

Andris Silins, Chairman
Michael Fitzmaurice, Elected Member
Antonio Torres, Elected Member

Ping Yin Chai, Appointed Member
Paul T. Hynes, Appointed Member
Joseph M. Petty, Executive Secretary

**MASSACHUSETTS HOUSING FINANCE AGENCY
EMPLOYEES' RETIREMENT BOARD
ONE BEACON STREET
BOSTON, MA 02108
(617) 854-1871, 1123**

April 11, 2017

The regular meeting of the Massachusetts Housing Finance Agency Employees' Retirement Board was held at the offices of the Massachusetts Housing Finance Agency, One Beacon Street, Boston, Massachusetts at 1:15 pm.

Present were:

Andris Silins, Board Chairman
Ping Yin Chai, Appointed Member
Michael Fitzmaurice, Elected Member (~~phone~~)
Antonio Torres, Elected Member
Paul T. Hynes, Appointed Member

Others present:

Joseph M. Petty, Executive Secretary
Michelle Shinnick, Retirement Analyst
Craig Merry, MassHousing

UPON MOTION DULY MADE AND SECONDED, it was voted:

To approve the minutes of the April 11, 2017 meeting, (5-0).

The bank reconciliations and trial balance were reviewed. Mr. Silins inquired whether there were any transactions out of the ordinary. Joseph Petty noted that we had a one retirement, Don Travis.

UPON MOTION DULY MADE AND SECONDED, it was voted:

The retirements, refunds and transfer on the attached list were reviewed and approved along with the retirement payroll and vouchers 2017033-2017043, (5-0).

Joseph Petty reviewed the subcommittee's recommendation for Investment Grade Bond manager. He noted that Meketa Investments conducted a search for investment grade bond managers. On February 17, 2017, the responses were reviewed by the investment subcommittee and they recommended that three managers be interviewed. Joseph Petty reviewed the materials provided by Meketa Investments and summarized the three finalists as follows:



1. Income Research & Management

- Rated Highly Advantageous.
- Manages in the U.S. Core Fixed Income strategy \$9.1 billion of the firms' \$62.6 billion AUM. Employee owned.
- Investment team is broken down into sector teams. There are 15 portfolio managers of which 9 senior managers have ultimate decision making responsibilities; and 21 analysts. Very experienced credit team.
- Philosophy: Is valued-oriented and based on the belief that careful security selection and active portfolio risk management provide superior returns over the long term. They use a bottom-up investment approach to select attractive securities from the U.S. fixed income universe.
- Performance: Returns rank in the 2nd quartile over the trailing 10-year period and in the 1st quartile over the trailing 3-year and 5-year periods.
- Fees: Commingled Fund: 0.29% on the first \$20m, reduced thereafter.

2. Longfellow Investment Management

- Rated Highly Advantageous.
- Manages a range of investment grade U.S. fixed income products of which the Core strategy had \$2.1 billion of the firms' \$9.0 billion AUM. Employee owned and certified as a Women's Business Enterprise as it is majority woman-owned.
- Investment team includes 6 portfolio managers, 3 of whom are the heads of their sectors, and 11 analysts. They work within a team environment and analysts are included in all investment meetings. Very cohesive team and collegial culture.
- Philosophy: Believe that monitoring risks closely can lead to superior risk-adjusted returns and consistent performance in both up and down markets. Adds value through active management, and the strategy is focused on bottom-up, fundamental analysis.
- Performance: Returns rank in the 3rd quartile over the trailing 3-year period and in the 2nd quartile over the trailing 5-year period, and in the top quintile over the trailing 10-year periods.
- Fees: Separately managed. The normal fee is 0.40% on the first \$25m, however, they reduced the fee for us to .3250% on the first \$50m if the account has a minimum amount of \$15m, otherwise it will charge 0.40%.

3. McDonnell Investment Management

- Rated Highly Advantageous.
- Manages in the Core Aggregate Bond strategy \$716m of the firms' \$11.9 billion AUM. Is wholly-owned subsidiary of Natixis Global Asset Management. McDonnell operates autonomously and is led by its own management team.

