

## MINUTES OF BOSTON RETIREMENT BOARD

### **Administrative Session**

December 18, 2024

Boston Retirement Board  
Pavilion Room, Boston City Hall  
Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael D. O'Reilly, Elected Member; Karen T. Cross, Elected Member; Scott Finn, *Ex Officio* Member; Thomas V.J. Jackson, Fifth Member.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Christine M. Weir, Deputy Executive Officer; John F. Kelly, Investment Analyst; Natacha Thomas, General Counsel; Ellen M. McCarthy, Comptroller; Gregory Molina, Board Secretary.

ALSO IN ATTENDANCE: Michael Manning, Kiley Murphy, Kyan Nafissi of NEPC; Tony Crooks, Sara Cassidy, Jay Struzziery of AEW; Al Rabil, Orr Shepherd of Kayne Anderson; Nick Hecker, Lauren Gerrity of Sculptor; Owen Burns, Sean Barber of Hamilton Lane; Elaine Cadillac, AFSME; Janey Frank, Denise Beekley, Terry Daley of BTU/RTU.

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### Administrative Session Convene

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 9:02 a.m.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Cross: Aye; Member Finn: Aye and, Chairman Greene: Aye.*

**Motion accepted (5-0)**

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

*Chairman vote*

Chairman Greene stated that if permitted he would like to go out of order to the agenda.

Motion made, and seconded, to *nominate* Thomas V.J. Jackson, as Chairman of the Boston Retirement System. Effective Immediately.

*Roll Call Vote: Member O'Reilly: Abstained; Member Jackson: Aye; Member Cross: Nay; Member Finn: Aye; and, Chairman Greene: Aye.*

**Motion accepted (3-1) (Member O'Reilly abstained)**

Chairman Greene announced that this would be his last meeting as Chairmen of the Retirement Board system. As he was resigning immediately. Chairman Greene stated that he has informed the Mayor. He wanted to thank the Board members, staff and vendors. He then handed the remainder of the meeting to Chairman Jackson.

Member O'Reilly wanted an item not on the agenda out of order. Mr. O'Reilly submitted a letter of resignation.

Mr. Smyth read Member O'Reilly's resignation letter for the record.

*PERAC Memos*

The following PERAC memos were offered for educational reasons.

- PERAC Memo 30-2024 re Cybersecurity Training.
- PERAC Memo 31-2024 re 2024 Disability Data Changes.

**Documents Presented:** 1. Administrative Session Minutes of 11.25.2024, 2. PERAC Memo 30-2024 re Cybersecurity Training. 3. PERAC Memo 31-2024, disability data changes. 4. Member O'Reilly resignation letter. (presented at meeting)

**Past Minutes**

Motion made, and seconded, to accept the Administrative Session Minutes of the November 25, 2024 meeting as presented.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Cross: Aye; and Member Finn; Aye.*

**Motion accepted (4-0)**

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

*Real Estate Search*

Mr. Manning stated that the 2024 real estate search focused on value-add and opportunistic strategies to fulfill the System's annual real estate program commitments. The total recommended commitment amount for 2024 is ~\$75 million, however, additional funds can be borrowed from next year's pacing commitment if there is interest in committing more. As a reminder, the System committed \$50 million to value-add strategies earlier this year, distributed between Mesirow and TerraCap. At the October meeting we reviewed the opportunistic respondents, and the Board selected three managers to present today.

*AEW Partners Real Estate Fund X,*

Mr. Struzziery introduced himself and opened by stating that AEW is a Boston based firm that started in the 1980s. The firm has grown a lot throughout the years with 250 people based out of Boston. The firm also employs 50 people in Los Angeles and 10 people in Denver.

