

Spring 2017

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Looking Ahead

11th PAPERS Fall Workshop

Nov. 14-15, 2017
 (Tuesday-Wednesday)
Pittsburgh
Hotel to be confirmed

13th Annual

PAPERS Forum

Pennsylvania Association of Public Employee Retirement Systems



Wednesday, May 24 – Thursday, May 25, 2017

Harrisburg Hilton Hotel

This annual Forum, held in the state capital city of Harrisburg, brings together 100-125 persons involved with public pension plans funds from all across the state – trustees, staff, advisors and consultants – for two days of educational seminars and networking. You’ll many more details inside on Page 5-8.

Hurry – The deadline to register is April 23, 2017.

New Director at PAPERS' Helm

The Board of Directors of PAPERS is pleased to introduce **Ms. Karen K. Deklinski** as the organization's new Executive Director effective 1/1/2017. Ms. Deklinski is from the Harrisburg area and comes with a strong leadership background in state government, association management and as a small business owner.

Karen is anxious to meet the corporate firms and pension plans that currently make up PAPERS' membership and is busy with outreach efforts to spread the work about PAPERS' work with many more firms and plans. She may be contacted at kdeklinski@msn.com or 717-979-5788.

James B. Allen, PAPERS' Executive Director since August 2014, retired from the position at the end of 2016. Mr. Allen, formerly the Secretary of the PA Municipal Employees' Retirement System, was PAPERS' second Executive Director following founder **James A. Perry** who served from 2005 through 2014.



From the Executive Director's Desk

Even though many of us had a very mild winter, spring is still a welcome sight. As I write these first notes to you as the new Executive Director of PAPERS, I can't help but use the analogy that our association is "springing" into new life. I have been traveling throughout the state, and will continue to do so, to meet our members and to promote the goals and values of PAPERS. As I meet with members, there seems to be a renewed sense of purpose and energy surrounding PAPERS. Increasingly, PAPERS is truly coming to be the "**Leadership in Trustee Education**" association that is our very reason for existence. Toward this end, we will continue to promote the educational value of our annual spring Forum, the Fall Workshop, quarterly newsletters, a series of on-line webinars, and our soon-to-be-announced renewed *Public Pension Certified Professional* accreditation program.

Another evidence of the new energy in PAPERS is the addition of several new Board and Corporate Advisory Committee members. Elsewhere in this newsletter you will find a complete listing of the individuals now serving you and your association in the planning of conferences and creatively seeking additional ways to educate Pennsylvania's public pension community. With the re-establishment of a quarterly newsletter, we hope to improve communications and provide additional opportunities to exchange ideas. PAPERS' corporate and pension plan members, along with the Board and Corporate Advisory Committee members, are invited to contribute articles for future newsletters following the guidelines you may find in this issue.

Please plan to become a part of PAPERS' new life by attending the 13th annual Forum, May 24-25, 2017, at the Harrisburg Hilton Hotel. You'll find details about the conference on Pages 5-8. Registration has begun and you can save money if you register to attend on or before 4/23/2017. We're busy working on an exciting agenda that you won't want to miss!

Karen Deklinski
PAPERS Executive Director

2017 Forum Sponsors

(as of 4/5/2017)

A special note of appreciation to the following corporate members for their extra support as conference sponsors:

Platinum Sponsors

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PAPERS Directory

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Karen K. Deklinski

Executive Director

Douglas A. Bonsall

Office Manager/Director of Operations

The Word from the Board Chair

Welcome to our first newsletter in 2017. We have a great number of passionate and committed individuals who oversee pension plans large and small. It's flattering to be the organization that provides leadership in trustee education. It doesn't matter how small your plan is or how large your plan is, every trustee has a fiduciary responsibility to keep their plan solvent and safe. I'd like to encourage every current member to reach out to one of your colleagues, to tell them about our extraordinary education program and to invite them to see for themselves at our May Forum in Harrisburg Pennsylvania.

