

**MINUTES OF BOSTON RETIREMENT BOARD**

**Administrative Session**

February 15, 2023

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael D. O'Reilly, Elected Member; Michael W. McLaughlin, Elected Member; Maureen A. Joyce, *Ex Officio* Member; Thomas V.J. Jackson, Fifth Member.

STAFF IN ATTENDANCE: Christine Weir, Interim Executive Director; John F. Kelly, Investment Analyst; Natacha Thomas, General Counsel; Ellen M. McCarthy, Comptroller; Lauren Santillana Interim, Operations Officer; Gregory Molina, Executive Assistant

ALSO IN ATTENDANCE: Mike Manning, Kiley Fischer, *NEPC*; Ryan Thomes, Pat McMenam, Hotchkis & Wiley; Ken Burgess, James Wallerius, Systematic; Kathy Vorisek, Leo Harmon, Tom Hynes, Mesirow.

**(All Attendees remotely present.)**

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**Administrative Session Convene**

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:03 AM.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; Chairman Greene: Aye.*

**Motion accepted (5-0)**

Ms. Weir said that the December and January minutes were being further edited and they will be uploaded to CSI and vote to accept in March Board meeting.

Chairman Greene approved the tabling of acceptance of minutes.

**Outstanding/Ongoing Administrative Issues: Christine Weir, Interim Executive Officer**

***IT Security Update***

Ms. Weir said that we're moving forward with the cybersecurity. We are meeting internally to have our own meetings, to make sure that we have the different items that need to be covered. Right now, status quo and we're just continuing with our meetings. There's no new update.

#### *PERAC Memos*

Ms. Weir stated that she provided four PERAC memos for the Boards information.

- Memo 5- Prosper Cash Books and Annual Statement Submission
- Memo 6- Buyback and Make-up Repayment Worksheets
- Memo 7- 2023 Interest Rate set at 0.1%

Memo 8- Actuarial Data

#### Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

##### *NEPC*

##### *Investment Update*

*Small Cap Value Search:* Mr. Manning started by saying that a small cap equity search was issued in compliance with the seven-year search requirement and included core, value, and growth strategies. The Board selected three value finalists, who will be presenting today.

##### *Hotchkis & Wiley*

Mr. McMenemy started by sharing that Hotchkis & Wiley's SCDV blends sophisticated models to exploit valuation anomalies with fundamental reviews by our experienced research team. Positive stock selection in companies with market caps of less than \$1 billion has been a consistent source of excess return. Positive stock selection has been broad, but especially successful in micro caps. The nature of the strategy often translates into a complementary fit with other equity managers (both style and size).

Fee structure on Separate Account is:

0.55% on the first \$15 million

0.50% on the next \$35 million

0.45% thereafter

##### *Systematic*

Mr. Wallerius opened by sharing that Systematic's mission is to provide clients with above benchmark long-term investment results and client service that consistently surpasses

expectations. Our strategy seeks to invest in high-quality, undervalued companies with superior financial strength, strong free cash flows and lower relative levels of debt, that we believe will outperform over full market cycles. We're in our 30th year of managing assets, our relationships go back, 20, 25 years, including with your consultant, NEPC.

### *Mesirow*

Mr. Hynes opened with I believe you're all familiar with Mesirow. What I want to share today is the Mesirow Equity Small Cap Value Strategy and team. They will deliver very strong downside protection and nothing can demonstrate that more than their performance last year in a very difficult market, where the strategy outperformed the Russell 2000 Value Index by over a thousand basis points.

Ms. Vorisek stated our Philosophy is to identify companies that are trading at attractive valuations within the market but we're also trying to couple those attractive valuations with Catalyst-driven earnings growth and cash flow growth. We're very focused on our goal of generating, 200 to 250 basis points of alpha, while taking a lower risk path than the market and our peer group.

The Board, BRS staff and NEPC Consultants, Mr. Manning and Mr. Britenbach discussed the merit of all the respondents and amount of investments, funding totals and proposed terms, fees and similarities of some of the firm's respondents.

*Motion made, and seconded, to terminate Bernzott US Small Cap Equity from the portfolio and hire to replace them the Mesirow Equity Small Cap Value product (the collective investment trust) as presented today.*

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; Chairman Greene: Aye.*

**Motion accepted (5-0)**

### *2023 Asset Allocation Review*

Ms. Fisher stated that They're pretty comfortable with how the Board's currently set up and diversified, you are on the more conservative side. Since last year, our return assumption has gone up, which is a really positive thing. The only asset class assumption that has not gone up is real estate and that is where we are recommending a small change.

The System is overweight right now by 1%. They believe there's more opportunity in the Value Add and Opportunistic space within real estate. NEPC recommend making partial redemptions out of the open-end core real estate space and increasing the Core Bond allocation by 2%.