AEW is invested in resilience. We believe that resilience is a driving force, preparing us and our assets to thrive in dynamic circumstances, to adapt to societal trends, and to weather changes in our physical and operating environments. We are invested in a culture of excellence as stewards of a responsible business, as trusted fiduciaries for our clients, as employer of choice for our people, and as champions of vibrant and inclusive communities. We are proud that several of our assets have demonstrated resilience by obtaining industry certifications including LEED Platinum, Gold, Silver, and Certified; National Green Building Standard (NGBC); CalGreen; Energy Star; Green Globe; BREEAM USA In Use; IREM CSP; Fitwel VRC; WELL Health and Safety; Built Green; BOMA 360; and GreenPoint Rated.

The two most recent investments are AEW Partners VIII, which is entirely liquidated at this point. It will deliver a 20% plus net IRR. AEW Partner VIII, is the most recent investment, also showing positive returns with no J curve whatsoever on that fund, all cash flow. AEW Partners X is a little bit of a different strategy, which Mr. Crooks will go into

Mr. Crooks opened by stating that the AEW Partners X Fund is targeting a \$2 billion Fund. They have currently raised \$1.8 billion to date. The Fund is open until April of 2025. They have had Capital in the Fund for over a year. They have been very patient, waiting for those opportunities. They think that they are in the point of the cycle where they will see a wide range of opportunities in Commercial Real Estate being driven by the Capital market.

They have started investing Capital Fund under two or three strategies that they feel very optimistic. The Fund does invest in all types of Real Estate, Core sectors such as office, industrial, retail, multifamily and senior living. Over the life of the Fund they have had exposure as well as Asset management acquisition teams focused on different sectors.

Ms. Cassidy stated that the need for senior housing has never been greater. They have never seen the volume of population growth. The baby boomers have

turned into the most significant generation. They have never seen this before, so, when you think of the needs of that population going forward, its going to be deeper than has been in the past.

We see that demographic really starting next year and those residents and that demand for 80 plus will grow exponentially over the next 10 years. Thank you for allowing us to present.

*Kayne Anderson*

Mr. Shepherd opened by thanking the Board and stated that the Board is currently an investor in KAREP VI (6), which is doing fantastically well. They are out now fundraising for KAREP VII (7),

Mr. Rabil continued by stating that they are Capital killers in medical offices, senior housing and student housing. They have set themselves in a very different way than the vast Real Estate Equity platform with a vertically integrated team in house. Which means we have a lot of skillsets. So, in addition to teams in medical, seniors and students, we have legal, finance, accounting, insurance and construction management team all under one house. They have aligned themselves with the best operator in each of these Asset classes.

So, rather than utilizing the traditional Private equity model of raising Capital through investors like you, then allocating it to a broad array of joint ventures operating partners. These are operating intensive operating Asset classes and they are relatively new Asset classes. So, there aren't a myriad of new best in class, highly qualified operators.

In medical office they have one exclusive joint venture partner, that's a group called Remedy medical properties out of Chicago. They have been in this space for 17 years They are the longest standing third party operator in medical office in the country and together they control 35 million square feet in medical office so they are the largest non-hospital affiliated medical offices in the country.

They are in 43 states and have a 17-year track record of specialized expertise in Sector-specific veterans bring experience necessary for driving outperformance in our alternative sectors. They count on disciplined investing during dislocations with significant access to debt and equity capital positions us to execute on high-quality deals at discounted pricing. Alignment with leading operating partners with strategic relationships, amplifying operational knowledge and asset management capabilities. Since H2 2023, KAREP has closed, or is in-

agreement on, 167 properties / developments representing over \$7 billion in gross cost.

Mr. Rabil went on to outline the key terms for Kayne Anderson Real Estate Partners VII Fund are a target fund of \$3 billion, target returns of 15%-18% Net IRR with an investment period of Four years post final close. The term of the Fund is five years following the end of Investment Period, subject to extensions. With GP commitment of \$50 million. The minimum commitment is \$2 million with a Fund leverage not to exceed 70% of total asset value.

Management fees in the investment period, per annum calculated on committed capital and post Investment Period, per annum calculated on capital called. Commitment Amount Standard Fee, Less than \$50 million, 1.750%. \$50 million - \$100 million 1.500%, \$100 million - \$200 million 1.375% and \$200 million or more 1.250%.

