

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

November 14, 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.

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, Greg Molina.

ALSO IN ATTENDANCE: Michael Manning, Kiley Fischer, Seth Goldman of NEPC, Luella Wong.

NOT IN ATTENDANCE: Thomas V.J. Jackson, Fifth Member

Administrative Session Convene

The Board voted unanimously (4-0) to enter into Administrative Session at approximately 10:10 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 September 17, 2018, as presented.

Motion accepted (4-0)

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

Executive Officer Smyth informed the board that the City Council has asked to discuss with him to discuss socially responsible investment. He will meet with them Thursday, November 15th for further information. Mr. Manning will be present and a report will be given to the board at the next meeting.

ABC Project Update

Luella Wong reported that the final ABC corrections on non-Active accounts will be completed this week. (4597 accounts) They handed off the

remaining non-zero refunded member accounts to the finance team for the final decision about which ones to flip back to Inactive status. (3214 accounts) A project summary report is in progress.

DQ Update

Ms. McCarthy reported the status of Transferred In/ Interest earned: They manually pulled salient data and will submit spreadsheet as source for automated fix. (800 of 852 accounts) 52 require a transfer letter from another board. Duplicate Buybacks and creditable service correction for 2013 – 2015. Segments have been submitted to Vitech. (158 and 623 accounts, respectively) They are just getting started with what is next in their queue. 1983 Balance forward correction. (264 accounts) Historic Refund correction. (898 accounts) Missing Refunds in V3 including Multiple Refunds. (#TBD) Missing deductions correction ("79 – "83) (#TBD)

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Private Equity Pacing Plan and Search Review

NEPC presented an abbreviated version of the System's annual Private Equity and Debt pacing plan. With a current actual allocation of 6.3% in Private Equity & Debt the System is well below its target of 11%. Therefore BRS will need to continue its commitments in this space. The goal of the pacing plan is to identify specific strategies for investment within the private markets and determine the annual commitment amount for the System. The System's commitment to Hamilton Lane (\$99m over 3 years) was included in the pacing plan. Hamilton Lane will be in next month for their annual review.

NEPC and the Board began discussing the respondents to the Plan's current search which is focused specifically on strategies in Energy, Private Debt and Special Situations. It was agreed that the search will focus on Energy first. Current Energy investments in Arclight VI and NGP XII funds are in their later harvesting stages. Mr. Kelly mentioned through the Arclight Fund the Board is an investor in multiple hydroelectric and wind projects in New England and across the country. Mr. McLaughlin asked if the Board could do a search within the renewable energy space and it was agreed this would be a good idea in 2019. For the current search the Board chose to invite managers Apollo, Kayne Anderson and NGP in to be interviewed. Within the Private Debt space NEPC stressed this search should be looking for managers with a higher target IRR. The System made a core like investment with Golden Tree in 2018 so the recommendation is to look for more aggressive/opportunistic managers in this search.

Global Equity Follow Up

Continuing the October meeting discussion NEPC shared with the Board with an analysis of NEPC's 1 rated (Preferred) Global Placement Lists candidates in the Global Equity space. NEPC recently met with 130/30 managers DE Shaw and JP Morgan. These strategies are not intended to make money on shorts rather they are used as a hedge to reduce risk. Therefore they will not necessarily perform better in times of market volatility.

EnTrust Permal Review

NEPC informed the Board that the EnTrustPermal Fixed Income Holdings N.V. had \$308m AUM in the vehicle through 9/30/18 and \$408m in the strategy. The System's investment in this fund is approximately \$73m. Due to concerns with underperformance and decreasing AUM in the strategy the Board will discuss and vote in December on whether to take action on this investment. Mr. Kelly informed the Board he had spoken with the manager and their belief is the Fund will perform well in a rising interest rate environment like the one we are in today. The fund has monthly liquidity and requires redemption notification by the 11th calendar day.

Q3 Performance Review

NEPC delivered to the Board the third quarter 2018 Investment Performance Analysis ("IPA") which provided absolute and relative performance for the System as well as individual manager analysis. The System returned 6.8% over the trailing one year period underperforming its allocation index by 10 basis points and ranking in the 64th percentile of its peer universe.

October 2018 Flash Report

The Total Plan was down -5.2% in October as every asset class performed negatively for the month. October's poor performance brought the YTD return down to a negative -2.7% with 2 months to go in 2018.

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

September 2018 payroll update

Pension payroll contributions; \$52,581,753, Total Payees; 15,033, Payroll non-contributors; \$319,052, Total payees; 58, Survivor/Beneficiary Retirees; 0, Disability Retirees; 5, Refunds; \$1,606,363, Members Refunds; 71 for \$1,368,367, Members Transfers; 9 for \$225, 336, Option B Refunds; 1 for \$12,660, operations Warrants; \$301,5217.

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

Ms. Weir provided an update on the payroll number for the month of October, 2018. There were 146 Possible =136 Superannuation, 6 Disabilities & 4 DOA's (Death of Active Member). 129 were processed, of which, 124 were superannuation, 0 DOA's and 5 disabilities. Regarding the 16 cases that did not make the payroll are list below. 11 superannuation, 4 DOA's and 1 disabilities. Reasons why they missed the Payroll; 1 Paternity, 1 BFD trying to locate minor children, 1 Member may rescind, 1 waiting on hearing officers decision, 1 legal matter, 2 Spouse's refusing to sign Final Papers, 8 didn't return their Final Papers, 1 in process of a BuyBack.

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

Litigation matter

O'Leary v. Lexington Ret. Bd., et al, CR-15-30 (CRAB Order of Partial Stay 11.06.2018)

On July 23, 2018 the Contributory Retirement appeal Board (CRAB) issued its Amended Decision, holding that the petitioner Joseph O'Leary was not entitled to include compensation for unused vacation time in his regular compensation for purposes of calculating his retirement benefits. Both PERAC and the petitioner have filed appeals to Superior Court. PERAC has filed an emergency motion with CRAB, seeking a stay enforcement of CRAB'S July 23, 2018 decision.

The following PERAC Memos offered for educational purposes only:

- PERAC Memo # 31-2018 re Disclosure of Compensation
- PERAC Memo # 32-2018 re Procurement

Thomas R. Hutchings BPD \$33,538.53

Motion made, and seconded, to accept and grant Member Thomas R. Hutchings a waiver request where a deduction rate error created a shortage and the member timely requested a waiver.

Motion accepted (4-0)

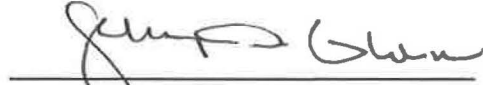
Adjourn

The Board voted unanimously (4-0) to exit Administrative Session and adjourn from Executive Session at approximately 11:40 a.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

NOT PRESENT

Thomas V.J. Jackson
Fifth Member