

**Plymouth County Retirement Board  
Administrative Session Minutes  
December 12, 2023**

The duly noticed meeting of the Plymouth County Retirement Board was called to order at 9:00 a.m. on December 12, 2023, at 60 Industrial Park Road, Plymouth, MA 02360 by Chairman Thomas O'Brien. The following were in attendance:

Board Members: Chairman Thomas J. O'Brien, Mr. Joseph F. McDonough, Mr. John F. Sciara, Mr. James E. Harrington, and Pamela J. Avitabile.

Retirement Association Staff: Executive Director & General Counsel Padraic Lydon, Director of Investments Peter Manning, Comptroller Sarah Belmore, Member Services Representative Melissa Russell, Member Services Manager Lauren Durham, and Chief of Staff & Operations Adam Wedge.

Additional Attendees: Managing Director of Research & Strategy Michael Acton and Director of Investor Relations Emily Margolis from AEW Capital Management; Daniel Dynan of Meketa Investment Group, Inc.

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Chairman O'Brien called for The Pledge of Allegiance.

**PAST MINUTES:**

**Approval of minutes from meeting of October 31, 2023:**

Board Action – *A motion was made by Ms. Avitabile, and seconded by Mr. Harrington, to accept the meeting minutes.*

Vote 5 – 0.

**Approval of Executive Session minutes from meeting of October 31, 2023**

Board Action: *A motion was made by Mr. Sciara, and seconded by Mr. Harrington, to accept the Executive Session Minutes of October 31, 2023.*

Vote 5 – 0.

**Approval of minutes from meeting of November 29, 2023:**

Board Action – *A motion was made by Mr. Harrington, and seconded by Ms. Avitabile, to accept the meeting minutes.*

Vote 5 – 0.

**Approval of Executive Session minutes from meeting of November 29, 2023**

Board Action: *A motion was made by Ms. Avitabile, and seconded by Mr. Sciara, to accept the Executive Session Minutes of November 29, 2023.*

Vote 5 – 0.

**NEW MEMBERS:**

Board Action: *A motion was made by Ms. Avitabile, and seconded by Mr. Harrington, to accept the following applications for membership.*

Vote 5 – 0.

<u>Town</u>	<u>Name</u>	<u>Position</u>	<u>Group</u>	<u>Rate</u>
Abington	William Caseley	Tutor	1	9+2%
Abington	Erin J. Casey	Paraprofessional	1	9+2%
Abington	Jason R. Harris	Building Commissioner	1	9+2%
Carver	Jennifer A. Mueller	Administrative Asst.	1	9+2%
Carver	Kimberly L. Skutt	ESP	1	9+2%
Carver	Kim M. Walsh	Finance Asst.	1	9+2%
Duxbury	Paula J. Borg	Preschool Teacher	1	9+2%
Duxbury	Anne J. Connors	Instructional Asst.	1	9+2%
Duxbury	Karen Daley	Office Assistant	1	9+2%
Duxbury	Nicole M. Gambino	Instructional Asst.	1	9+2%
Duxbury	Mackenzie R. Hayes	In House Support	1	9+2%
Duxbury	Kierstin R. Kerr	Instructional Asst.	1	9+2%
Duxbury	Megan M. Lemieux	Instructional Asst.	1	9+2%
Duxbury	Stephanie M. Milgram	Preschool Teacher	1	9+2%
Duxbury	Ellen P. Settimelli	Instructional Asst.	1	9+2%
Duxbury	Julia Smith	In House Support	1	9+2%
Duxbury	Tracey M. White	Instructional Asst.	1	9+2%
East Bridgewater	Shannon Machado	Nurse	1	9+2%
Halifax	Carole R. Haugstad	Café Worker	1	9+2%
Halifax	Cindi A. Metro	Regional Food Inspector	1	9+2%
Kingston	Elizabeth Magoun	Paraprofessional	1	9+2%
Lakeville	<b>Nicole E. Bostick</b>	<b>Firefighter</b>	<b>4</b>	<b>9+2%</b>
Lakeville	Jennifer A. Jones	Library Director	1	9+2%
Marshfield	Brooke F. Lowe	Specialized ESP	1	9+2%
Marshfield	Catherine J. Marchioni	Tutor	1	9+2%
Marshfield	Jack W. McDonough	Help Desk Support Tech	1	9+2%
Marshfield	Michelle M. O'Leary	Specialized ESP	1	9+2%
Middleborough	Mary T. Connaughton	IT Admin/Technical Asst.	1	9+2%
Middleborough	Dylan Hanson	Firefighter	4	9+2%