Return GP Catch up. Less than \$50 million 20% 8% 80%/20%. \$50 million - \$100 million 20% 8% 60%/40% and \$100 million or more 20% 8% 50%/50%.

Mr. Shepherd thanked the Board and look forward to continuing the relationship with the System.

#### *Sculptor*

Mr. Hecker opened by thanking the Board for their prior commitment to Sculptor. He stated that Sculptor is a leading global alternative asset manager and a specialist in opportunistic investing. Founded in 2003, Sculptor Real Estate seeks value-based, situationally-opportunistic real estate and real estate-related investments throughout the capital structure. Sculptor Real Estate has over 20 years of experience investing both in North America and Europe, across traditional and non-traditional asset classes and along the debt / equity spectrum.

The firm counts on a \$33.5 billion Asset manager with 322 employees worldwide and 107 Investment professionals in four (4) global offices.

The firms Real Estate has a team of 39 dedicated real estate professionals located in New York and London and since its founding in 2003, Sculptor Real Estate has raised \$10.4 billion in investor capital. Sculptor Real Estate's senior team has been working closely together since its first fund in 2005, enhancing consistency in sourcing, underwriting, structuring, diligence, and, most importantly, returns. Sculptor Real Estate believes that the combination of focused staffing along with a strategy of investing in a breadth of asset classes provides

quality training and opportunity, which has allowed Sculptor Real Estate to attract and retain talent.

Sculptor Real Estate adopts a broader investment mandate than most fund managers, which it believes has allowed it to construct more diversified and differentiated portfolios. As of September 30, 2024, Sculptor Real Estate has completed over 200 investments across 30 different real estate asset classes, representing over \$24.1 billion of total enterprise value. Sculptor Real Estate has invested 80% of its capital in non-traditional asset classes and 20% in traditional asset classes. Non-Traditional, 80%. Traditional, 20%. Traditional asset classes include hotel, multifamily, industrial, office, and retail. Non-traditional asset classes include all others. Since its founding in 2003, Sculptor Real Estate has raised \$10.4 billion in investor capital.

With Sculptor Real Estate's broad experience and flexible approach, Sculptor Real Estate is able to target opportunities across 30 asset classes and structures. Unlike strategies that focus on a single-asset class or even several GDP correlated asset classes (e.g., multifamily, industrial, office), Sculptor Real Estate can cast a wider net across a variety of non-traditional and traditional asset classes to find the best risk-adjusted returns at any point in a cycle.

Sculptor Real Estate has significant experience and capabilities in non-traditional asset classes, where it believes it has a distinct competitive advantage. Since inception, Sculptor Real Estate has methodically and systematically expanded into new real estate-related asset classes, allowing it to construct more diversified portfolios as well as provide what Sculptor Real Estate believes to be differentiated real estate exposures relative to other managers.

Sculptor Real Estate believes that given the combination of rising rates, softening fundamentals and general economic uncertainty, there are no major themes that are dominating the current investment environment, other than the widespread liquidity in the real estate credit markets. In an investment environment that is not demonstrating any dominant themes, Sculptor Real Estate believes that its broad-based investment approach focused on a large variety of asset classes across the capital structure spectrum will continue to allow it to capitalize on a diverse set of opportunities. Notwithstanding substantially depressed transaction volumes across the broader real estate markets, Sculptor Real Estate has identified certain common themes driving its elevated transaction activity, where it believes it is achieving attractive pricing and returns. Sculptor Real Estate believes that given the combination of rising rates, softening

fundamentals and general economic uncertainty, there are no major themes that are dominating the current investment environment, other than the widespread illiquidity in the real estate credit markets.

The Board and NEPC staff discussed the responders and the strength of their proposal's performance and track record. Also discussed was the systems current relationship with current managers, fees, NEPC's ratings of managers, commitment amount, and Core markets.

