth quarter. Many of the weaker healthcare holdings this quarter had outperformed earlier in the year. For example, holdings such as Steris, Veeva Systems, and Thermo Fisher were up 32%, 62%, and 26%, respectively during 2019.

Your technology and utilities stocks helped stabilize fourth quarter performance.

Technology stocks represented an overweighting in the portfolio; in addition, many technology stocks had good performance over the past three months, as investors rotated back into stocks that maintain high earnings and good company fundamentals. A number of large holdings performed above the overall technology sector. Stocks such as EPAM Systems, Microsoft, and Mastercard were up 16%, 14%, and 10%, respectively. As a result, the entire technology sector appreciated in value by 11% compared to the overall market up approximately 9%.

Secondly, your utilities stocks were a positive contributor during the fourth quarter since these holdings performed above other utilities stocks and the sector had a high weighting.

Our decision to maintain no portfolio exposure in energy stocks helped the portfolio's overall performance, since energy sector stocks underperformed the market by nearly 5%.

2019 Performance
For the year, both stocks and bonds underperformed their respective benchmarks. In addition, the entire portfolio appreciated in value by approximately 11.2%, which compares to the blended stock and bond benchmark, up 22.8%.

Specifically, Malden's stocks appreciated by approximately 16.2% compared to the 31.5% gain realized by the S&P 500. The index soared during the final months of 2019 as many cyclical holdings and financials rallied on the back of unexpected developments related to trade tariffs and the economy.

The portfolio’s bonds appreciated by approximately 7.3% compared to the 9.7% gain realized by the Barclays Index.

Bond Performance in 2019
For the full year 2019, the bond portfolio underperformed the Bloomberg Barclays Government/Credit Index by 2.44%. However, the 7.27% total return of the portfolio was 75% of the index's 9.71% with significantly less risk.

Stock Performance in 2019
Financials and communications services sector stocks were mostly responsible for the portfolio’s underperformance during the past twelve months.

The portfolio’s sector weightings in both were underrepresented and performance in these stocks was good.

However, over the past year, the portfolio’s technology stocks performed well and helped to push the portfolio’s stock higher by a total of 16.2%.

Additionally, the portfolio’s healthcare stocks appreciated 20.5% during the past twelve months.

Disability updates-Ken Knox-Calculation submitted to PERAC

APPROVE THE FOLLOWING EXPENSES AND INVESTMENTS

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NIKE INC 24,000 2,403,780

A motion was made by Mr. Ranaghan to adjourn the meeting at 10:00AM and seconded by Mr. Eisnor. All were in favor to adjourn the January 15, 2020 meeting.

Warren Atkinson Jr., Chairman
Domenic Fermano, Appointed Member

Charles Ranaghan, Ex-Officio
Douglas Eisnor, Elected Member

Scott Lucey, Board Appointed
James M. Ryan-Director, Respectfully Submitted

Laurie A. MacDonald, Executive Secretary