

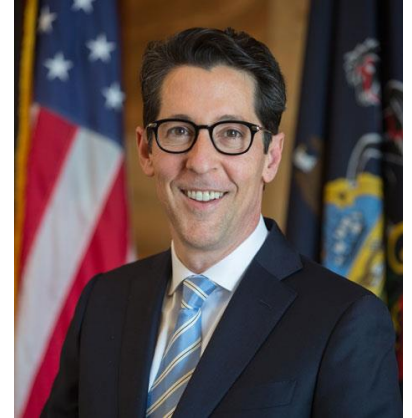
Spring 2018

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State Treasurer to Deliver Keynote at Annual Forum

The Honorable Joseph M. Torsella (right), 77th treasurer of the Commonwealth of Pennsylvania, will deliver the keynote at the 14th annual PAPERS Forum at 9:15 a.m. on Tuesday, May 22, 2018.



Treasurer Torsella was sworn into office in 2017, bringing a record of leadership and integrity to Treasury that spans 25 years of public service. As the treasurer of Pennsylvania, Torsella oversees an office of 360 employees, which protects nearly \$100 billion in state assets. The Pennsylvania treasurer or his designee serves on approximately 20 boards on Treasury's behalf, including two of the state's largest public pension systems – SERS and PSERS. He chairs the Board of Finance Revenue, administers the state's unclaimed property program and manages the 529 College Savings Program.

Previously, Torsella served as the U.S. Representative to the United Nations, for budget and management reform and also served as chair of the Pennsylvania State Board of Education. He was the founding president and CEO of the National Constitution Center in Philadelphia, a non-profit museum and education complex. As Philadelphia's deputy mayor for policy and planning under then-Mayor Ed Rendell in the early 1990s, Torsella helped develop initiatives to resolve the city's \$1.25 billion deficit in "one of the most stunning turnarounds in the nation," as stated by the *New York Times*.

Raised in Berwick, Pa., Torsella is a graduate of Wyoming Seminary preparatory school and an honors graduate of the University of Pennsylvania, Phi Beta Kappa, with a degree in economics and history. He studied American History at New College, Oxford, as a Rhodes Scholar. He lives in Flourtown with his wife Carolyn, and they are proud parents to four children.

Check inside this issue for more information about the Forum agenda, registration and hotel details.

Don't Miss These Conferences

14th Annual PAPERS Forum

May 22-23, 2018

(Tuesday-Wednesday)

**Hilton Hotel
Downtown Harrisburg**

12th Annual Fall Workshop

Nov. 27-28, 2018

(Tuesday-Wednesday)

**Wyndham Philadelphia
Historic District**

PAPERS Directory

Board of Directors

Edward Cernic, Jr.

County Controller, Cambria County

Janis Creason

County Treasurer, Dauphin County

Richard Fornicola

County Treasurer, Centre County

Robert Mettley

County Controller, Lebanon County

William Rubin

Audit Manager, Philadelphia Board of Pensions

(Ms.) Terrill Sanchez

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Ralph Sicuro

President/Trustee, Pittsburgh Firemen's Relief & Pension Fund

Steve Vaughn

Secretary, PA Municipal Retirement System

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Office Manager/Director of Operations

From the Desk of PAPERS' Executive Director

Welcome to the Spring 2018 edition of the PAPERS newsletter.



Just when I think spring is not going to arrive, a red cardinal sits on a tree behind my office window. I am one of those who believe in the symbolism of the red cardinal. Since I was sitting down to write my comments for this newsletter, I made the leap to wonder if PAPERS' founding Executive Director the late Jim Perry, was peeking in my window to give me some words of advice.

A couple months ago I celebrated my first year anniversary with PAPERS. I honestly can say the year has flown by. I am so grateful for the unwavering support and input of every board member, every officer, and every member of PAPERS. I have experience in helping associations grow but this association is unique where members keep me fresh on what is important. And that is why we are not just growing but will be thriving!

One example is our new certification program. After countless hours of work from the Education Committee members and PAPERS Board, we will be accepting enrollment at the May Forum. This is another great reason for you to attend the Forum in addition to the fabulous sessions and networking opportunities. The curriculum is phenomenal and the input from the Education Committee second to none. I think Jim Perry is smiling down on us and saying good job because he knows how much everyone has put into this project.

