

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

March 15, 2017

Boston Retirement Board, Room 716

Boston, MA 02201

TRUSTEES IN ATTENDANCE: Michael W. McLaughlin, Elected Member; Michael D. O'Reilly, Elected Member; Thomas V.J. Jackson, Fifth Member; Sally D. Glora, *Ex Officio* Member

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; Ellen McCarthy, Interim Comptroller; John Kelly, Investment Analyst; Christine M. Weir, Operations Officer

ALSO IN ATTENDANCE: Michael Manning, Jake Mallinson and Will Forde of NEPC; Sam Tyler and Pam Kocher of the Boston Municipal Research Bureau

NOT IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member

Convene

The meeting convened and entered Administrative Session at approximately 10:09 a.m. All in attendance were identified for the record and introductions were made.

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of February 15, 2017, as presented.

Motion accepted (4-0)

Outstanding/Ongoing Administrative Issues: Timothy J. Smyth, Executive Officer

Staffing Update

Mr. Smyth formally announced the departure of Jonathan Lucas, our Chief Financial Officer. Ellen McCarthy has been asked and graciously agreed to step in as Interim Comptroller. Ms. McCarthy has worked for the Boston Retirement System for the past 35 years, and holds a degree in accounting from Bentley College. Executive Staff are currently working on updating the Chief Financial Officer job description prior to seeking approval to post. It is anticipated that this will occur over the next few weeks.

Board Election of September 2017 and Proposed Deadline

Mr. Smyth recommended utilizing the same type of hybrid election service to conduct the Board Election of September 2017, as we used in the 2014. Mr. Smyth has reached out to several election service providers, including Election America, the firm who handled the 2014 election, and requested they submit a Proposal to once again provide this service for the Boston Retirement Board.

Motion made, and seconded, to appoint Timothy J. Smyth as the Election Officer for the September 2017 Board election.

Motion accepted (4-0)

Boston Municipal Research Bureau Update, March, 2017

Mr. Tyler introduced Pam Kocher, the new Vice President of policy and research for the Boston Municipal Research Bureau. Ms. Kocher's predecessor, Ben Stuart, attended many Board Meetings. Mr. Tyler stated it is his hope that, between the two of them, they are able to do the same.

Mr. Tyler then discussed the March, 2017 BMRB Update entitled "Boston's Pension Liability Declines". This publication reported on the findings from the Actuarial Valuation of the Boston Retirement System as of January, 2016 which was positive with the funded ratio going up and the unfunded liability going down. If there were any concern it would be in regards to meeting the 7.75% investment rate of return; this may need to be revisited and reduced at some point in the future. Compared to other major cities, the Boston Retirement Board is in very good shape and is on schedule to be fully funded by 2025.

PERAC PROSPER Training

PERAC has implemented a new computer system. Executive Staff were actually the "test run" for training and had a positive experience using the new software. Mr. Smyth encouraged all Board Members to schedule training on PROSPER with PERAC. PERAC is offering three educational credits for participating in this training.

State Street Bank and Securities Litigation

Patrick Donahoe of State Street Bank will be attending the April Board meeting in order to discuss some issues concerning our securities litigation firms and access to our accounts.

Annuity Balance Correction ("ABC") Project Update, Ms. Luella Wong

The ABC team is now focused on refunded accounts. A member of the team was able to match the refunded database with an output from the Vitech database. Surprisingly, out of about 10, 000 accounts that had a single refund, only about 1000 matched up with the refund database. It will be quick to zero out these 1,000 accounts totaling about \$10 million. About 5,400 accounts had a balance slightly less than what we have on papers (small negative balance and the recommendation from the team is to zero out these accounts as well. The remaining refunds have a positive balance and will require some investigating. The team is working on a methodology to apply to these remaining refunds. The goal of the ABC Project is for the annuity balance to match the general ledger before the next PERAC audit later this year.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Private Equity Presentations

As a reminder, the Board has approximately \$40 million to invest in private equity as part of its 2017 allocation (not including Hamilton Lane). NEPC provided a review of respondents at the February meeting. NEPC and the Board discussed prioritizing interviewing compelling candidates who are scheduled to close within the next few months. As such, the Board voted to interview both Z Capital and Lexington Partners who focus on special situations and middle markets investing, respectively: Z Capital Group, Bill Monagle, Managing Director and Lexington Partners, Lee Tesconi, Partner.

