

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

January 16, 2019

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Elected Member; Michael D. O'Reilly, Elected Member; Thomas V.J. Jackson, Fifth Member, Michael W. McLaughlin Elected Member, attended remotely.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, 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 Manning, NEPC; Orr Shepherd, Senior Managing Director, Danny Weingeist, Managing Partner, Kane Anderson; Tony Webber, Managing Partner, NGP; Livia Carega, Managing Director, Geoff Strong, Senior Partner, Apollo.

EXCUSED ABSENCE: Sally D. Glora, Ex Officio Member

Administrative Session Convene

The Board voted unanimously (4-0) to enter into 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 December 19, 2018, as presented.

Motion accepted (4-0)

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

IT update

Gloria Pizzarella reported that she sent a package to the board beforehand. She addressed the IT security policy question from Mr. Jackson sent

via email. Member Jackson inquired on how documents and Members' private information was being processed securely by Retirement staff.

The Security Policy was placed on hold in lieu of looking into putting a pad lock or possibly moving media room to a more secure location. Mr. Smyth stated that at this time moving locations was not even in the planning stages. Other security options such as keypads and locks were discussed. Staff are complying and adhering to IT Security Policies. The eighth and seventh floor office security also discussed. Board will be looking for a plan so they can feel comfortable that Members' PPI is secure.

The Board would like a more in-depth understanding of Vitech relationship, management of priorities and execution of plan.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

2019 Energy Search Overview

At the November 2018 meeting the Board voted to interview three finalists at the January 2019 meeting, Kayne Anderson Capital Advisers, NGP Energy Capital Management and Apollo Global Management. The target allocation for the Energy search is between \$20 and \$40 million. The Board has not conducted a search in the Energy space since 2014.

Kayne Anderson Capital Advisers

Represented by Mr. Daniel Weingeist, Managing Partner and Mr. Orr Shepherd – Senior Managing Director. Mr. Shepard introduced Kayne Anderson as a Houston based leading alternative investment management firm established in 1984 with over \$29 billion in AUM. The Kayne Anderson Private Energy Income Fd II presented today has a hard cap of \$2 billion and focuses on upstream oil and gas in North America. Mr. Weingeist explained the fund will make private equity investments in large long life producing oil and gas companies in the \$300 - \$500 range. The fund is somewhat conservative in its nature by making investments in mature, lower risk, longer life assets. The fund will hedge energy production and employ modest leverage. The fund has a target Net IRR of 18-20% and a management fee of 1.25% on committed then invested capital. Board Member McLaughlin asked via phone if Kayne Anderson made investments in renewable energy sources. Mr. Weingeist replied that they do make renewable energy investments but that is not the focus of this fund.

NGP Energy Capital Management, LLC

Represented by Mr. Tony Weber, Managing Partner. Mr. Weber greeted the Board by updating them that the NGP Natural Resources XI fund the Board invested in back in 2014 has achieved a net return of 22% to date. NGP as a firm

in its 30 year history has achieved 30% gross and 19% net IRR since inception. Fund XII being presented today will have a similar strategy to NGP's previous 11 funds. The fund will be \$4.0 billion in size and will focus on investing in companies operating in the upstream, midstream and oilfield services portion of the energy chain in North America. NGP has a solid track record of identifying and backing the next generation of energy industry entrepreneurs through their Leaders under 40 Initiative. Fund XII has a target Net IRR of 20% and a management fee of 1.5% on committed then invested capital. Board Member McLaughlin asked via phone if NGP made investments in renewable energy sources. Mr. Webber replied that they had done it in previous funds but it was cost prohibitive and they do not like to make investments in industries so reliant upon government subsidies.

Apollo Global Management, LLC

Represented by Mr. Geoff Strong, Senior Partner and Ms. Livia Carega, Principal. Ms. Carega opened and introduced Mr. Strong then presented the firm history. Apollo was founded: 1990, has \$270B in AUM and Employees: 1,118 people in 13 worldwide offices. Today they are presenting their Apollo Natural Resources Partners III Fund. Mr. Strong shared that the Fund has a target size of \$3.5 billion. The fund will target three primary investment types; asset acquisitions/build-ups, corporate carve-outs, and distressed investments, across the energy, metals, mining, and agriculture-services sectors. The fund is more than the typical Energy fund because it also invests in metals, mining and agriculture. Apollo Natural Resources Partners III has a target Net IRR of 20% and management fees of 1.5% on committed and then 1.25% on invested capital. Mr. Manning from NEPC asked Apollo if they do much in the renewable space. Mr. Strong replied that Apollo has deployed a lot of capital in the Renewable Energy space. He gave the example of Apollo's investment in Upton Solar Power Plant owned by Vistra Energy. While renewables are not the primary focus of this fund Apollo does have two other funds the Board could potentially invest in. It was mentioned that the Board does intend to conduct a renewable energy search later in 2019.

Motion made, and seconded, to commit \$20M each to the Kayne Anderson Private Energy Income Fund II and the NGP Natural Resources Fund XII.