I look forward to seeing you in May and invite you to join me in celebrating this major accomplishment.

Warmly,

Karen Deklinski

PAPERS Executive Director

kdeklinski@msn.com

717-979-5788

In Memoriam



PAPERS founder and Executive Director Emeritus James A. "Jim" Perry passed away in February, 2018. Jim had a long career in public pension fund administration, serving as Executive Director of the Pennsylvania Public School Employees' Retirement System (PSERS) for many years and was a past president of the National Council on Teacher Retirement. His continued concern for providing retirement security for public employees and fiduciary education for the trustees/management of public pension funds led to his founding of PAPERS in 2005.

By-Law Update Adds New Membership Category

A recent update to PAPERS by-laws now provides for the new category of Sustaining Membership.

Any individual with an interest in public pensions but not affiliated with an organization which qualifies for group membership may now join PAPERS upon payment of annual dues of \$75. Sustaining membership is not available to any person affiliated with a public pension plan which qualifies for a PAPERS Participating Membership or with a firm providing services to public pension plans which qualifies for an Associate Membership or an Affiliate Membership

Membership/Sponsor Categories

- **Participating** (\$95/year) - *Public employee retirement systems (pension funds)*
- **Associate** (\$1,000/year) - *Corporate providers of legal and investment services to pension plans*
- **Affiliate** (\$500/year) - *Corporate providers of other services, exclusive of legal and investment services, to pension funds.*
- **Sustaining** (\$75/year) - *Individual membership open only to those persons with an interest in public pensions but not affiliated with an organization which qualifies for group membership in any other category above*

A current (2018) PAPERS membership (Participating, Associate, Affiliate or Sustaining) is required to attend PAPERS Spring Forum and/or Fall Workshop conferences, to receive CPE (Continuing Professional Education) credits or to enroll in the new certification program.

Corporate (Associate & Affiliate) Members also have the additional opportunity to become sponsors for PAPERS' two annual conferences. Sponsors receive recognition in the printed and on-line materials produced for the conferences and also receive priority consideration to provide speakers and/or make presentations. The three categories of sponsorships for each conference are:

- **Platinum** - \$5,000
- **Gold** - \$3,000
- **Silver** - \$2,500

Becoming a PAPERS Member is Easy

For details, check the membership section of the PAPERS website www.pa-pers.org or contact:

**PAPERS, PO Box 61543
Harrisburg, PA 17106-1543**

Douglas A. Bonsall
Phone: 717-921-1957
E-mail: douglas.b@verizon.net



Pennsylvania Association of Public Employee Retirement Systems

Tentative Agenda for 14th Annual Forum

(As of 4/7/2018 – Subject to Change)

Harrisburg Hilton Hotel

Monday, May 21, 2018

6:00-8:00 p.m. Registration (PA Ballroom Pre-Function Area)

7:00 p.m. PAPERS Board Dinner Meeting (Governor Room)

All workshop sessions Tuesday and Wednesday will be held in the Juniata-Delaware Rooms

Tuesday, May 22, 2018

7:30 a.m. Registration (PA Ballroom Pre-Function Area)

8:00 a.m. Breakfast (Allegheny-Susquehanna Rooms)

8:00 a.m.-4:30 p.m. Sponsor Exhibits (PA Ballroom Pre-Function Area)

9:00 a.m. *Welcome – Opening*

9:15 a.m. *Keynote Speaker: The Honorable State Treasurer Joe Torsella*

9:45 a.m. Introduction to PAPERS' New Certification Program

Speakers..... Steve Vaughn - *PAPERS Board President*
FI 360 & PAPERS Education Committee

Hear all about PAPERS' new educational program for pension fund trustees, staff and consultants.

10:20 a.m. Break (PA Ballroom Pre-Function Area)

10:40 a.m. *Pension Plans: Meeting Target Returns Through Alternative Ways*

Moderator Christopher M. Babcock - *BNY Mellon*
Speakers..... Gregory K. Simakas, & Anthony Smulski – *Graystone Consulting*

Graystone Consulting will discuss how Pension Plans can meet their return targets by focusing on costs, manager access and harnessing their asset size.

Tuesday, May 22, 2018 (continued)

11:30 a.m. A Simple Guide to Fiduciary Responsibilities of Public Pension Plans

Speaker..... Jason Fuiman, Esq. - O'Dwyer & Bernstein

This presentation will provide an overview of the governance of public pension plans including a broad orientation addressing issues, duties and best practices.

