

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

December 19, 2018

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, 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

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; Natacha Thomas, Asst. General Counsel; Ellen M. McCarthy, Comptroller; John F. Kelly, Investment Analyst; Christine M. Weir, Operations Officer; Gloria Pizzarella, Chief Technology Officer; and, Greg Molina, Sr. Administrator.

ALSO IN ATTENDANCE: Michael Koenig, Corey English of Hamilton Lane; Michael Manning, Kiley Fischer, Oliver Fadley of NEPC; Luella Wong; Alexandra Roy of Wellington Financial.

Administrative Session Convene

The Board voted unanimously (5-0) to enter into Administrative Session at approximately 10:07 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 November 14, 2018, as presented.

Motion accepted (5-0)

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

Executive Officer Timothy Smyth informed the Board that the Mother of AnnMarie Ferry had passed overnight and will inform board on services details.

ABC Project Update

Luella Wong presented an ABC update for the month of December. All deceased, transferred, refunded and retired accounts have been zeroed unless

flagged as an exception to be revisited as other projects are completed. The aggregate value of these 1,697 excluded accounts is almost \$6 million. Additionally, 3214 refunded accounts previously identified as “flip back to inactive” will be analyzed again because some are in fact retired. The aggregate value for these accounts is \$8.5 million and this work will commence in January 2019.

DQ Update

Ms. Wong reported the status of DQ project to date; Duplicate Buybacks (173 accounts), Transferred In/Interest Earned, Credible Service Corrections (632 accounts) are done or almost done. It was noted that the following segments were in process: missing refunds and missing deductions. Also, historic refunds (898 accounts) and revisiting exceptions when side projects are completed are to be next.

As far as ABC staff, an extension will be requested for Timothy Oates. It is anticipated that extensions will be requested for Morgan Whitney and Cameron McMahon as their end dates are in May. Ms. Wong’s last day in office will be today and her contract expires as of 12/31/2018.

Outstanding/Ongoing IT Issues

Gloria Pizzarella reported PTG (“Pension Technology Group”) came in on October 3, 2018. It was an all-day session that was attended by her, Mr. Smyth, Ms. Weir, Attorney Lydon, Ms. McCarthy and Mr. Dwyer. PTG’s pension software is used by a number of retirement boards in the Commonwealth of Massachusetts. PTG staff did a presentation of their product and answered questions from BRB staff.

Meeting dates and Standardized Agenda for CY19

Motion made, and seconded, to accept meeting dates and standard agenda for calendar year 2019 as presented.

Motion accepted (5-0)

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Hamilton Lane annual portfolio review

Hamilton Lane (HL) presented the System’s annual portfolio review. Ms. Corina English reported on their 3 goals for the agenda, update on HL, what they are spending time on, and an overview of state of the private equities market. Mr. Michael Koenig updated the board on HL staff, product updates and focus on data

and tech enhancement. Private equity and private market growth continue and returns over the full cycle are still very strong.

Through the first 2 years Hamilton Lane has committed \$61.5m to Private Equity (PE) via 11 active partnerships in the BRS portfolio. Since the portfolio's inception the IRR in the BRS portfolio is +39.04%.

NEPC monthly portfolio review

In the Private Equity and Private Debt pacing plan NEPC recommends that the system consider a \$160M allocation for vintage year 2019. \$67M to PE, \$60M Private Debt (PD), \$33M HL. 2019 recommended search plan; \$20-40M PE, including energy commitments from existing search, \$10-20M for a mid-2019 clean energy/infrastructure search, \$60M to managers from current debt search and begin searches at the end of 2019 for 2020 commitments. The target allocations for PE and PD are 7% and 4% respectively. In 2017 and 2018 HL was a big part of the overall PE, committing roughly \$33m each year. Both NEPC and HL's projection numbers are closely aligned as far as how much BRS would have to commit to get to the 7% PE target allocation (approximately \$100m a year).

Private Debt Managers

The goal is to identify \$60M worth of commitments this year. The strengths and profiles of all the potential candidates were discussed. The Board narrowed down the list to 5 candidates that would present. The Board decided that MGG Investment Group, Maranon Capitol and THL Credit will present in February and Capital IP Investment Partners and HarbourVest Partners will present in March.

Global Equity follow-up

NEPC shared with the Board an analysis comparing attribution and performance of the current equity portfolio to a global equity manager, Manager A. (MA) MA. The total effect over a 1-year period; MA was able to yield a higher rate of return over the BRS portfolio 4.07% to 1.05% but BRS portfolio still outperformed MSCI global equity benchmark. NEPC compared the BRS portfolio to MA within a 5-year period in different geographic regions. MA has increased in US equity and slightly decreased in international equity. As for Geographic affect, both portfolios came in close to 9% on the rolling geographic allocation effect. Comparing different geographic sectors and Security selection effect MA outperformed BRS 3.13% to 0.18%. Again, MA has increased its U.S. equity weight and slightly decreased its international equity weight in the recent 5 years. NEPC and the Board will continue this discussion in 2019.