Motion accepted (4-0)

NEPC Work Plan

February and March will be focused on the Private Debt Search. The amount to be invested is a total of \$60M. THL Credit, Maranon Capital and MGG

Investment Group will be in to present at the February Board Meeting. Presentations by Capital IP Investment Partners and HarbourVest Partners will be made at the March Board Meeting.

Global Equity follow-up

NEPC provided analysis that compares the System's Equity portfolio to the eVestment All Global Equity universe. This comparative analysis provides further insight relevant to potential considerations which include refining the current Equity portfolio to include a Global Equity mandate or to continue with the current structure of either domestic or non U.S. managers. The Global Equity manager used as an example did not add value vs the benchmark over the shorter 3 year period but did add some value vs the benchmark over the longer 5, 7 and 10 year time periods.

Hamilton Lane annual portfolio review

NEPC and staff spoke to Hamilton Lane (HL) and received fee data details back from them. BRS had talked about raising their commitment for 2019 only, from \$33M to \$60M in the continued effort to get closer to the PE target allocation of 7%. All terms and fees remain the same BRS is just increasing the 2019 commitment amount.

Motion made, and seconded, to amend the 2019 Hamilton Lane allocation to \$60M.

Motion accepted (4-0)

EnTrust Permal Fixed Income Holdings Fd Follow-up

NEPC spoke with Entrust Permal in December and were informed there was good liquidity in the portfolio and anytime BRS wanted a redemption they felt they could still manage the liquidity. Again if BRS redeemed today the notice has to go in by approximately February 3rd or 4th. Then the money would come out February 28th. If we do it next month it would be the end of March.

November 2018 Flash Report

The Total Plan was down -3.6% in December as every asset class performed negatively for the month except Core Fixed Income and Emerging Market Debt. December's poor performance brought the 2018 YTD return down to a negative -5.6%.

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

December 2018 Financial Snapshot

Ms. McCarthy reported the following significant financial data from December 2018: Pension payroll contributions- \$51,728,353; Total Payees- 15,051; Payroll non-contributors- \$318,374; Total non-contributory payees- 57; Survivor/Beneficiary Retirees- 8; Disability Retirees- 4; Refunds- \$1,722,585; Members Refunds- 80 for \$576,916; Members Transfers- 35 for \$1,145, 669; Option B Refunds- \$0; and Operations Warrant - \$564.727.

Outstanding/Ongoing Operations Issues: Christine M. Weir, Operations Officer
December 2018 payroll update

Ms. Weir presented an update on the payroll number for the month of December, 2018. She stated that there were 62 possible new cases (39 Superannuation, 13 Disabilities & 10 Death of Active Members).

Of the 62 possible cases, 44 were processed. Of the 18 cases that did not make the payroll, Ms. Weir noted the following explanations:

- 1 BFD that was trying to locate minor children;
- 1 on appeal;
- 1 legal matter;
- 8 working on calculations;
- 2 missing complete applications form BPS;
- 2 members failed to timely return final papers;
- 1 had an internal question on salary; and,
- 2 were missing salary from employer.

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

The following PERAC Memos were offered for educational purposes only:

- PERAC Memo #34-2018 re Tobacco Company List
- PERAC Memo # 35-2018 re 2018 Disability Data
- PERAC Memo # 1-2019 re Annual Review of Medical Testing Fee
- PERAC Memo # 2-2019 re Mandatory Retirement Board Member Training - 1st Quarter 2019
- PERAC Memo # 3-2019 re 2019 Limits under Chapter 46 of the Acts of 2002
- PERAC Memo # 4-2019 re Limits under Section 23 of Chapter 131 of the Acts of 2010
- PERAC Memo # 5-2019 re COLA notice

Outside litigation matters offered for discussion purposes only:

- *Benoit v. MTRS*, CR-15-347 (DALA dec. 12.07.2018)

- *Dodge v. Montague Ret. Bd. & PERAC*, CR-18-288 (DALA dec. 12.07.2018)
- *Donovan v. MTRS*, CR-15-624 (DALA dec. 12.07.2018)
- *Kenworthy Lewis v. State Bd. of Ret.*, CR-16-146 (DALA dec. 12.07.2018)
- *Terenzini v. Worcester Regional Ret. Bd.*, CR-16-56 (DALA dec. 12.07.2018)

Adjourn

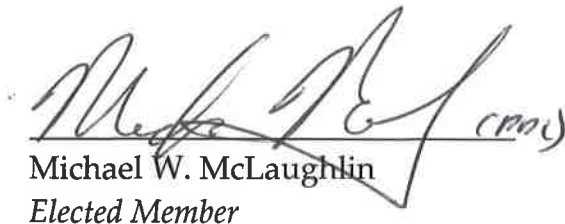
The Board voted unanimously (4-0) to exit Administrative Session and adjourn from Executive Session at approximately 12:28 p.m.

Respectfully submitted,
BOSTON RETIREMENT BOARD

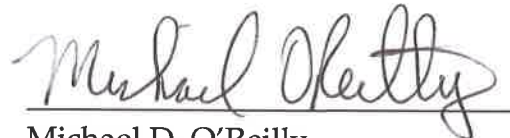


Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman

Sally D. Glora
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member



Thomas V.J. Jackson
Fifth Member