12:30 p.m. Lunch (Allegheny-Susquehanna Rooms)

1:30 p.m. Enabling Better Retirement Portfolio Outcomes Through Target Date Investment Design

Moderator Bailey Devries - T Rowe Price

Speaker..... Joe Martel - T Rowe Price

Across the country, states are rapidly standing up defined contribution plans for their employees. To help retirement plan staff and board members deepen their knowledge base of one of the most prevalent defined contribution investment, this presentation will aim to address such questions and topics as:

- *What is the goal(s) of Target Date Investments?*
- *How do Target Date Investments work? How are they designed?*
- *How to think about Target Date Investments compared to and when coupled with a defined benefit pension plan.*
- *What factors do retirement investment committee members consider when evaluating Target Date providers?*
- *How do retirement investment committee members monitor Target Date investments?*

2:20 p.m. High Quality Short Duration Bond

Speaker..... Steve Leming - Penn Capital Investment

This presentation will examine the superior risk and return characteristics of Defensive Short Duration High Yield bonds. Most investors tend to use investment grade bonds as a risk diversifier, especially during volatile or uncertain periods, when in fact BB-B rated short duration high yield bonds have historically provided more stability with a higher yield. We will examine the underlying factors of this performance anomaly, and why they are overlooked and underutilized within the industry.

3:10 p.m. Break (PA Ballroom Pre-Function Area)

3:30 p.m. Rethinking the Role of Fixed Income: Diversification and the Pursuit of a Free Lunch

Speaker Shane Nickolich - C.S. McKee

An important building block of an efficient portfolio, uncorrelated and highly liquid fixed income can enhance an institutional investor's ability to make tactical allocation decisions, improve portfolio risk metrics, and maximize total returns. The advent of big data and advanced analytics in asset management, including scenario testing and portfolio-specific correlation analysis, provides a powerful tool for investors seeking to optimize their portfolios and maximize the diversification benefit of not just fixed income, but all of assets classes

Tuesday, May 22, 2018 (continued)

6:00-8:00 p.m. Reception/Private Tour – The State Museum of PA

Feel free to drop in anytime during these two hours to enjoy a relaxed evening of appetizers, desserts, beverages and networking set in one of the state's premiere historical facilities. Docent led 30-minute tours will be available at 6:45 p.m. and 7:15 p.m.



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The Wiebners

The State Museum of Pennsylvania

The museum is located at 300 North Street (corner of Third & North), an easy 10-15 minute walk of about 4 blocks from the hotel. From the hotel, walk through the Strawberry Arcade connector to the food court in Strawberry Square. Keep to the left and turn left at the doors to cross the pedestrian bridge over Walnut Street. Walk through Capitol Park, passing by the front entrance to the Capitol Building, and down the steps to North Street. The museum will be directly in front of you; cross the street and walk up either the ramp or steps to the William Penn Memorial Plaza. Our entrance into the museum for the PAPERS event will be through the doors facing the plaza.

Wednesday, May 23, 2018

- 7:30 a.m. **Registration** (PA Ballroom Pre-Function Area)
- 7:30 a.m.-1:00 p.m. **Sponsor Exhibits** (PA Ballroom Pre-Function Area)
- 7:45 a.m. **Breakfast** (Allegheny-Susquehanna Rooms)
- 8:30 am. **Act 205 Today**
Speaker..... **Jessica Trimble - PA Dept. of Community & Economic Development**
- 9:20 a.m. **Discussion on Securities Litigation**
Moderators **Andrew Abramowitz - Spector Roseman & Kodroff P.C.**
Jonathan Davidson - Kessler Topaz Meltzer & Check LLP
An informal presentation in talk show format on the issue of securities litigation
- 10:10 a.m. **Break** (PA Ballroom Pre-Function Area)
- 10:30 a.m. **The Chicken or the Egg Dilemma:
Should Your Asset Allocation Determine Your Actuarial Assumption or Vice Versa?**
Speakers..... **Rich Hazzouri - Graystone Consulting/Morgan Stanley**
Greg Stump - Boomershine Consulting Group
The most crucial assumption for pension funding is the assumed return on investments. In this session, we will discuss the strategies and procedures for setting this assumption. Input from the actuary, investment consultant, and board of trustees are all essential.
- 11:20 a.m. **Best Practices and Words of Wisdom**
Moderator **Christy Joy - Schuylkill County**
Speaker..... **Skip Cowen - Cornerstone Advisors Asset Management**
- 12:15 p.m. **Lunch** (Allegheny-Susquehanna Rooms)