Middleborough	Edite M. Lawrence	Day Care Supervisor	1	9+2%
Pembroke	Annabelle N. Boudreau	Paraprofessional	1	9+2%
<b>Rochester</b>	<b>Emmanuel Matias</b>	<b>Patrol Officer</b>	<b>4</b>	<b>9+2%</b>
Rockland	Peggy A. Dean	Paraprofessional	1	9+2%
Rockland	Tatyana L. Nakashima	Paraprofessional	1	9+2%
Rockland	Cathryn K. Ross	Paraprofessional	1	9+2%
Scituate	Jon-Michael A. Donahue	Plant Operator	1	9+2%
Scituate	<b>John M. Leighton</b>	<b>Patrol Officer</b>	<b>4</b>	<b>9+2%</b>
Scituate	Michael P. Philbin	Skilled Laborer	1	9+2%
Wareham	Sharon A. Kavanagh	Perm. Para. Sub	1	9+2%
<b>West Bridgewater</b>	<b>Kyle McNeill</b>	<b>Police Officer</b>	<b>4</b>	<b>9+2%</b>

**NEW RETIREES:**

Board Action: A motion was made by Mr. Harrington, and seconded by Ms. Avitabile, to accept the following applications for superannuation retirement.

Vote 5 – 0.

<u>Unit</u>	<u>Name</u>	<u>Retirement Date</u>	<u>Age &amp; Service</u>
Bridgewater	Ann Gerald	January 31, 2024	70; 33Y, 03M
Halifax	Patrick Sterling	February 29, 2024	58; 32Y, 00M
Hanover	Thomas Chiarelli	January 16, 2024	67; 10Y, 00M
Scituate	Bonnie Donohue	November 30, 2023	63; 33Y, 10M
Wareham	David Evans	December 28, 2023	65; 41Y, 06M

**MAKEUPS/RE-DEPOSITS/MILITARY/TRANSFERS:**

Board Action: A motion was made by Ms. Avitabile, and seconded by Mr. McDonough, to accept the following makeups, re-deposits, military buybacks and transfers:

Vote 5 – 0.

<u>Unit</u>	<u>Name</u>	<u>Action</u>	<u>Service</u>
Marion	Kaylan L. Valadao	Make-up	0y 3m
Pembroke	Jeanne M. Gigliotti	Make-up	2y 2m
South Shore Reg'l	James L. Harding	Buyback	1y 6m
South Shore Reg'l	James L. Harding	Military Buyback	4y 0m

**EXPENSES:**

Board Action: A motion was made by Ms. Avitabile, and seconded by Mr. Sciara, to accept the following expense vouchers:

Vote 5 – 0.

100	Expense Voucher	\$134,495.48
101	Refunds/Transfers/Rollovers	\$328,137.14
102	Transfers to Retirement Systems	\$400,221.10
103	Pension Payroll for November 2023	\$11,681,199.54
104	Pension Payroll for November 2023	\$1,306.05

Mr. Lydon reminded the Board that reconciliations for the Association's accounts had previously been distributed for their review.

#### CAPITAL CALLS:

The following capital calls for the month were reviewed:

<u>Fund</u>	<u>Amount</u>	<u>Date of Call</u>
HarbourVest V	\$ 1,950,000.00	11/7/2023
CAI-TE	\$ 337,621.88	12/5/2023
FS Equity Partners VIII	\$ 119,053.00	12/7/2023

#### 2024 Operating Budget

The board requested information about certain categories, corresponding increases, and justifications. There were specific questions about the increase associated with health insurance.

Mr. Lydon provided context regarding increases and cost consideration. With regards to health insurance, a retiree enrolled during the most recent open enrollment. Additionally, this category experienced changes because of recent staff turnover.

Board Action: A motion was made by Mr. Harrington, and seconded by Mr. McDonough, to approve the 2024 operating budget as presented, totaling \$2,666,332.50.

Vote 5 – 0.

#### PERAC – Memorandums

Mr. Lydon stated that PERAC memos #26 and #27 were made available to the Board for reference and review. A summary of each was provided to the Board.

