

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

July 17, 2019

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 D. O'Reilly, Elected Member; Thomas V.J. Jackson, Fifth Member; Michael W. McLaughlin, Elected Member.

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

ALSO IN ATTENDANCE: Will Forde, Kiley Fischer, of NEPC; John W. Parsons of PERAC; Michael Dwyer, Board Consultant.

Administrative Session Convene

The Board voted unanimously (5-0) 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 the prior meeting, as presented.

Motion accepted (5-0)

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

Executive Officer Smyth opened by introducing the new Executive Director of PERAC, Mr. John W. Parsons. Mr. Parsons congratulated Sally Glora for her years of public service. Mr. Parsons then offered his background in public pension. Since taking over as Executive Director of PERAC Mr. Parson noted the he has been visiting every retirement board. He also worked for State auditor Joe DeNucci for 20 years. Mr. Parson stated that he has a strong relationship with

Boston Retirement System, which makes his job easier. He has served as a Board member on the State Retirement Board and PERAC Commission. Mr. Parson noted that he has dozens of communications every day Retirement Boards. There are 104 Retirement Boards of all sizes; there is a need for uniformity. Mr. Parson noted that PERAC does not run Boards. We are going to have disagreements, but the majority of time we are on the same page. Policy is dictated by the PERAC Commission.

- IT Update – Gloria Pizzarella, Chief Technology Officer
 - V10 upgrade

Chief Technology Officer Pizzarella informed the Board that she continues to work on the V10 proposal and that Comptroller McCarthy had the numbers. We had 12 queries requested in June. Ms. Pizzarella noted that Vitech wrote six (6) complex queries. IT ran the Medicare refund process for health benefits.

Comptroller McCarthy reported that the seven year pricing for upgrade went back to Vitech for revisions to line item pricing. Vitech returned offering a \$2.5M deduction in price. Upon reviewing closer, there were no real savings at all. The final price still \$10M, implementation reduced from \$6.9M to \$4.7M but the reductions are being offset by the increasing of V10 upgrade service fees.

- IT Security

Board Member Mr. Jackson asked a series of questions related to the systems security. An insurance quote from Travelers Insurance was discussed for cyber security. BRS uses the City of Boston Department of Innovation and Technology (“DoIT”) infrastructure and relies on Vitech for elements of system administration and security. While many elements of cybersecurity can be considered as “outsourced” an array of core responsibilities remain.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

- Large Cap Equity Search Review

Will Forde from NEPC reminded the Board that the Plan’s current large cap managers have performed well. In this search we are trying to decrease the number of managers (from 7) and lower fees. It was agreed that in the Core space the Board did not need to use more expensive 130/30 strategies with DE Shaw and J.P. Morgan to achieve good returns. There is very little difference in the investment returns compared to the DE Shaw Core Enhanced Fund and the Rhumblin S&P 500 Pooled Index Fund which charge considerably lower management fees, 9 and 2.5 bps respectively.

Motion made, and seconded, to terminate the DE Shaw and J.P. Morgan 130/30 funds and reallocate that capital to the Rhumblin S&P 500 Pooled Index Fund and the DE Shaw US Large Cap Core Enhanced Fund.

Motion accepted (5-0)

Within the Growth space it was agreed the Board only needed one manager not two. Growth manager Zevenbergen has served as a good compliment to the Core managers in the portfolio for almost 25 years. When other managers zig, Zevenbergen zags.

Motion made, and seconded, to terminate Intech in the large cap equity space.

Motion accepted (5-0)

Within the Value space Columbia Thread needle has performed well for the Plan for a long time dating back to their days as Seligman. The company has gone through some changes and the Board would like them to present in August. Aristotle is also a current manager for the Plan but in the Small Cap Equity space. The Board would also like Aristotle to come in to the August meeting and present their Value Equity strategy.

- June 2019 Flash Report

The Total Plan was up +3.7% in June bringing the year to date performance return to +9.8%. There was positive growth across the board in June. Hedge Fund of Funds has been a performance detractor YTD.

- Work Plan

NEPC noted that the August meeting will focus on the large cap equity search with 2 manager presentations. We will also discuss potential allocation options in that space.

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

- June 2019 Financial Snapshot

Ms. McCarthy reported the following: Pension payroll contributions; \$52,358,226; Total Payees: 15,068; Payroll non-contributors: \$308,487; Total payees: 52; New Regular Retirees: 33; Survivor/Beneficiary Retirees: 1; Disability Retirees: 4; Refunds and transfers: 67 for \$1,465,516; Members Refunds; 49 for \$793,247, Members Transfers: 16 for \$624,022; Option B Refunds: 2 for \$48,247; Operations Warrants: \$509,503.

- May 2019 Financial Statement

Comptroller McCarthy presented a May 2019 BRS financial statements. The system was down in our investments \$120M primarily in the international equities. Overall assets were down \$140M for the month compared to April 2019. Our receivables and payables are the same. Mr. Jackson stated, that this information was more granular than he wanted. He wants to see just the larger transactions in and out of funds. On the income side, interests in dividends were up for the month \$15M, Cap value down \$130MK. Administrative expenses are broken out in more detail at \$1.7 M.

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

- June 2019 payroll update

Operations Officer Weir presented an update on the payroll number for the month of June, 2019. She stated that there were 53 Possible Retirees: 30 Superannuation's, 9 Disabilities & 6 (Death of Active Member). 38 cases were processed, of which 15 did not make the payroll. There were 5 Superannuation's, 5 DOA's and 5 disabilities. Reasons for missing payroll; 6, did not return final papers on time: 2 were missing salary; 1 was missing documentation; 1 was applying for SS #; 2 were locating member's minor children; 1 was a legal matter; and, 2 were being calculated.

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

- Legal Update

- PERAC Memos offered for educational purposes only:
 - PERAC Memo 18-2019 Re: PERAC Audit and Private Audit
 - PERAC Memo 19-2019 Re: Mandatory retirement board member training.

- Waiver Request

- Andrea J. Monteiro PHC \$2,261.75

Motion made, and seconded, to deny waiver request of Andrea J. Monteiro for waiver request in the amount of \$2,261.75 as the request was untimely.

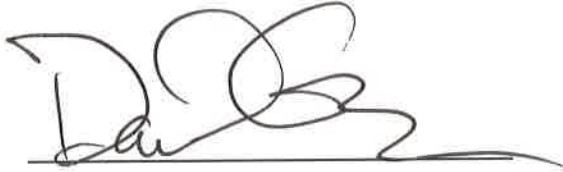
Motion accepted (4-1, Mr. O'Reilly voted Nay)

Adjourn

Motion made, and seconded, to adjourn from Administrative Session at approximately 12:42 p.m.

Motion accepted (5-0)

Respectfully submitted,
BOSTON RETIREMENT BOARD



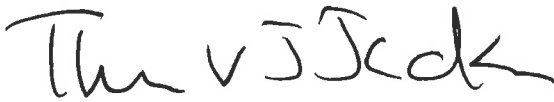
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman

Retired

Sally D. Glora
Ex Officio Member

Michael W. McLaughlin
Elected Member

Michael D. O'Reilly
Elected Member



Thomas V.J. Jackson
Fifth Member