Motion made, and seconded, to allocate \$10 million to AEW Real Estate Partners Fund X.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Cross: Aye; and Member Finn: Aye.*

**Motion accepted (4-0)**

Motion made, and seconded, to allocate \$10 million to Kayne Anderson Real Estate Partner Fund VII.

*Roll Call Vote: Member O'Reilly, Aye; Member Jackson: Aye; Member Cross: Aye; and Member Finn: Aye.*

**Motion accepted (4-0)**

#### *Hedge Fund of Funds Search*

Mrs. Kiley stated that the hedge fund of funds search was issued in compliance guidelines that require a review every seven years. The System currently has two hedge fund of funds managers: Blackstone and Grosvenor. At today's meeting we will review the list of respondents and an analysis on a subset of managers to determine next steps in the search process.

The search received responses from 22 managers. The System has a 5% target allocation to Hedge Fund to Fund managers, which is currently managed by Blackstone and Grosvenor. The new guidelines note that a single HFOF manager may not exceed 2% of the total portfolio. Given this guideline, the options are to (1) hire a third manager, or (2) change the HFOF target to 4%. NEPC has included additional analysis on the 1-rated managers and incumbent, Blackstone and Grosvenor.

The Board and NEPC discussed the responding managers strengths, NEPC ratings and recommendations, firm comparisons, current managers and investment strategies.

Mr. Finn informed that he would be able to attend February 18, 2025. The Board, staff and NEPC agreed on the date of February, 25,2025.

Motion made, and seconded, to have incumbents Blackstone, Grosvenor and Magnitude, Evanston to present February, 25,2025 Board meeting.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Cross: Aye; and Member Finn: Aye.*

**Motion accepted (4-0)**

*Infrastructure Search: Fee Comparison*

Mr. Manning stated that the fees for the infrastructure firms are the following;

- Blackstone, 1.5% on committed capital. During Investment Period, 1.5% on invested capital. Post Investment Period. Carried Interest, 20%, subject to a preferred return of 8%.
- Macquarie, During Investment Period. 0.75% on uninvested capital 1.50% on invested capital. Post Investment Period, 1.50%. Carried Interest , 20%, subject to a preferred return of 8%. NEPC Discount, \$100m in aggregate commitments: rebate of 0.10% on invested capital (effective management fee of 1.40%).
- ICG, During Investment Period, 1.25% on committed capital. Post Investment Period, 1.25% on invested capital. Carried Interest, 20%, subject to a preferred return of 8%.

*December 2024 Flash Report*

Mr. Manning reported that the plan was down -1.9% through the month of November, 2024 and + 13.3% in the one-year period. The performance was up +9.3% YTD.

**Documents Presented:** 1. NEPC 2024 12 Meeting Materials. 2. AEW Partners Real Estate Fund X. 3. Kayne Anderson Presentation. 4. Sculptor Presentation. 5. Incline Ascent Fund II, L.P. 6. Sands Presentation.

*Work Plan-2024*

Mr. Manning stated that NEPC has included an updated work plan with the meeting materials.



	DECEMBER	JANUARY	FEBRUARY
<b>TOTAL PLAN</b>			
Asset Allocation			Annual AA Review
Performance			Q4
Education / Review			
<b>TRADITIONAL</b>			
Search / Presentations			
<b>HEDGE FUNDS</b>			
Program Planning			
Search / Presentations	Search Review	Search Review	Presentations
<b>PRIVATE MARKETS</b>			
Program Planning			
Search / Presentations		Infrastructure Presentations Blackstone, ICG, Macquarie	
Performance			Q3
<b>REAL ESTATE</b>			
Program Planning			
Search / Presentations	Presentations		
Performance			Q3

*Incline Ascent Fund II*

Mr. Burns opened by stating that today they are making two investment recommendations to the Board. Incline Ascent Fund II, this is an existing relationship for the portfolio. Incline has three different fund offerings. Each one targeting buyouts across the middle market. The Ascent Fund is the smallest and targets companies in the lower to middle markets. They recommend that the Board increase its investments commitment by \$10 million.