Mr. Lydon also noted that fraud posters would be made available during the advisory meeting.

#### Conferences & Annual Meetings

The board discussed its desire to attend the upcoming meetings associated with Terra Capital Partners and Constitution Capital Partners.

Board Action – *A motion was made by Ms. Avitabile, and seconded by Mr. McDonough, authorizing the travel and expenses associated with these conferences for the board.*

Vote 5 – 0.

#### **EXECUTIVE SESSION:**

The Board entered Executive Session in order to discuss the physical condition or mental health of an individual(s) (purposes 1 & 7 for executive session). Specifically, the Board considered applications for accidental disability retirement benefits, ordinary disability retirement benefits, and/or petitions for accidental death benefits. Also, the Board considered litigation strategy, pension forfeiture, and/or personnel matters (purpose 3 for executive session).

#### **Executive Session – Begin:**

Board Action: *A motion was made by Mr. Harrington, and seconded by Mr. McDonough, to enter Executive Session at 9:09 a.m.*

Vote 5 – 0 (Roll Call).

#### **Executive Session – End:**

Board Action: *A motion was made by Mr. McDonough, and seconded by Mr. Sciara, to exit Executive Session at 9:11 a.m.*

Vote 5 – 0 (Roll Call).

#### **Wheldon Nelson, Town of Middleborough, request for medical panel for accidental disability retirement**

Board Action: *A motion was made by Mr. McDonough, and seconded by Mr. Sciara, approving this request for a medical panel for accidental disability retirement.*

Vote 5 – 0.

#### **Economist Michael James Acton, AEW Capital Management**

Mr. Manning provided an introduction, reason for the invitation of Mr. Acton, and emphasized the board's firm grasp of the bigger picture. AEW Capital Management has attained an IRR of 20% and returned 125% of the capital invested to date. The knowledge presented today should broaden the board's continued commitments in 2024. The board welcomed Mr. Acton and thanked him for his time.

Mr. Acton opened by stating that the market is getting ahead of itself regarding a real estate downturn. This strategically is a great opportunity for capital. What you will see in 2024 isn't broken properties, but broken capital structures.

Mr. Acton explained that tomorrow's Federal Reserve meeting would be telling. A position change that occurs to prevent inflation from getting out of control would be significant. Keeping rates elevated through 2024 is also relevant to economic slowing. Given the great employment numbers the economy continues to show resilience unlike Europe or Japan.

A strong economy means a strong real estate market. As a result, adjustments in this sector have taken longer than many had anticipated. Private valuations of the real estate sector have however adjusted faster. Valuation changes should begin to happen a little more broadly in 2024. Part of this is because banks have moved to the side causing the transaction market to slow. The conditions involving larger banks during the 2008 recession, rise of regional banks that took market share, and increased asset values were discussed. The largest catalyst for 2024 is the nearly five-trillion-dollars of commercial property loans that need to be refinanced. Currently with banks on the side no one is available to step in and fill this void. Context was provided regarding AEW Capital Management's approach. Largely, the office sector is experiencing the greatest stress because during the pandemic employees were sent home. This became protracted for two and a half years. Companies are now expecting those same employees to come back in.

Collectively, office space investments of over one-trillion-dollars occurred during COVID. Most of this money was allocated during the lowest yield environment in history. Unfortunately, the Federal Reserve has since pulled the rug out from everyone with rate increases. Mr. Acton compared and contrasted investments in apartments and warehouses. Most of these types of assets are locked up with incredibly low yields. Conversely, office space will see many assets returned to lenders over the next twelve to eighteen months. This differentiation is also being shown in other sectors. Assets with sound occupancies fundamentally just need their capital structures fixed. Historically, the financial crisis of 2008 took eight quarters to make a full readjustment. The belief within the real estate sector is that the middle of next year will be the end of this uncertainty.

Mr. Acton explained that many clients ask the same question about the real estate sector. Where or when is the bottom. This is because many people have room in their asset allocations. Context regarding the last three cycles was given. Mr. Acton stated that long-term investors want to enter after the cycle changes, essentially be early. Queued redemption requests, rescinding these types of requests, and waiting to get back into an

allocation on the other side of a cycle are all factors that need to be considered. Mr. Acton indicated however that opportunistic strategies presently have a once in a lifetime opportunity when called for capital. It was estimated that approximately 200 billion will need to be refinanced or found via new debt solutions. This figure isn't as large as the 2008 financial crisis but represents a meaningful amount of capital.

