

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

December 17, 2021

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

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

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; John F. Kelly, Investment Analyst; Ellen M. McCarthy, Comptroller; Natasha Thomas, Assistant General Counsel; Gregory Molina, Board Secretary (all Staff remotely present).

ALSO IN ATTENDANCE: Michael Dwyer, Consultant; William Oates, Consultant; Michael Manning, Kiley Fischer of NEPC; Mark Andrew, Lee Tesconi of Lexington Capital; Garth Timoll Sr., Jessica Archibald of Top Tier; Tom Kerr, Tim D'Arcy, Ryan Cooney, Cori English of Hamilton Lane.

EXCUSED ABSENCE: Padraic P. Lydon, General Counsel; Christine M. Weir, Operations Officer.

Administrative Session Convene

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:02 a.m.

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of the November 17, 2021 meeting as presented.

Roll Call Vote: Member O'Reilly: Aye; Member Joyce: Aye; and, Chairman Greene: Aye.

Motion accepted (3-0)

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

Vitech update

Mr. Smyth introduced Michael Dwyer and William Oates for an update on Vitech. Mr. Dwyer opened by stating that the project is moving along well and proceeded by introducing Bill Oates

Mr. Oates stated that the global vulnerability known as "Log4j" is in fact part of Vitech's JAVA stack, but reasonable mitigation appears to be in place through prohibitions of external code execution. BRS is about a month into a 120 day "Base Scope Review Period" to observe and tweak cloud usage and performance metrics.

Lloyds of London shifted the cybersecurity insurance market with a "Nation / State" or "cyberwarfare" exclusion which is especially concerning in that it is the insurer who makes the final determination about who was the actor.

Mr. Oates will be reporting in coming months on cybersecurity, cyber insurance, and cloud management.

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

November 2021 Financial Snapshot

Ms. McCarthy reported November 2021 pension contributory payroll: \$58,141,393; Total Contributory Payees: 15,495; Total Non-contributory Payroll: \$280,145; Total Non-contributory payees: 34; New Regular Retirees: 125; Survivor/Beneficiary Retirees: 0; Disability Retirees: 12; Option C/Disb Surv: 5; Members Refunds: 78 totaling \$1,632,370; Members Transfers: 13 totaling \$185,708; Option B Refunds: 6 for \$191,844; Operational Warrants: \$491,551.

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

November 2021 payroll update

Mr. Smyth provided an update on the payroll numbers for the month of November. There were 82 total retirees, 80 Superannuation's, 1 Death of Active (DOA), 7 Disabilities. 5 were superannuation's, 1 DOA, 7 disability. 7 cases did not make it to payroll for November, 1 anti-spiking, 1 DRO (Ex Wife Death Certificate) 5 final papers not returned.

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

PERAC memoranda offered for educational purposes only:

- PERAC Memo 32-2021 re Cybersecurity and Internal Controls.
- PERAC Memo 33-2021 re Tobacco Company List.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Private Markets

Ms. Fischer stated that as detailed in the private market pacing plan, NEPC anticipates the private debt allocation to exceed its 4% target for the next few years while we continue to try to build towards our 7% target to private equity. This dynamic was expected given that private debt managers were quicker to deploy capital given the opportunity set. Lastly, as part of the planning process, NEPC will review the System's existing managers to see if there are any near-term fund closings and will time the private markets searches accordingly.

Real Estate Pacing Plan

The Real Estate pacing plan helps to determine annual commitment amounts for the System's 10% target allocation. New Real Estate commitments need to be made each year to maintain asset levels as funds wind down. The Real Estate search issued in 2021 encompassed commitments for vintage years 2021 and 2022. The System committed \$110 to Real Estate in 2021. Commitments were made across Value and Opportunistic strategies to maintain a diversified portfolio. NEPC recommends committing \$80 million to Real Estate for vintage year 2022. \$30M to Value Add, \$30M to Opportunistic and \$20M to Debt.

Private Equity Secondaries Search

Mr. Manning reminded the Board that the Private Equity search was issued in September on behalf of the System and focused on identifying secondaries strategies for a \$15 million mandate with the ability to commit more by including the 2022 commitment amount. At the November meeting, NEPC provided additional information on the secondaries market and search candidates. Three candidates were selected as search finalists and will be presenting today. The objective of today's presentations is to choose a manager(s) for the secondaries mandate.

Lexington Capital Fund X

Mr. Tesconi Opened by thanking the System for the nearly 20-year relationship that Lexington has served the System. The global financial secondary fund is what we are here to discuss today, Lexington 10. It does Venture, large buyout, international, infrastructure and credit funds. Mr. Andrew opened by stating that hopefully the Board has seen the firm's consistency and that is the theme of their story. The 600+ secondary transactions that the firm has made proves that they are delivering, particularly in tough times. Price matters to folks but certainly to close matters more. A lot of repeat investors are in the 600 secondary funds bucket because of what they are able to deliver. The 800 Sponsor

Relationships that's how they do their diligence. The communication with their sponsors is critical.

