

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

March 18, 2020

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

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

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; John F. Kelly, Investment Analyst; Ellen M. McCarthy, Comptroller; Christine M. Weir, Operations Officer; Gregory Molina, Board Secretary. (All staff remotely present)

ALSO, IN ATTENDANCE: Mike Manning, Will Forde, Kiley Fischer, of NEPC (All remotely present)

Administrative Session Convene

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

Roll Call Vote: Chairman Greene; Aye, Member Jackson; Aye, Member O'Reilly; Aye, Member McLaughlin; Aye, Member Joyce; Aye. 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 February 19, 2020 meeting as presented with edit on remote attendance.

Motion accepted (5-0)

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

New England Archives Center

Mr. Smyth stated the System is in possession of aged payroll records that are deteriorating and in need scanning in order to preserve for future use. These books contain information on members from Boston Water & Sewer, Boston

Housing Authority, etc. Mr. Smyth strongly urges voting in favor of this proposal.

The Board discussed obtaining more than one bid for the project. Mr. Smyth endorsed the quality of work of the New England Archive Center. The Board would like to have more than one quote for this project. Mr. Smyth will enquire to obtain more price quotes.

The following PERAC memos were provided PERAC Pension News & Memos for educational purposes only:

- PERAC Memo 12-2020 re IRS Determination Letters;
- PERAC Memo 13-2020 re Updated Forms on PERAC Website;
- PERAC Memo 14-2020 re Required Minimum Distribution with attachment;
- PERAC Memo 15-2020 re Coronavirus Contingency Planning with attachment; and,
- PERAC Memo 16-2020 re Coronavirus Update.

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

February 2020 payroll update

Operations Officer Weir presented February 2020 payroll as such; she stated as a reminder that she was presenting in a different format going forward. The updates would continue to carrying over older cases that may take time to resolve. Many of these cases had legal issues that cause the delay in processing. The format going forward is to report carries over cases and then new cases.

Carry over from previous months, there were 8 previous cases; 5 were done 3 were left from the previous cases. They had issues with tracking the spouse down.

The new February retirement cases were total 59 cases, 58 Superannuation cases and 1 disability case. 49 Superannuation Cases processed, 9 cases missing. 7 cases were due to members' not returning final papers by deadline. 2 we are waiting for additional information from employer.

Member McLaughlin wanted to inform Ms. Weirs that he will be getting salaries from the Boston Public Schools for the four Boston Teachers Union officers with salary issues which he and Ms. Weirs have been trying to resolve. Aanything she could do to expedite would be greatly appreciated.

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

February 2020 Financial Snapshot

Ms. McCarthy reported the following: Pension payroll contributors: \$54,135,174 Total Contributory Payees: 15,182 Total Payees; Payroll (non-contributories) \$310,943; Total Contributory payees: 50; New Regular Retirees: 63; Survivor/Beneficiary Retirees: 1; Disability Retirees: 3; Refunds and transfers: 49 for \$605,428; Members Refunds: 43 for \$321,343; Members Transfers: 5 for \$276,319; Option B Refunds: 1 for \$7,766; Operational Warrants: \$680,340.

COLA base cost memo

Ms. McCarthy stated that COLA memo was in the Boards package. We have updated our estimates of the cost of increasing the Cost of Living Adjustment (COLA) base from \$14,000.00 to \$15,000.00, \$16,000.00 and \$17,000.00 for both the BRS Excluding Teachers.

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

Mr. Lydon informed the Board that he had no legal updates to bring to the Board at this time other than the PERAC Memos presented for the Boards education.

Mr. Smyth updated the Board on the legal matter of waivers. Staff has developed a spread sheet of 20 plus pages going back to 2012 on Board waivers approvals and denials. Mr. Smyth wants to review a little further before presenting to the Board. The project is underway and will be part of the Board package going forward. Member McLaughlin inquired if 2012 was the year that the waiver letters went out to Members and Mr. Smyth confirmed the year.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Private Debt Search

Mr. Forde opened by stating that they were supposed to have presentations by Niche Debt Managers but have adjusted that after speaking to the Managers given the Coronavirus issue.

Distressed Debt Update

Ms. Fischer stated that NEPC pushed the Niche fund presentations off until May. Mr. Manning will discuss having distressed managers Kennedy Lewis and Bain present at the April meeting given the current market climate and opportunities in the distressed space.