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- Investment team is broken down into sector teams and utilizes a collaborative approach to research and portfolio construction. Each portfolio manager specializes in one or more sectors or maturities within the fixed income universe. There are 12 portfolio managers. Analysts are trained or experienced as fixed income generalists; however, individual analytical assignments tend to be concentrated in certain sectors or industries.
- Philosophy: Seeks to find attractive relative value opportunities and create value through sector rotation. Focuses on achieving consistent risk-adjusted returns, reducing volatility in relative rates of return. Seeks to reduce exposure to interest rates by limiting dependence on market timing. Tends not to differ much from the benchmark in terms of duration.
- Performance: Returns rank in the 2nd quartile over the trailing 3-year period and in the 3rd quartile over the trailing 5-year and 10-year periods.
- Fees: Commingled Fund: 0.10% on all assets plus 0.14% performance fee with performance hurdle of Bloomberg Barclays Aggregate Index +0.25%.

Antonio Torres asked for an Analysis of Return based on a \$10m investment over a 10-year period for each of the fund managers.

Initial Investment	\$	10,000,000.00	
Time Period (Years)		10.00	
		Net Annualized	
Firm		Return	Ending Value
IR+M		4.8%	\$16,145,278.36
Longfellow		5.0%	\$16,470,094.98
McDonnell		4.3%	\$15,360,764.70

Joseph Petty reviewed the sub-committee's recommendation for Longfellow Investment Management to the Investment Grade Bond manager. They have delivered consistent, top-quintile risk adjusted performance as measured by the Sharpe Ratio. Ranks favorably relative to the peer group over the 3, 5, and 10 year trailing periods. 100% Employee owned and certified as a Women's Business Enterprise as it is majority woman-owned.

UPON MOTION DULY MADE AND SECONDED, it was voted:

To have the Board approve Longfellow Investment Management as our Investment Grade Bond fund manager and to authorize the Executive Secretary to execute all appropriate contracts and documents to implement this selection. (5-0)

Joseph Petty reviewed Prosper that is being rolled out by PERAC. He noted that both he and Michelle Shinnick went for training and that the Board members will be receiving an email to long onto the system over the next two months.

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Joseph Petty reviewed with the Board whether creditable service should be granted when employees take a leave of absence and receive short/long disability payments from a third party. Joseph informed the Board he discussed this issue with PERAC and our outside attorney and they both agreed that it should not be counted towards creditable service. The member should be treated as a part-time employee, for the period when they were out on short/long term disability, therefore, we would pro-rate the service based on the rules and regulations of the Board. After a discussion, the Board agreed with this analysis.

Joseph Petty informed the Board that the MACRS conference will be held June 4 – June 7 in Hyannis, MA. The cost will include the registration fee, hotel and transportation.

UPON MOTION DULY MADE AND SECONDED, it was voted:

To allow any Board and staff members to attend the MACRS conference, subject to the travel regulations. (5-0).

Joseph Petty asked that we the Board convene in executive session for discussing a pending disability

Andris Silins stated “he will entertain a motion to go into executive session pursuant to M.G.L. c. 30A, §§ 21(a)(1) to conduct a disability hearings. The Board will reconvene in open session.”

UPON MOTION DULY MADE AND SECONDED, it was voted:

To go into executive session pursuant to M.G.L. c. 30A, §§ 21(a)(1) to conduct disability hearings. The Board will reconvene in open session. (roll call 5-0).

UPON MOTION DULY MADE AND SECONDED, it was voted:

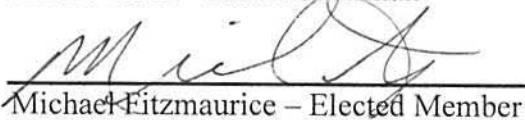
Recommend that the Member’s disability case move forward to a medical panel once all medical records are provided to the Board. (roll call 5-0)

Joseph Petty also mentioned that the SFIs are due on May 1, 2017; reviewed training for Board members and PERAC memos 16 and 17.

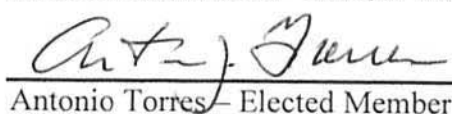
UPON MOTION DULY MADE AND SECONDED, it was voted:

To adjourn the meeting at 1:50 p.m. (5-0)

Andris Silins - Board Chairman

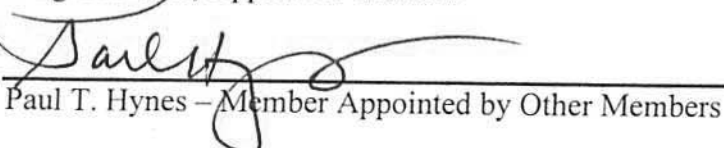


Michael Fitzmaurice – Elected Member



Antonio Torres – Elected Member

Ping Yin Chai, Appointed Member



Paul T. Hynes – Member Appointed by Other Members