NEPC staff, the Board and Retirement staff discussed the recommendations and concluded to make a motion.

*Motion made, and seconded, to change the asset allocation policy as presented today. On iPad page 25 of NEPC's book.*

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; Chairman Greene: Aye.*

*Motion accepted (5-0)*

#### ***Q4 2022 Performance Summary***

Mr. Manning stated this is looking at the performance through December and that we've got peer rankings now at that point. The System had a bad year from a return perspective, but a great year on every other perspective. The fund was down, 9.4% in 2022. NEPC's knows the main goal here is to pay benefits to the retirees and to be down 9.4% is not the way to accomplish that. What is important for the Board to know is that over that time period the fund was close to the top decile performance relative to other public funds out there. The fund beat the benchmark by 80 basis points. This is a positive takeaway from a challenging year.

#### ***January 2023 Flash Report***

Mr. Manning went on to state that in the month of January the system was up +4.4% and the one year was down -2.6%.

#### ***Work Plan and Search Planning***

Mr. Manning stated that NEPC has included an updated work plan with the meeting materials. Additionally, NEPC has included an overview of the manager searches planned for 2023.

#### ***2023 Searches***

The System's 2023 searches are outlined below. The timing and focus of each search may be modified at the Board's discretion.

1. Small Cap Equity  
– In Progress
2. Private Equity - \$35M remaining

- Committed \$45m to Diverse FOF
- Co-Investments, Energy/Infrastructure
- In Progress
- 3. Private Debt - \$50M
  - Direct Lending
  - Revisit previously issued search
- 4. Real Estate - \$60M
  - Debt and Opportunistic
  - Revisit respondents from 2022
- 5. Private Equity Separate Account
  - 7-year renewal

	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
<b>TOTAL PLAN</b>											
Asset Allocation	AA Review										
Performance	Q4			Q1			Q2			Q3	
Education/Review	Market Outlook										
<b>TRADITIONAL</b>											
Search/ Presentations	SC Value Presentations										
<b>HEDGE FUNDS</b>											
Program Planning		HF Search Discussion									
Search/ Presentations											
<b>PRIVATE MARKETS</b>											
Program Planning						Revisit PE Search					Pacing Plan
Search/ Presentations				Revisit PD Search							
Performance	Q3			Q4			Q1			Q2	
<b>REAL ESTATE</b>											
Program Planning											Pacing Plan
Search/ Presentations		Revisit Search (Opp & Debt)	Analysis/ Presentations	Analysis/ Presentations							
Performance	Q3			Q4			Q1			Q2	

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

***January 2023 Financial Snapshot***

Ms. McCarthy reported the January 2023 pension payroll as follows: Contributory payroll: \$59,939,464; Contributory Payees: 15,686; Non-contributory payroll: \$310,184; Total Non-contributory payees: 31; Regular Retirees: 25; Survivor/Beneficiary Retirees: 6; Disability Retirees: 3; Option C/Disb Surv; 6; Members Refunds: 57 for \$1,474,741; Members Transfers: 5 for \$296,183; Option B Refunds: 0 for \$0.00; and Operational Warrants: \$251,448.

Outstanding/Ongoing Operations Issues: Lauren Santillana, Interim Operations Officer

*January 2023 payroll update*

Mrs. Santillana provided an update on the payroll numbers for the month of January. 32 new retirees, 22 was superannuation cases, 4 disabilities cases, 6 pre-retirement deaths. Out of the 32, 25 new benefits were put on for January. Plus, an additional 9 that had missed payroll, for a total of 34 new retirees. 26 superannuation, 4 disabilities and 4 pre-retirement deaths. 7 cases missed the payroll. 6 missing documents and 1 member did not return final papers

Outstanding/Ongoing Legal Issues: Natacha Thomas, General Council

*Legal update*

Ms. Thomas stated that there was nothing to report on BRS outgoing and outstanding legal issues.

Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 12:06 PM.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye and Chairman Greene: Aye.*


**Motion accepted (5-0)**

Respectfully submitted,  
BOSTON RETIREMENT BOARD




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Daniel J. Greene, Esquire  
*Mayoral Appointed Member, Chairman*



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Michael W. McLaughlin  
*Elected Member*

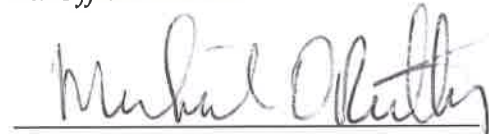


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Thomas V.J. Jackson  
*Fifth Member*

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Maureen A. Joyce  
*Ex Officio Member*



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Michael D. O'Reilly  
*Elected Member*