At the conclusion of presentations and discussion, the following motions were made:

Motion made, and seconded, to invest \$10 million in the Lexington Middle Market Fund IV.

Motion accepted (4-0)

Motion made, and seconded, to invest \$15 million in the Z Capital Partners Fund III.

Motion accepted (4-0)

NEPC also recommended that the Board discuss the private debt respondents and select firms to interview at the April meeting.

TIPS Implementation & Options

NEPC is recommending a 3% allocation to actively managed TIPS (approximately \$120 million) to be created within the Core Fixed Income allocation. Shorter duration TIPS can provide inflation protection and mitigate

downside risk from rising rates. A reduction in management fees is also expected with their implementation.

Motion made, and seconded, to redeem up to \$60 million from Wells Capital Management to allocate to Income Research and Management (60% TIPS/40% Core) over the next quarter.

Motion accepted (4-0)

Hedge Fund Managers Responses

Mr. Kelly touched on the responses received from the Plan's five current Hedge Fund of Funds managers and mentioned the allocation to Hedge Funds will be addressed in the upcoming target allocation and Investment Policy Statement review and discussion in April with NEPC.

February 2017 Performance Report

The Total Plan was up +1.9% in the month of February led by Total Equities which were up +3.0%. February's performance brings the YTD performance return up to +4.1% a strong start to 2017.

Outstanding/Ongoing Financial Issues: Ellen M. McCarthy, Interim Comptroller

Financial Snapshot

Ms. McCarthy presented the February, 2017 Financial Snapshot to the Board. She noted that the February, 2017 payroll went out timely to 14,745 payees and totaled \$48,299,194 million. February, 2017 also saw 52 refunds, buybacks and transfers processed totaling \$1,444,579 million and operational warrants of \$884,693.00.

Outstanding/Ongoing Operations Issues: Christine M. Weir, Operations Officer

Operations Update

Ms. Weir provided an update on the payroll number for February, 2017. There were 90 possible retirees (71 superannuation, 15 disabilities and 4 death of active members) of which 70 were processed (62 superannuation, 6 disabilities and 2 death of an active member). 20 cases did not make the payroll.

Buy Backs

Ms. Weir reported that 59 outstanding buybacks are open for the backlog project, 24 are in review, and 193 cases are incomplete and closed. The majority of the back logs are issue's with determination if they are eligible to purchase time. Ms. Weir reported from the new buyback list 493 were completed and 58 are waiting for review. We have approximately 118 not started.

Pods

The Pods system is live and working well with productive collaboration between staff.

Outstanding/Ongoing Legal Issues: Padraic P. Lydon, General Counsel

Waiver Request

The following waiver request was presented for discussion and vote:

Robert Williams	BFD	\$16,243.45
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Motion made to deny this request for a waiver of under-deductions in the amount of \$16,243.45 as presented.

There was no second on the motion. As such, the motion failed.

Motion made, and seconded, to grant the waiver request of Robert Williams in the amount of \$16,243.45 as presented as the member had come into this office multiple times for various matters pertaining to his retirement account including refunds and estimates but was never told of the under-deductions by staff.

Motion accepted (4-0)

Mr. Lydon presented the following PERAC memos and court cases for educational purposes:

PERAC Memo 14-2017 re PROSPER training and PERAC Memo 15-2017 re STS-LStar event.

Bernier v. Hampden Cty. Ret. System, CR-15-555 (DALA dec. 01-13-2017)

The DALA magistrate ordered this case be remanded for an all new medical panel. All parties involved were in agreement with this action. The medical panel majority did not evaluate the impact and consequences.

McDonough v. Quincy Ret. Bd., CR-13-357 (DALA dec. 11-09-2016)

The Quincy Retirement Board's decision to require the member to pay back the interest was affirmed.

Rodriguez v. Springfield Ret. Bd., CR-15-216 (DALA dec. 01-13-2017)

The decision of the Springfield Board of Retirement denying the member's application for accidental disability retirement benefits was affirmed.

Executive Session

The Board voted unanimously (4-0) to enter into Executive Session at 1:30 p.m.

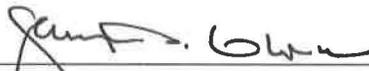
Adjourn

The Board voted unanimously (4-0) to exit Executive Session and adjourn from Administrative Session at approximately 1:40 p.m.

Respectfully submitted,
BOSTON RETIREMENT BOARD

In Absentia

Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



Sally D. Glora
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member



Thomas V.J. Jackson
Fifth Member