Q4 Performance Review

NEPC presented the fourth quarter 2018 Investment Performance Analysis (“IPA”) which provided absolute and relative performance for the System as well as individual manager analysis. Performance has been a challenge. November was ok, October was really rough and December has been challenging also particularly in the U.S. equity markets, which were still up YTD. International equity markets through November were down YTD. There is more concern around the European markets and growth. There is uncertainty around Italy, Brexit and an international broad trade war dispute.

At the recommendation of NEPC BRS rebalanced \$100M from U.S. equities to core fixed income in the 4th quarter of 2018. Looking at the fiscal year, core fixed income is down -1% vs the benchmark down -1.8%. BlackRock has done a pretty good job only down -0.50%. IR&M which has the TIPs allocation has helped as well only down -1.1% versus -1.8%. There are not going to be huge differences in fixed income. In Equity you’re going to get 300-400 basis points differences. We’re getting different exposure from BlackRock than from the other two managers which has paid off. Valued Added Fixed Income has returned -2.1% vs the benchmark of +2% YTD.

EnTrust Permal Follow-up

EnTrustPermal continues to struggle and lag speaking to them they say this is the time for their strategy to perform well when interest rates go up. NEPC has a concern over the overall assets in this fund as they hold a large piece of the assets. NEPC and the Board discussed redeeming from the fund and the potential of EnTrustPermal closing down their fund if another investor liquidates. NEPC reported it is a 45-day redemption notice.

November 2018 Flash Report

The Total Plan was up +0.5 % in November which left the YTD return at a negative -2.4%.

January BRS Meeting

3 Energy Manager Presentations, Follow-up Global Equity, Follow-up Permal and Asset Allocation.

The Board momentarily entered into Executive Session in order to hear from Attorney regarding an application for disability of Duane Osborn. The Board shall re-convene in Administrative Session in order to consider any remaining agenda items and then adjourn.

Motion made, and seconded, to go out of order momentarily to Executive Session in order to hear testimony. Adjourn at approximately 10:31 a.m.

Motion accepted (5-0)

Administrative Session Re-Convenes

The Board voted unanimously (5-0) to re-enter into Administrative Session at approximately 10:46 a.m.

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

November 2018 Financial Snapshot

Ms. McCarthy reported that the monthly payroll went out on time to 15,044 payees in the amount of \$51,618,892. Payroll for non-contributors; \$318,374. Total payees; 57. New Regular Retirees; 38, Survivor/Beneficiary Retirees; 2, Disability Retirees; 0, Refunds; \$2,457,451, Members Refunds; 67 for \$1,313,345. Members Transfers; 34 for \$1,025,382. Option B Refunds; 3 for \$118,724, operations Warrants; \$512,060.

CY19 Operating Budget

Ms. McCarthy reported on proposed \$10,590,123.00 operating budget for CY 2019.

Motion made, and seconded, to accept Boston Retirement System CY2019 operating budget as presented.

Motion accepted (5-0)

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

November 2018 Payroll

Ms. Weir presented an update on the payroll number for the month of November, 2018. She stated that there were 60 Possible = 47 Superannuation, six Disabilities & seven DOA's (Death of Active Member). Of the 60, 40 were processed, including 38 superannuations and 2 death of active cases. Regarding the 20 cases that did not make the payroll the following explanations were provided: one Paternity, one BFD that was trying to locate minor children, one decision made and waiting 30 days, one legal matter, two waiting for spousal Final Papers, three Members did not return their final papers, one is in the process of a buy back, one Member may rescind, eight missing salary (three BPS, four BFD, one Park & Rec) and one missing documents.

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

PERAC Memo

The following PERAC Memos were offered for educational purposes only:

- PERAC Memo # 33-2018 re CRAB's Order of Partial Stay Regarding Regular Compensation Status of Payments Made in Lieu of Unused Leave Time

Attorney Lydon noted that this memo reversed PERAC's earlier memo of September 4, 2018, where it was reaffirmed that annual unused vacation buy backs were considered regular compensation. We will keep tracking the *O'Leary* case, which is awaiting action in the Superior Court. In short, the Board is bound by PERAC Memo #33, for now.

Waiver Request

Marie Yacinthe-Nowicki

BPS

\$4,901.95

Motion made, and seconded, to accept Marie Yacinthe-Nowicki's waiver request where a deduction rate error created a shortage and the member timely requested a waiver.

Motion accepted (5-0)

Litigation Strategy

Several cases involving other retirement board were discussed.

Adjourn

The Board voted unanimously (5-0) to exit Administrative Session and enter Executive Session at approximately 1:06 p.m.

Respectfully submitted,
BOSTON RETIREMENT BOARD



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