

MINUTES OF BOSTON RETIREMENT BOARD

**Administrative Session**

March 27, 2019

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 D. O'Reilly, Elected Member; Michael W. McLaughlin, Elected Member; and, Thomas V.J. Jackson, Fifth 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; Gloria Pizzarella, Chief Technology Officer; and, Greg Molina, Board Secretary.

ALSO IN ATTENDANCE: Michael Manning, Kiley Fischer of NEPC; James Athanasoulas, Frank Peters, John Morris of HarbourVest; Aron Dantzig, Riyadh Shahjahan of Capital IP.

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Administrative Session Convene

The Board convened 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 February 13, 2019, as presented.*

**Motion accepted (5-0)**

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

*COLA and COLA base update*

Mr. Smyth provided the Updated Additional Costs of Increasing the COLA Base from Segal. He informed the Board that public comment will be had on COLA and COLA base at the 04/24/2019 meeting.

### Outstanding/Ongoing Technology Issues: Gloria Pizzarella - IT Update

Ms. Pizzarella referred to materials previously sent to Board. Going forward, Mr. Jackson stated he wanted more detail. Ms. Pizzarella stated she would expenses from the Vitech grid.

As to work product, Ms. Pizzarella noted that in the month of February 2019, IT took on the retiree's 91A compliance duty and suspended members who were non-compliant. There were originally 42 non-compliant members, but 20 complied before we finished payroll last month. So we stopped 22 checks in addition to the 172 that we stopped due to noncompliance to PERAC or failure to supply affidavits. A question regarding overpayment was asked and Ms. Pizzarella answered that PERAC was in charge of that task.

A discussion was held on what is IT's role as opposed to Vitech. It was determined that IT made a program change and updated batch job to suspend EFT to a check so it could be held. IT runs a batch job every night. It gives a list of checks withheld to treasury. A question was asked on how many IT personnel handle this task and Ms. Pizzarella stated that there were four, including herself, Flor and 2 scan operators. Ms. Pizzarella noted that Flor has worked well with database queries and Vitech. Vitech conducts the complex queries and most of our expenses with them go to that task. IT has an issue and catalog log where queries issues are logged.

It was determined by the Board that if queries that are not complex, IT should look into conducting queries in house to cut down on expenses. Also, should replicate production database in real time, back up once a month by Vitech, conduct a disaster recovery plan and a full back up every night. They would like to see a processes spread sheet. Board would like to see an update by IT categories instead of Excel with tasks.

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

#### *2019 Private Debt Candidate Interviews*

After interviewing MGG, Maranon and THL Credit at the February Meeting, where the Board voted to commit \$30M to THL Credit the Board will interview two more private debt finalists today, Capital IP and HarbourVest.

#### Capital IP

Presenters: Aron Dantzig, Co-Founder and Riyadh Shahjahan, Co-Founder

Mr. Dantzig stated that Capital IP provides structured-credit solutions for emerging, late-stage technology and life sciences companies. The San Francisco based firm has raised \$120m of the \$350m target and expect to have a final close in Q2 2019. Highlights of the Capital IP Opportunities Fund, LP Include:

- CapIP has invested \$120MM to date in five investments, two of which have been realized.
- Proven credit-based investment strategy generating equity-like returns with unique “U-Shaped” return profile.
- Innovative, flexible approach to providing capital to inefficient markets especially technology.
- Strong downside protection, low correlation to other markets and macro factors.

The Fund targets a Net IRR of 15%. The management fees are 1.75% on committed capital; 17.5% carried interest over a 7% hurdle.

### HarbourVest

Presenters: James Athanasoulas, Managing Director, Fran Peters, CFA, CAIA and John Morris, Managing Director.

Mr. Athanasoulas stated that HarbourVest is a pioneering firm formed in 1982 with more than \$60 billion committed to investments over three decades. It’s an independent, employee owned firm with one of the longest track records in the industry. They have demonstrated performance across all strategies. The firm has an experienced and stable team consisting of 400+ employees, 47 managing directors with an average firm tenure of 13 years. They are headquartered here in Boston, Ma. Highlights of the HarbourVest Credit Opportunities Fund II include:

- A unique access to deal flow and strong credit volume provided by HarbourVest’s size, scale and through their platform.
- The fund Seeks current income and long-term capital gains for investors, with a focus on downside protection and capital preservation.
- The Portfolio consists of direct investments in junior credit securities complemented by equity exposure through warrants or other equity securities.
- The fund targets US-based lower middle-market and middle market companies (less than \$100 million of EBITDA) across multiple sectors.

