

**MINUTES OF BOSTON RETIREMENT BOARD**

**Administrative Session**

October 26, 2022

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

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

STAFF IN ATTENDANCE: Christine Weir, Interim Executive Director; John F. Kelly, Investment Analyst; Natacha Thomas, General Counsel; Ellen M. McCarthy, Comptroller; Lauren Santillana Interim, Operations Officer; Gregory Molina, Executive Assistant

ALSO IN ATTENDANCE: Will Forde, NEPC; William Oates, Consultant, Mike Dwyer, Consultant.

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**Administrative Session Convene**

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:07 a.m.

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

**Motion accepted (5-0)**

Motion made, and seconded, to accept the Administrative Session Minutes of the September 21, 2022 meeting as presented.

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

**Motion accepted (5-0)**

**Outstanding/Ongoing Administrative Issues: Christine Weir, Interim Executive Officer**

***IT Security***

Mr. Oates stated that Overall results positive. DoIT, Vitech solid partners with good cyber hygiene.

Specific items have been/are being addressed and short term & longer deliverables.

Mr. Oates went on to address the Boston Retirement System's (BRS) Cybersecurity Governance Library. The BRS needs Development and Communication of security policies and procedures, testing policies (Incident Response/Business Recovery), Enforcement. Additionally, the BRS needs to leverage best practices, DoIT & Vitech foundation.

Mr. Oates has been conducting partner meetings on key operations/security issues. Quarterly meetings will be held with DoIT team to refine roles and responsibilities, SLAs. Topics to be addressed are zero Trust, endpoint protection, enhanced user awareness training, etc.

Quarterly ops/security/AWS meetings with Vitech will be held and regular Board updates will take place. Going forward, the consultants will look at Board Member as Stakeholder. Outlining the financial risk and return as well as protecting and running the business.

*PERAC Investigation Report Theft of Fund Quincy Retirement Board*

Ms. Weir stated that there were two PERAC memos pertaining to member Board training and tobacco company listing for the Boards, for the Boards review.

Ms. Weir went on to discuss the PERAC investigation report theft of fund Quincy Retirement Board. (QRB) The QRB Director resigned and their system was hacked. Their investment firm transferred \$3.5 million to a fraudulent account. Unfortunately, it was not detected until October 22nd. PERACS findings are in the document provided by Ms. Weir.

Member O'Reilly Questioned whether any staff members were implicated in the hack.

Ms. Weir indicated that no staff was implicated in the report. Just the outside fraudulent entity.

Member McLaughlin questioned who on the Boston Retirement System (BRS) staff would initiate such a transfer request?

It was stated that Mr. Kelly handles these requests. He verifies the details of the money movement and drafts a memo that then goes to the City of Boston

Treasury department for processing. It then gets sent to State Street for payment. State Street then conducts a verbal verification call back to confirm the details and authenticity before payment. State Street has a secure online portal that staff and State Street has access to. Staff, treasury and State Street are meeting to discuss stream lining the process through State Streets online portal. This would also further reduce the cyber risk level.

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

Mr. Forde opened by stating that NEPC has provided a list of respondents to the System's private equity search. The search focused on identifying candidates across three different sub-strategies: diverse fund of funds, co-investments, and infrastructure/energy. They will review the diverse fund of funds respondents first, with the goal of (1) identifying a shortlist of respondents for further analysis, or (2) select candidates to interview at an upcoming meeting.

*Private Equity Search*

The private equity search includes the targeted commitments for 2022 and 2023. NEPC recommends committing ~\$100 million to the private equity program over the next two years. This does not include the Hamilton Lane allocation of ~\$80m per year. Diverse Funds of Funds are firms that invest with underlying managers that are diverse owned and/or led by an underrepresented demographic group(s).

NEPC recommends evaluating the respondents in the following order: Diverse fund of funds, Co-investments and Infrastructure/energy. NEPC also recommends committing ~\$100m across the three sub-strategies; \$30-\$50m to diverse fund of funds, \$30-\$50m to co-investments and \$20-\$40m to infrastructure. The annual pacing plan will be updated next month, and NEPC will adjust the commitment amounts if needed.

Mr. Forde answered questions from the Board on Diverse Fund of Funds managers. After Discussion, it was agreed that Barings (Emerging Generation Fund II), Wellington (Venture Investments 1) and Grosvenor (Advance Fund II) would come in to present at the November Board Meeting.

Mr. Forde also mentioned that Muller & Monroe (Private Equity Fund-of-Funds IV) and Recast Capital (Recast Capital Fund 1) could be of interest to the Board to interview in 2023.

**September 2022 Flash Report**

Mr. Forde went on to state that the month of September was challenging to performance as the system was down -5.3% in September. The three months were down -3.7% and the YTD was down -14.7% through September.

**Work Plan**

Mr. Forde stated that NEPC has included an updated work plan with the meeting materials. As shown on the work plan, we will be issuing the small cap equity search in this month. At next month's meeting, NEPC will provide the annual pacing plans. After further discussion with our research team, we feel comfortable with waiting until the beginning of 2023 to issue the hedge fund of funds search.