Thanks to Corporate Sponsors for This Forum

(commitments as of 4/7/2018)

Platinum

T. Rowe Price

Silver

C.S. McKee
Penn Capital Management

2018 PAPERS Forum

Directions/Hotel Information

The 2018 PAPERS Forum returns to the Harrisburg Hilton on Market Square in downtown Harrisburg. The hotel is conveniently located at One North Second Street just steps away from Harrisburg's "Restaurant Row".

From New York/New Jersey

Take the George Washington Bridge to I-80 West, take 287 South to I-78 West to I-81 South, Exit 66. Take Front Street south approximately 5.5 miles to Market Street. Turn left onto Market Street; the hotel entrance is one block on the left just after crossing Second St.

From Philadelphia

Take PA Turnpike 76 West, get off at Exit 247, take I-283 North to I-83 south to Exit 43 (Second Street-Capitol complex). At the fourth traffic light, turn right onto Market Street and the hotel entrance is on the left.

From Baltimore/Washington

Take I-83 North to Exit 43 (Second Street-Capitol complex). At the fourth traffic light, turn right onto Market Street and the hotel entrance is on the left.

From Pittsburgh

Take PA Turnpike 76 to Exit 242, Take I-83 north to Exit 43 (Second Street-Capitol complex). At the fourth traffic light, turn right onto Market Street and the hotel entrance is on the left.

Parking - To access the Walnut Street Parking Garage connected to the hotel, travel on Market Street just past the hotel, turn left onto Court Street and follow the signs to enter the garage.

If you're interested in overnight lodging for the Forum

Harrisburg Hilton Hotel **One North Second Street (Market Square), Harrisburg, PA**

Single or double rate - \$139/night plus tax

The 14th annual PAPERS Forum will begin with breakfast on Tuesday, May 22, 2018 and continue through early afternoon on Wednesday, May 23, 2018. PAPERS has arranged a special room rate for attendees at the Forum who desire overnight lodging on May 21st and/or 22nd. **The group rate of \$139 per night can only be guaranteed if reservations are made on or before April 21, 2018.**

To make room reservations on-line, log onto:

https://secure3.hilton.com/en_US/hi/reservation/book.htm?inputModule=HOTEL&ctyhocn=MDTHHF&spec_plan=PUB18&arrival=20180521&departure=20180523&cid=OM,WW,HILTONLINK,EN,DirectLink&fromId=HILTONLINKDIRECT

To make room reservations by phone, please call Harrisburg Hilton at 717-233-6000, select Option 1 and provide the group code PUB18

For more information (driving maps, parking information and hotel details), click on www.Harrisburg.Hilton.com.



14th Annual PAPERS Forum Registration

May 22 23, 2018 at The Hilton Hotel in downtown Harrisburg, PA

Each individual attending must submit a separate registration form.

Please indicate appropriate category (check one only):

Pension Plan Representatives – Current (2018) PAPERS Participating Membership required

First individual from pension plan – complimentary

Each additional individual from pension plan

\$75 Early bird registration payment received or postmarked by 4/21/2018

\$100 Standard registration payment made on or after 4/22/2018

Associate Member Representatives – Current (2018) PAPERS Associate Membership required
Firms providing investment management and legal services

\$750 Early bird registration payment received or postmarked by 4/21/2018

\$825 Standard registration payment made on or after 4/22/2018

Affiliate Member Representatives - Current (2018) PAPERS Affiliate Membership required
Firms providing consulting services, exclusive of investment/legal

\$375 Early bird registration payment received or postmarked by 4/21/2018

\$425 Standard registration payment made on or after 4/22/2018

Sustaining Members - Current (2018) PAPERS Sustaining Membership required
Available only to those persons with an interest in public pensions but not affiliated with an organization which qualifies for group membership in any other category above

\$75 Early bird registration payment received or postmarked by 4/21/2018

\$100 Standard registration payment made on or after 4/22/2018

Platinum Sponsors - Current (2018) PAPERS Associate or Affiliate Membership required

Four complimentary registrations

Each additional individual from firm (refer to **Associate** or **Affiliate** Member rates above)

Gold or Silver Sponsors Current (2018) PAPERS Associate or Affiliate Membership required

Two complimentary registrations

Each additional individual from firm (refer to **Associate** or **Affiliate** Member rates above)

Registration form continues on reverse.