Motion made, and seconded, to *approve* Hamilton Lanes recommendation an allocate an additional \$10 million to Incline Ascent Fund II .

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Cross: Aye; and Member Finn: Aye.*

**Motion accepted (4-0)**

*Sands Capital Global Innovation Fund III*

Mr. Burns continued by stating that Sands Capital Fund III is a Venture Capital fund, targeting minority investments. Buyouts has been the core of the portfolio but they believe that there is a need to have a dedicated allocation in Venture Capital within the portfolio so the System can continue to access opportunities in that part of the market. Hamilton Lane recommends that the System increase its allocation by \$10 million.

Motion made, and seconded, to *approve* Hamilton Lane's recommendation to allocate an additional \$10 million to Sands Capital Global Innovation Fund III.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Cross: Aye; and Member Finn: Aye.*

**Motion accepted (4-0)**

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

*November 2024 Financial Snapshot*

Ms. McCarthy reported the November 2024 pension payroll as follows: Contributory payroll: \$ 64,717,240; Contributory Payees: 15,841; Non-contributory payroll: \$448,190; Total Non-contributory payees: 37; Regular Retirees: 26; Survivor/Beneficiary Retirees: 1; Disability Retirees: 10; Option C/Disb Surv 2; Members Refunds: 101 for \$2,571,595; Members Transfers: 105 for \$ 4,668,978; Option B Refunds: 3 for \$ 154,683; and, Operational Warrants: \$ 429,387.

Ms. McCarthy informed the Board that next month the staff will be gearing up for the 2023 audit with Ernest & Young. Staff just finished the EY and KPMG for the City audit. PPERAC provided the 2026 appropriation letter, provided in the Board package. The 2026 appropriation across all units is \$527 million. Ms. McCarthy has sent each of the component units in the City their invoice for 2026 which is due July 1, 2026.

**Documents Presented:** 1. November snapshot for calendar year 2024. 2. 10.24\_Cash Receipts\_Summary. 3. 10.24\_Adjusting Entries\_Summary. 4. 10.24\_Cash Disbursements\_Summary. 5. 10.2024 Direct Deposit Bank Statement. 6. 10.2024 BRS Cash Projections. 7. 10.2024 MMDT Reconciliation. 8. 10.2024 MMDT Bank Statement. 9. 10.2024 Operating Account Reconciliation. 10. 10.2024 Retirement Payments Bank Statement. 11. Warrants\_10.2024. 12. General Ledger\_1.2024. 13. Trial Balance\_10.24. 14. 10.2024 Operating Account Bank Statement. 15. PERAC Appropriation for FY26 (non teachers) received 12-12-2024.

**Outstanding/Ongoing Operations Issues: Christine M. Weir, Deputy Executive Director**

*November 2024 payroll update*

Ms. Weir provided an update on the payroll numbers for the month of November, 2024:

- 37 Total possible retirements
- 29 Superannuation cases
- 2 Death of active cases
- 8 Disability cases
- 1 Pre-Retirement Deaths
- 29 Cases made it to payroll
- 8 Cases did not make it to payroll

Ms. Weir informed the Board that the construction schedule continues, The System has received the bond. The general contractor will give the System the start date for the construction. Staff continues to work on all the backlogs.

**Legal Issues: Natacha Thomas, General Counsel**

None.

*Chairman vote*

Motion made, and seconded, to retain Election America to conduct Board vacancy election. This election is for the remainder of the vacant members term in October 2026.

*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Finn: Aye; and Member Cross: Aye.*

**Motion accepted (4-0)**

**Adjourn from Administrative Session**

The Board voted unanimously to adjourn from Administrative Session and enter into Executive Session at approximately 11:15 a.m.

Respectfully submitted,  
BOSTON RETIREMENT BOARD

Resigned Effective 12/10/2024

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



Karen T. Cross  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*



Scott Finn  
*Ex Officio Member*

Resigned Effective 12/10/2024

Michael D. O'Reilly  
*Elected Member*