No matter what your size of plan we have all read in the papers stories of plans that have had problems. our goal is to help you avoid those problems. The conference is a very minimal fee to attend but has a great value to you and your colleagues. Check the conference agenda in this newsletter or refer to the PAPERS website www.pa-pers.org for more information. You'll see by the sessions planned we try to have a little bit for everybody, from the newest trustees to those who have been overseeing plans for several years.

Ed Cernic

Chair, PAPERS Board of Directors

Newsletter Input Welcomed

PAPERS is once again planning to issue a regular (probably quarterly) e-newsletter and invites member pension plans and corporate firms to submit articles and research papers on topics of interest to the fiduciaries who manage public pensions and the firms that provide various services to those plans. If interested in submitting materials, please contact PAPERS Director of Operations Doug Bonsall at douglas.b@verizon.net for a set of newsletter guidelines.

Meet the PAPERS Board of Directors

Representing PAPERS Participating Member Pension Plans

Edward J. Cernic, Jr.

Chair of the PAPERS Board of Directors

Controller of Cambria County



Janis Creason

Treasurer of Dauphin County



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Vice Chair of the PAPERS Board of Directors

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Secretary of the PAPERS Board of Directors

Deputy Executive Director of the Commonwealth of Pennsylvania, Public School Employees' Retirement System (PSERS)



Robert Mettley

Lebanon County Controller



William (Bill) Rubin

Treasurer of the PAPERS Board of Directors

First Deputy Philadelphia City Controller



Ralph Sicuro

President of the Pittsburgh Firemen's Relief & Pension Fund

In the next issue, you'll have the opportunity to meet members of the PAPERS Corporate Advisory Committee, representing PAPERS Associate and Affiliate corporate members.



Pennsylvania Association of Public Employee Retirement Systems

Tentative Agenda for 13th Annual Forum

(As of 4/5/2017)

Harrisburg Hilton Hotel

Wednesday, May 24, 2017

7:30 a.m. Registration

8:00 a.m. Breakfast

9:00 a.m. Day One Keynote Speaker - PA Legislative Update

Speaker..... The Honorable Jake Corman (R-Centre), Senate Majority Leader

9:30 a.m. The Basics of Due Diligence

Speakers Michael Benson, Public School Employees' Retirement System

..... Rian Akey, Aon Hewitt

Know what reasonable steps should be taken prior to entering any binding agreement

10:40 a.m. Legal Update from a National Perspective

Speaker..... National Council on Public Employee Retirement Systems

The Federal Department of Labor has been instructed by the President to conduct an updated economic and legal analysis of the final, and soon to be effective, fiduciary rule.

What is the status and how does it affect public pension plans?

10:20 a.m. Break

11:30 a.m. What Rate Is That?

Panelists Jeff Davidek and Brian Allen, C. S. McKee

..... Charles Friedlander, Municipal Finance Partners

The Federal Reserve has already raised rates and may do so again.

What should you expect in a rising interest rate environment?

What precautions can you take and what should you be on the lookout for as rates rise?

12:30 p.m. Lunch

1:30 p.m. New Trustee Workshop: What Did My Actuary Say?

Speaker..... Mark Meyer, Aon Hewitt

An introductory into the world of actuarial science and pension terminology, this session will provide an overview of actuarial concepts. After attending this session, trustees will better be able to understand the actuarial report, have a grasp of the questions to ask, and know what things to look for during the annual valuation review.

2:40 p.m. **Policy, Politics and Investments**
Speaker..... Libby Cantrill, *PIMCO*
Post-election update "What to Watch", Politics and policy implications

3:10 p.m. **Break**

3:30 p.m. **Cyber Security**
Panelists Jordan Rand, *Dilworth Paxton*
..... Peter Cunningham, *BNY Mellon*
Do you transmit information by email? Do you download interesting articles from the web?
How secure is your communications? Find out tips to stay safe in the online world.