Mr. Manning stated that all other searches more likely would have to be pushed back at least a month due to the difficulty of conducting meetings given the circumstances. This includes the International Equity and Real Estate searches. We would love to conduct these meetings in person but if needed we can conduct them remotely as well. Mr. Manning proposed, and the Board agreed with being comfortable in bringing Bain Capital and Kennedy Lewis into the next meeting to interview as Distressed Debt finalist.

As a reminder, NEPC recommends committing an additional \$60 million to the System's Debt commitments.

Distressed Debt: \$25 million

Finalist: Bain Capital and Kennedy Lewis presentations have been postponed and will occur in April or May.

European Direct Lending: \$15 million

Committed: \$15 million to Crescent (January)

Niche Lending: \$20 million

- Structural Capital
- 400 Capital
- MC Credit

International Equity Search

As a reminder, the current search is being conducted to replace Fisher Investments within the System's International Equity portfolio. Fisher was terminated in October 2019. The assets were transitioned from Fisher to a State Street transition account, indexed against the EAFE benchmark. The State Street Account comprises approximately 5% of plan assets (\$260 million).

February 2020 Flash Report

Mr. Manning stated that Fiscal Year to Date the fund was -4.5% through February. Everything has changed since that report was calculated. NEPC has been estimating at the end of every day to try to figure where we think we are now. We're probably down in the -11.5 % range for the month. That would bring us to a rough YTD estimate in the 15% range. No surprise with what's going on in the market. In the last four trading days we've had two of the three worst days in the history of the market. The market volatility is incredible.

Asset Allocation Rebalancing

Mr. Manning went on to outline NEPC rebalancing strategy to the Board. For the generic rebalancing strategy, we see that there are four major choices that can be done. Ride it out and don't do anything. You can rebalance towards the target, don't go all the way to target. You can rebalance all the way back to your target or you can change the target. This can happen on both sides of the spectrum. When the markets were going crazy in a good way in 2019, we were taking money off the table and were rebalancing towards target. We didn't decrease our equity target at the time. We just kept rebalancing. In this case the equity market is obviously down significantly.

Our thought process in making these types of decision is one, how big a move should be done? Two, are there any changes in the economic outlook? Three, is there anything in the portfolio that is going to impact the rebalancing. We don't think so. The liquidity in the portfolio is good.

Through mid-March equity markets are down 20% -30%. US and emerging markets have done a little better this week and bonds are slightly up although bonds have really gotten hurt the last couple of days. Because of that most client's portfolio will be about 7% underweight equity. We advise clients today to rebalance toward their target.

The Board and NEPC discussed rebalancing percentages, strategies and timelines.

Motion made and seconded to approve the updated rebalancing recommendations as discussed and presented to move \$90 million from Core Fixed Income into Equities.

Motion accepted (5-0)

NECP Work Plan

Distressed Debt finalist; April - Bain Capital and Kennedy Lewis presentations. Manager Search/Presentations; April/May - Review Int'l Equity Respondents.

Mr. Kelly informed the Board that PERAC granted the BRS the approval to make a real estate commitment to Sculptor. He informed PERAC that the system had NEPC's Real Estate team in to the February meeting to discuss their insight on Sculptor and the provision in the LPA that allows the L.P's to separate the Real Estate division away from the rest of Sculptor. Finally he informed

PERAC that the Board had reaffirmed their commitment to hire Sculptor at the February meeting with a vote of 5-0.

Operational Issues

Due to the Coronavirus pandemic, Mr. Smyth informed the Board that the Mayor's wanted staffing to be at no more than ten bodies per department. The BRS has rotating staff during the Corona virus crisis. Some staff will be working remotely to make it work. We are confident that there will be no disruption in the pension payroll. Buybacks and statements will most likely be impacted but the core function of obtaining monthly pensions should be all set. We have daily contact with Vitech and we will be giving staff their marching orders and will be on a rotating schedule going forward.

We are promoting the BRS online services, we are open to the public by appointment only and have set up a six foot social distance counseling area.

Adjourn

Motion made, and seconded by roll call, to adjourn from Administrative Session and go into Executive session at approximately 12:20 p.m.

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