The fund seeks a Net IRR of 13-16% by constructing a portfolio targeting 70% debt/30% equity. Management fees are 1% from the date of the first commitment to an investment through the fifth anniversary and declining by 20% of the prior year’s percentage for each year thereafter. Additionally any LPs who commit before the first close will not be charged management fees for the first twelve months.

*Motion made, and seconded, to hire HarbourVest and commit \$30M to the HarbourVest Credit Opportunities Fund II*

**Motion accepted (5-0)**

*Motion to split EntrustPermal disbursement to Blackstone and Grosvenor hedge fund space in the amount of approximately \$70M.*

**Motion accepted (5-0)**

*Hedge Fund Update*

At the February 2019 meeting, the Board voted to terminate the System's investment in EntrustPermal's Fixed Income Holdings. After further discussion of potential allocation options to invest the redeemed funds the Board made a decision to split the funds between two of the System's current HFOF Managers.

*Motion made, and seconded, to split the redemption of approximately \$70 million from EntrustPermal's Fixed Income Holdings between two current hedge fund of funds managers Blackstone and Grosvenor.*

**Motion accepted (5-0)**

*February 2019 Flash Report*

The Total Plan was up +1.5% in February which raised the YTD Performance up to a positive +6.5%.

*NEPC Work Plan*

Upcoming 2019 searches will include U.S. Large Cap Equity and a Renewable Energy/Infrastructure investment.

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

*February 2019 Financial Snapshot*

Ms. McCarthy reported the following: Pension payroll contributions: \$51,837,692; Total Payees: 14,999; Non-contributory Payroll: \$340,788; Total non-contributory payees: 56; New Survivor/Beneficiary Retirees: 2; New Disability Retirees: 4; Member Refunds: 51 in the amount of \$439,627; Members Transfers: 9 in the amount of \$273,898; Operational Warrants: \$445,763.

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

*February 2019 payroll update*

Ms. Weir presented an update on the payroll number for the month of February, 2019. She stated that there were 71 possible new cases (55 Superannuation, 10 Disabilities & 6 DOAs). Of the 71 new cases, 52 were processed (including 46 superannuations, 2 DOAs and 6 disabilities).

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

o Waiver Requests:

Blanca E. Bonilla.....\$3,758.50

*Motion made, and seconded, to deny Waiver request to Blanca E. Bonilla due to failure to present documents in a timely manner.*

**Motion accepted (3-2) (Messrs. O'Reilly and McLaughlin voted nay)**

Cecelia F. Fagan.....\$16,595.70

*Motion made, and seconded, to deny Waiver request to Cecelia F. Fagan due to failure to present documents in a timely manner.*

**Motion accepted (3-2) (Messrs. O'Reilly and McLaughlin voted nay)**

John F. O'Neill.....\$23,588.26

*Motion made, and seconded, to accept the waiver request of John F. O'Neill in the amount of \$23,588.26, where the member was never notified of any arrears.*

**Motion accepted (5-0)**

*Vendor Disclosures of Monitoring Firms*

Garret Bradley of Thornton Law Office and Frank McConville and Christine Fox of Labaton Sucharow presented regarding the withdrawal of the request of an amendment to the 2015 portfolio monitoring agreement between Labaton Sucharow and Boston Retirement System. A discussion was held. No action was taken.

Executive Session

The Board voted unanimously (5-0) to enter into Executive Session at approximately 12:07 p.m.

Adjourn

The Board voted unanimously (5-0) to exit Executive Session and adjourn from Administrative Session at approximately 12:21 p.m.

Respectfully submitted,  
BOSTON RETIREMENT BOARD



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



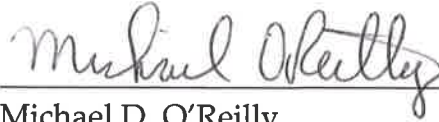
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Sally D. Glora  
*Ex Officio Member*



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Michael W. McLaughlin  
*Elected Member*



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Michael D. O'Reilly  
*Elected Member*



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Thomas V.J. Jackson  
*Fifth Member*