Individual's name _____
 Preferred name for name tag _____
 Representing (name of pension plan or company) _____
 Mailing address _____
 City, State, Zip _____
 Telephone number (____) ____ - ____ E-mail address _____

Please check all Forum events that you plan to attend

Tuesday, May 22, 2018

- Breakfast
- Morning sessions
- Lunch
- Afternoon sessions
- Reception/Tour – State Museum of PA .

Wednesday, May 23, 2018

- Breakfast
- Morning sessions
- Lunch

Check if interested in PPCP (Public Pension Certified Professional) Program

Please include full payment of all fees due with this form.

Payment methods:

1. **To pay by check.** Please make check payable to: **PAPERS** and return with this application to: **PAPERS, P.O. Box 61543, Harrisburg, PA 17106-1543**
2. **To pay by credit card or PayPal.** Please access the PAPERS website (www.pa-pers.org) and click on the "Spring Forum" tab. Near the bottom of this page click on the drop down box, select the appropriate membership category/registration fee and follow the directions to pay the applicable amount electronically to PAPERS. To complete the registration process, this completed *Forum Registration* must be submitted and may either be mailed to: **PAPERS, PO Box 61543, Harrisburg, PA 17106-1543** or scanned, saved and e-mailed to: **douglas.b@verizon.net**.
3. **To pay by ACH transfer.** Please contact PAPERS by e-mail douglas.b@verizon.net to request the bank account and routing information you'll need to pay by this method. If you require a signed form to initiate the ACH transaction, please send the form to this e-mail address and it will be completed/returned promptly. Then, submit your completed *Forum Registration* as note in #2 above so it can be matched with the ACH payment.

Register early to save on both registration fees and hotel rates.

The PAPERS Forum group rate for overnight lodging of \$139 plus tax at The Harrisburg Hilton is guaranteed only for reservations made on or before 4/21/2018.

For Your Reading Pleasure.....Links to Guest Articles Posted on PAPERS Website

Several of PAPERS' corporate members regularly supply articles on various topics that are of interest to the public pension community. With much of this issue of the newsletter devoted to the upcoming Forum, space does not permit the re-printing of the full text of recently submitted educational articles. But PAPERS is happy to provide the following links to access the articles (just click link below the title):

Defensive Short Duration High Yield Bonds (Penn Capital Management)

<http://www.pa-pers.org/newweb/documents/Spring2018-PennCapital.pdf>

This paper examines the superior risk and return characteristics of Defensive Short Duration High Yield bonds. Most investors tend to use investment grade bonds as a risk diversifier, especially during volatile or uncertain periods, when in fact BB-B rated short duration high yield bonds have historically provided more stability with a higher yield. In this paper, we will examine the underlying factors of this performance anomaly, and why they are overlooked and underutilized within the industry.

The Misperception of Fiduciary Risk and Active Management in DC Plans: A Legal Perspective (Goodwin LLP; submitted by T. Rowe Price)

<http://www.pa-pers.org/newweb/documents/Spring2018-TRowePrice.pdf>

In the complex and litigation-prone world defined contribution plans occupy, it is important to underline what the real focal points for fiduciaries should be. Here are five guiding principles under ERISA that can aid fiduciaries in selecting and monitoring investment options and assessing active strategies within their plan lineups.

Asset Matters: Reframing the Active/Passive Picture (Neuberger Berman)

<http://www.pa-pers.org/newweb/documents/Spring2018-NeubergerBermanActivevsPassive.pdf>

With stock markets fueled by extraordinary central bank intervention in the wake of the Great Recession, passive equity strategies have seen great success in performance, fund flows and press coverage. Often overlooked in the haste to declare a victory in the active/passive debate, however, is the fact that active outperformance has persisted across a wide swath of managers over various time periods and market regimes. Looking at active manager performance over a longer time period and excluding managers that would not typically be considered by most investors provides a more meaningful view of the benefits of active management.