6:30 p.m. **Reception Cruise on "The Pride of the Susquehanna"**

Thursday, May 25, 2017

7:30 a.m. **Registration**

8:00 a.m. **Breakfast**

9:00 am. **Day Two Keynote Speaker – PA Legislative Update**
Speaker..... **The Honorable Joe Markosek** (D-Allegheny), *House Appropriations Democratic Chair*

9:30 a.m. **Small to Mid-Size Plan Administrators' Panel Discussion**
Panelists Jeff Haste, *Dauphin County*
..... Ben Holland, *Butler County*
..... David Bulzoni, *City of Scranton*
Meet with peers who have similar challenges. This session will focus on the needs of municipal and county public plan administrators and staff.

10:20 a.m. **Break**

10:40 a.m. **Social Media**
Speaker..... Jennifer Wills, *McNee, Wallace & Nurick*
Do you have a Facebook account? Can you tweet? Do you have to be active in social media today?
Learn how to interact with various social media forums and how they impact your plan.

11:30 a.m. **Smart Beta Strategies**
Speaker Geoffrey Gerber, *TWIN Capital Management*
What are they and how did beta get smart? Definition of Beta;
The Active vs. Passive Management Debate; Smart Beta Strategies fall in-between Active & Passive
Examples of Smart Beta Strategies – Value, Momentum, Quality and Low Volatility

12:30 p.m. **Lunch**

Registration for 13th Annual PAPERS Forum

May 24 25, 2017 at The Hilton Hotel in downtown Harrisburg, PA

Each individual attending must submit a separate registration form.

Conference Registration Deadline – April 23, 2017

Please indicate appropriate category (check one only):

Pension Plan Representatives – Current (2017) PAPERS Participating Membership required

First individual from pension plan – complimentary

Each additional individual

\$75 Early bird registration payment received or postmarked by 4/23/2017

\$100 Standard registration payment made on or after 4/24/2017

Associate Member Representatives – *Firms providing investment management and legal services*

Current (2017) PAPERS Associate Membership required

\$750 Early bird registration payment received or postmarked by 4/23/2017

\$825 Standard registration payment made on or after 4/24/2017

Affiliate Member Representatives - *Firms providing consulting services, exclusive of investment/legal*

Current (2017) PAPERS Affiliate Membership required

\$375 Early bird registration payment received or postmarked by 4/23/2017

\$425 Standard registration payment made on or after 4/24/2017

Platinum Sponsors Current (2017) PAPERS Membership required

Four complimentary registrations

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

Gold or Silver Sponsors Current (2017) PAPERS Membership required

Two complimentary registrations

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

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 _____

Registration form continues on reverse.

Please indicate all Forum events that you plan to attend

Wednesday, May 24, 2017

- Continental breakfast
- Morning sessions
- Lunch
- Afternoon sessions
- Reception Cruise – Pride of Susquehanna.

Thursday, May 25 2017

- Continental breakfast
- Morning sessions
- Lunch

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

Full payment of any fees due must be included with this registration.

You may pay the registration fee either by check or electronically via PayPal.

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 use PayPal.** Please access the PAPERS website (www.pa-pers.org) and click on "Spring Forum". Select the appropriate type of registration from the drop down box and follow the directions to have PayPal transfer the applicable fees automatically from your bank account to PAPERS. In addition to PayPal payment, you must also submit this registration form. Your completed conference registration form may either be mailed to: **PAPERS, PO Box 61543, Harrisburg, PA 17106-1543** or scanned, saved and e-mailed to: **douglas.b@verizon.net**.

The PAPERS Forum group rate for overnight lodging of \$136 plus tax at The Harrisburg Hilton is guaranteed only for reservations made on or before 4/23/2017.

To access a fillable PDF version of this registration form, go to the PAPERS website home page <http://www.pa-pers.org/> and click the appropriate link.

A current (2017) PAPERS membership (Participating, Associate or Affiliate) entitles your representatives to attend PAPERS Spring Forum and/or Fall Workshop conferences. Check below for details on your pension plan or firm becoming a PAPERS member OR click on <http://www.pa-pers.org/newweb/join.html>.

Becoming a PAPERS Member is Easy

A current year PAPERS membership is required for attendance at the Spring Forum and/or Fall Workshop and to receive credits in the CPE and/or PPCP programs.