Mr. Acton covered uncertainty, fears of a recession, yield curve, and year-over-year numbers. The one thing that the United States did, unlike other countries, was pre-inject money into the economy. This generated interest, deposits, and money could be lent out for investing. No run on the banks occurred and the economy was back on track very quickly in March of 2020. Additionally, with the Federal Reserve being proactive while the FDIC guaranteed all deposits nothing of consequence occurred. Different economic groups pushed excess cash into the market while higher incomes were invested. Excess cash today has been utilized with a minor amount remaining in higher income groups.

Mr. Acton stated that the policies implemented during COVID and subsequently enacted have been good strategies. By comparison, the financial crisis of 2008 only had 9 million unemployed. Regardless of politics, policymakers would have all enacted the same policies. The issue is that rates remained low for far too long. Maintaining inflation risk vs. demand collapsing and a broader monetary crisis was an extraordinarily hard needle to thread. Markets only work efficiently if capital has a true cost. Consequently, without this in place, money will be mismanaged.

Mr. Acton concluded by discussing an informal poll he conducted at AEW Capital Management. Only 45% of those employees surveyed had entered the labor force before the 2008 financial crisis. Young people haven't experienced this type of adversity, have difficulty understanding what the Federal Reserve is doing, and have recently learned a great lesson regarding rates. Most pension funds have an assumed rate of return of 5% through 7%. Pension systems work much better when rates are normalized, lenders are incentivized, and their starting position can easily be quantified in the market. Unfortunately, really cheap debt has kept some companies going.

The board asked why Mr. Acton thinks the economy is so resilient. What in your opinion makes up this resiliency. Mr. Acton stated labor mobility. Also, domestic oil production is at an all time high in the United States. The infrastructure bill was a very good thing, all the little success stories, and a resiliency that transcends. This is something that is unique to the ethos of America. This country is hard. It does not have a lot of social safety nets, especially for marginalized groups. This is unlikely to change in the near term. Add on top of that the struggles, trials, and things people do to get to

the United States. The people who work so hard to get here are probably going to work hard when they get to the United States. Couple all of this with boundless resources, navigable rivers, and stable neighbors.

The board asked about the importance of sectors within real estate. Mr. Acton explained that Americans dislike cold weather and snow, like low prices, and hate taxes. You will continue to see a surge down south. This will upend these markets, incomes, drive rents up, and cause a building boom. Pressure will occur in 2024 and 2025. How surrounding areas absorb displaced lower income people will also be important. Smaller metros will have rental increases displacing people across the country. Affordable housing strategies, below median income housing, and shortages were discussed.

The board asked if this will all filter out to residential markets. Mr. Acton explained that everyone refinanced everything during the times of incredibly low interest rates. This locked in rates for a very long time. This may impact labor mobility because it's cheaper to stay. Values consequentially will remain high. Currently very few houses are for sale. No one wants to re-do their mortgage. As a result, home prices will be stable moving forward. Presumably, if interest rates go down this paradigm may change.

#### **Portfolio Update by Peter Manning**

Mr. Manning followed up on the recent presentation and stressed the velocity of change that has occurred over the last few two months with stocks gaining 17% in November and December.

Discussed was the mark-to-market, expected performance for the year, a comparison from September 2022, Dow, S&P 500, and performance quartiles. The 10-year figure, top ten quartile within the ten-year figure, and participating in upswings while avoiding downside were all noted. Distributions vs. capital calls were referenced and reviewed.

The following list of meetings conducted by Mr. Manning was presented to the Board for reference:

November 8 – IFM
November 10 – Aristotle
November 13 – Schroders
November 13 – LLR Partners



November 14 – Messirow
November 17 – Old Farm
November 17 – Terra Cap
November 21 – Meketa
November 27 – Driehaus
November 28 – Searchlight
November 28 – TA Realty
December 4 – State Street

### **Meketa Update by Daniel Dynan**

Mr. Dynan began by referencing funding for a new mandate, the investment policy statement, November's sea change, global market improvement, labor markets, and inflation. Investment grade bonds, positive year-to-date basis, and 4% gain from November were discussed. The lone caveat to this market is that it's been extremely narrow. A handful of "magnificent seven" stocks have been driving all the performance.