As for Secondary Performance as seen on page 3. It's 21.3% Gross/ 17.2% Net IRR and 1.7x Gross/ 1.6x Net Multiple. Mr. Tesconi then shared that Lexington can fill the fund two or three times over with so called GP lead deals. Lex 10 had a first close last week and they will have a close next week that will bring them to \$5 - \$6 billion of LP Capital. Importantly, because they are 95% committed on Lex nine. With 90% probability they will commence investing in Lex 10 in January of 2022.

Top Tier Venture Velocity Fund 4

Ms. Archibald stated that Top Tier Capital Partners is an investment manager with families of funds focused on primary commitments to venture funds LP and direct secondaries, and direct investments. For over two decades Top Tier and its predecessor firm have made 160+ global investments backing top investors and innovators. They have \$6 billion committed in active funds and SMA's.

Mr. Timoll went on to state that Venture Velocity Fund 4 is targeting \$400 million and it's an eight-year fund, focused on high velocity of distribution. 2.0x / 20%+ Net Return Target with three one-year extensions.

The platform started 11 years ago implementing deal executions, deal triangulation and information through its EIR program, data insights and research platform.

Fund Terms; Management Fee of 1% of aggregate capital commitments and a step-down to remaining cost five years post final close. Preferred Return; 6% preferred return compounded annually Carried Interest; 15% carried interest after 6% preferred return. 20% carried interest after 3.0x distribution hurdle.

Hamilton Lane Portfolio Secondary Fund VI

Ms. English introduced the group and gave an overview of the BRS investments and Fund VI. The City of Boston is a very important client to Hamilton Lane. A relationship that has generated since its inception a Net IRR of nearly 41% and a 1.5 multiple. A significant earlier contributor to that performance was the very first commitment they made on the Systems behalf. With the Hamilton Lane Secondary Fund IV back in January of 2017.

Mr. Cooney stated that Hamilton Lane has been investing exclusively in the private markets for 30 years. Assets under management & supervision are \$757.1B. They have 750+ clients and investors across 40+ countries with 18 Global offices. They have deployed ~\$31B in Capital in 2020. Over 100,000 portfolio companies monitored and 11,000+ Funds in database. Their mission and values are to do the

right thing. Integrity, candor and collaboration. A spirit of competition that inspires innovation. Pursuit of excellence and promoting equity and inclusion from within. They are amongst the largest and influential firms in the market. This size and scale provide their secondary platform in two key advantages. The first advantage is access. Sourcing advantage through their vast network and preferred buyer position. The second is information, information sourcing advantage through our market-leading database of company and sponsor coverage. It's nice to have that access to information but what do you do with it? Our team has years of experience. What sets the team apart from other firms is that they have had that experience together for a very long time. The senior members have averaged 15 years at the firm. This team collaborates with the other global investment teams that we have.

Mr. Kerr went on to state that Hamilton Lane's value proposition consists of seeing the market, having the tools and expertise to execute and the flexibility to invest in all segments and geographies. They are a relationship-oriented firm. They build relationships with fund managers. When you look at the growth of the secondary market, there has been an evolution in terms of how they look at these deals.

Mr. Manning asked about Hamilton Lanes fees? Ms. English stated the fees are exactly what they were for Fund IV. The System does not pay a separate account fee on a product commitment with Hamilton Lane. The System pays the product fee directly it has nothing to do with the other account relationship. Mr. D'Arcy added that there will be a discount to the System if they chose to invest into this fund. A 1% fee with a 10% early close incentive.

Member Jackson asked if the target funding is \$5 billion? Mr. Kerr answered in the affirmative.

The BRS Board and staff discussed the merits of the presentations, fees, terms, firm credibility, returns and allocation of funds.

Motion made, and seconded, to hire Hamilton Lane for the secondary Fund VI for \$15 million.

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

Motion accepted (5-0)

December Flash Report

Mr. Manning presented the December Flash Report stating that it wasn't a great month and the System was down -1.8 % in the month of November, bringing the YTD to + 9.4% and the One Year to +13.6%.

Proposed Work Plan for 2021-2022

Mr. Manning stated that NEPC has included an updated work plan with the including a proposed work plan for 2021-2022:

	December	January	February	March	April	May	June
TOTAL PLAN							
Asset Allocation			AA Review & Market Outlook				
Performance			Q4			Q1	
Education/Review							
TRADITIONAL							
Search/Presentations			Issue Small Cap Equity Search	Review Respondents	Search Analysis/ Presentations		
HEDGE FUNDS							
Program Planning							
Search/Presentations							
PRIVATE MARKETS							
Program Planning	Pacing Plan						
Search/Presentations	Finalist Presentations						
Performance			Q3			Q4	
REAL ESTATE							
Program Planning	Pacing Plan						
Search/Presentations							
Performance			Q3			Q4	

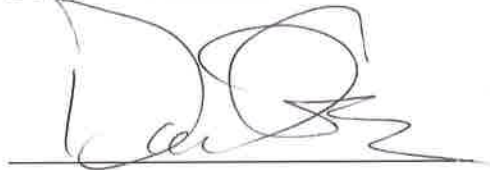
Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 11: 57 a.m.

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



Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



Maureen A. Joyce
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member



Thomas V.J. Jackson
Fifth Member