Public employee retirement systems (pension funds) can apply to become **Participating Members**; each Participating Membership includes one complimentary admission to both the Spring Forum and the Fall Workshop. Corporate providers of service to pension plans can apply to become **Associate or Affiliate Members**. 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

PAPERS' Membership & Sponsor Categories

- **Participating** (\$95) - *Public employee retirement systems (pension funds)*
- **Associate** (\$1,000) - *Corporate providers of legal and investment services to pension plans*
- **Affiliate** (\$500) - *Corporate providers of other services, exclusive of legal and investment services, to pension funds.*

Corporate (Associate & Affiliate) Members also have the additional opportunity to become sponsors for PAPERS' two annual conferences – the Spring Forum and the Fall Workshop. 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

More details at: <http://www.pa-pers.org/documents/2017MembershipandSponsorFees.pdf>

“Pride of the Susquehanna” Reception Cruise

Wednesday, May 24, 2017 – 6:30 p.m.
A Relaxing Evening of Food and Fellowship for Forum Attendees



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 - \$136/night plus tax

The 13th annual PAPERS Forum will begin with breakfast on Wednesday, May 24, 2017 and continue through early afternoon on Thursday, May 25, 2017. PAPERS has arranged a special room rate for attendees at the Forum who desire overnight lodging on May 23rd and/or 24th. **The group rate of \$136 per night can only be guaranteed if reservations are made on or before April 23, 2017.**

To make room reservations on-line, log onto:

https://secure3.hilton.com/en_US/hi/reservation/book.htm?inputModule=HOTEL&ctyhocn=MDTHHHF&spec_plan=PAPER&arrival=20170523&departure=20170525&cid=OM,WW,HILTONLINK,EN,DirectLink&fromId=HILTONLINKDIRECT

To make room reservations by phone, please call Harrisburg Hilton at 717-233-6000 or toll-free 1-800-HILTONS and ask for group code PAPER.

Adjusting to a Sustained Low-Yield Environment

Submitted by: **MACQUARIE INVESTMENT MANAGEMENT**
(formerly Delaware Investments)

The following is a summary of a 12-page research document that has been posted on the PAPERS website. It may be accessed at:

<http://www.pa-pers.org/newweb/documents/4-2017MacquarieArticle-AdjustingtoaSustainedLow-YieldEnvironment.pdf>

The inability to generate meaningful income from interest-bearing investments has become a defining characteristic of an investing generation. It's one thing that the European Central Bank (ECB) and Bank of Japan (BoJ) recently have doubled down on their unorthodox policies of negative interest rates, where commercial banks pay a fee to hold reserves and investors lock in a small loss when holding debt to maturity. But the negative yield phenomenon — once generally unthinkable and confounding to economists — has spread. Some corporate bond issuers have tested negative-yielding debt last year, and 14 countries including Japan and many in Europe offered negative-rate debt as of June 2016. (Source: The Organization for Economic Cooperation and Development (OECD).)

We live in a low and often negative-yielding interest rate world – one that can look self-sustaining. As The Economist recently put it, the promise of continual central bank action makes the linkage of borrowing and interest rates an almost quaint notion.

How did we get to such a strange place, and what are professional investors to expect from fixed income when looking at the long term? In this paper, we'll touch on negative interest rates as a societal issue and a financial one, discuss what it means for fixed income as an asset class, and remind you that there's always a way forward.

Executive Summary:

- The traditional roles of fixed income and equities no longer apply: Many investors look to the equities markets for bond-like yields, and some fixed income securities have produced returns that equity investors would envy.
- The hunt for yield has intensified, driving some investors to stampede beyond equities and into various markets, and spawning a “bondification” of growth asset types.
- Drivers for the search for yield are societal forces — changes in demographics — and don't appear to be going away anytime soon.
- As a result of these secular changes, not only speculators are chasing yield; investors of all stripes are assuming and rationalizing risks.
- Amid this backdrop, active management and diversification can play a bigger role than ever for fixed income investors, with solutions blending asset types, geographies, currencies, and durations a sign of the new times.