He also discussed domestic equities, private equity, a broad range of performance figures, and last year's performance in contrast. Currently, no significant changes need to occur.

Emphasized was the need for funding a recent mandate. A proposal of fifty million in available cash, thirty-five million for capital calls and management, and the need for margin was discussed. The exposure for this mandate was also noted. Rebalancing out of global equities, areas of overweight, and reallocating fifty million to domestic equities once completed were all referenced and reviewed. Additionally, LMCG, First Eagle, Fisher, Vulcan, and Manulife were all discussed with proposed capital raised from each. Manulife was specifically referenced as doing its job during the rising rate environment, but we are entering an easing period currently.

The board asked why the recommendation is to pull fifty million given that earlier discussions involved less capital for this mandate.

Mr. Dynan stated that this allows for ease of administration given anticipated capital calls. This also brings US domestic equity up to policy using Parametric.

The board asked why the S&P 500. Is this because it's easily replicated. Mr. Dynan stated yes. Additionally, the board will save \$220,000 in management fees annually when this reallocation is completed.

The board asked Mr. Dynan and Mr. Manning for clarification. Regardless of this new mandate and its capital needs, a recommendation would be made today to rebalance. Mr. Dynan stated that this is correct. This new mandate, however, addresses this process more holistically to satisfy everything at once while also easing administration of the fund.

The board asked where capital will reside for this mandate. Mr. Manning stated that this would reside in the cash account of the custodian. This capital will not last long as capital calls have remained lumpy. Notional exposure and not paying for cash drag were also referenced and reviewed.

The board discussed replication of the S&P 500. Context was requested on other public plans. The Chicago Mercantile Exchange was cited as being extremely aggressive. Mr. Dynan recommended a more conservative approach for this mandate, cash raise, and replication.

Board Action: *A motion was made by Mr. Sciara, and seconded by Mr. Harrington, to redeem fifty million dollars from LMCG, First Eagle, Fisher, Vulcan, and Manulife, as presented and amended.*

Vote 5 – 0.

Board Action: *A motion was made by Mr. Sciara, and seconded by Mr. Harrington, increasing the allocation to Parametric Portfolio Associates, LLC. for the Portfolio Overlay mandate of twenty million dollars to fifty million dollars.*

Vote 5 – 0.

Mr. Dynan indicated that the investment policy ranges may require some additional adjustment. This is especially important given the increased allocation of the overlay mandate to domestic equities. A recommendation was given to change the domestic equity range.

Board Action: *A motion was made by Ms. Avitabile, and seconded by Mr. Harrington, to approve an additional domestic equity range of 13% as presented, bringing the investment policy statement allocations within compliance.*

Vote 5 – 0.

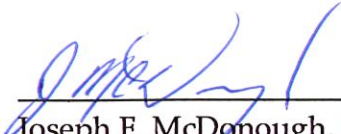
Board Action: *A motion was made by Mr. McDonough, and seconded by Mr. Sciara, to adjourn the meeting at 10:22 a.m.*

Vote 5 – 0.



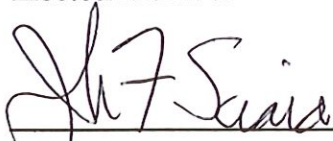
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Thomas J. O'Brien, Chairman  
Plymouth County Treasurer *Ex Officio* Member



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Joseph F. McDonough, Esquire  
Elected Member

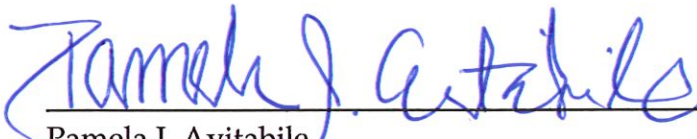


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John F. Sciara  
Elected Member

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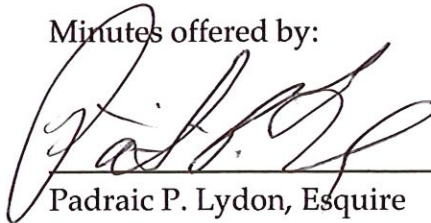
James E. Harrington  
County Commissioners Appointed Member



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Pamela J. Avitabile  
Advisory Council Appointed Member

Minutes offered by:



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Padraic P. Lydon, Esquire  
Executive Director & General Counsel