	October	November	December
<b>TOTAL PLAN</b>			
Asset Allocation			
Performance		Q3	
Education/Review			
<b>TRADITIONAL</b>			
Search/ Presentations	Issue Small Cap Search	Review Respondents	Analysis/ Presentations
<b>HEDGE FUNDS</b>			
Program Planning			
Search/ Presentations			
<b>PRIVATE MARKETS</b>			
Program Planning		Pacing Plan	
Search/ Presentations	Review PE Respondents	Analysis/ Presentations	- Presentations - Revisit PD Search (Direct Lending)
Performance		Q2	
<b>REAL ESTATE</b>			
Program Planning		Pacing Plan	
Search/ Presentations			
Performance		Q2	

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

### *September 2022 Financial Snapshot*

Ms. McCarthy reported the September 2022 pension payroll as follows: Contributory payroll: \$60,069,864; Contributory Payees: 15,641; Non-contributory payroll: \$277,038; Total Non-contributory payees: 32; Regular Retirees: 43; Survivor/Beneficiary Retirees: 0; Disability Retirees: 1; Option C/Disb Surv: 6; Members Refunds: 68 for \$ 1,045,871; Members Transfers: 5 for \$ 207,609 Option B Refunds: \$0 for \$0; and Operational Warrants: \$412,888.

### *September 2022 Financial Snapshot*

Ms. McCarthy informed the Board that staff has reviewed the Actuarial Request for Proposals that were submitted. The Actuarial Request for Proposals (RFP) was published on September 12, 2022. There were four Actuarial firms that responded to the RFP. Gabriel, Roeder, Smith & Company (GRS), KMS Actuaries, Segal Group and Buck.

The Technical proposals were opened at 2PM on September 26th. They were opened in Ms. McCarthy's, Mr. Camacho's and Ms. Kelsey Hayes's presence. The price proposals remained separate and sealed until the review of the technical proposals were completed. The Board was provided in today's Board package with Actuarial RFP, each firm technical proposal and the individual and combined scoring grids for all respondents. Also provided were price comparisons.

The review process was as follows. After opening all the proposals on September 26, Staff were instructed on the overview process for two hours. Staff went on to review each technical proposal and completed an evaluation grid. After careful review, rated highly advantageous, advantageous or unacceptable were assigned to the comparative valuation criteria that was set forth in the RFP.

The committee reconvened at 10: AM on September 28, 2022. To discuss the technical proposals and the individual evaluations. The general results and ensuing discussion on September 28th, it was determined that all four technical proposals were rated highly advantageous or advantageous as they met the criteria of the work plan. With the exception of GRS. They provided no timeline, no discussion of MGL Chapter 32 or PERAC. They were considered to be unacceptable.

As for the offer's qualifications, experience, partners and supervisory staff. The committee agreed, that while KMS and Buck had Massachusetts Retirement Systems as clients. The Boards that they service are a third the size of the BRS.

Neither GRS, Buck or KMS has staff with experience working with the Massachusetts TRS or any Retirement Board as large as Boston. GRS has no Massachusetts clients and no Retirement Boards as clients. KMS has only seven staff members in its entire organization. The only offer to receive a highly advantageous and advantageous scores for all the comparative criteria was Segal.

The committee found that Segal's technical proposal to be highly advantageous. The valuation approach provided an excellent description of the analytical procedures and was very specific on the work to be performed. The qualification and experience of the partner, supervisory staff and general staff were rated as highly advantageous. They have experience with large Massachusetts Retirement systems as well as the BRS have been a client for many years.

Upon careful review of the comparative evaluation criteria, that was set forth in the RFP and assigning grades of highly advantageous, advantageous and unacceptable, the committee recommends to the Board that the actuarial RFP consulting contract be awarded to Segal for calendar years 2023 to 2027. With an option to renew for the sixth and seventh year, per PERAC 's regulations.

As for the price proposal. At the completion of price proposal review. The committee opened the price proposals and reviewed them. It was determined by the committee that Segal had the lowest price proposal. Segal ranges from \$16 thousand dollars to \$23 thousand dollars less than the other offerors for producing the biennial evaluation and the GASB 67-68 report.

In summary, the RFP actuary committee highly recommends hiring the Segal company to perform BRS's annual evaluation and annual GASB 67-68 report from 2023 to 2027. With a two-year renewal option. Price proposals were not looked at until the committee felt confident that Segal would be the BRS's best option.

Member O'Reilly stated that although the committee did an outstanding job, according to Chapter 176 in 2011. Effectively MGL Chapter 32B. That covers procurement for Retirement Boards. He then read aloud that Each individual Retirement Board member also has to evaluate. The Retirement Board then decides which applicant to bring in and interview.

The Board members and staff then discussed MGL Chapter 32, 23B, Board's approval responsibilities, Boards review process, legal services RFP, clarity of the law, fiduciary responsibilities, reissuing RFP's, deadlines and due diligence.

Motion made, and seconded, to delay vote on Segal actuary and legal services Request for proposals (RFP's) pending PERAC clarification previous Board practices.

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

**Motion accepted (5-0)**

**Outstanding/Ongoing Operations Issues: Lauren Santillana, Interim Operations Officer**

*September 2022 payroll update*

Ms. Santillana provided an update on the payroll numbers for the month of September 2022. There were 35 possible cases, (34 Superannuation's, 1 Accidental Disability. Out of the 35 cases 32 were put on payroll. Plus, an additional 12 cases that missed prior payrolls. For a total of 44 new retirees. 43 superannuation and 1 disability. The 3 cases that did not make the September payroll. Ms. Santillana noted the following reasons the reasons members did not make it on payroll; were due to missing documents, 1 pending legal charges, and no final papers returned.

The BRS staff and Board discussed the new tax form that's needed for retirees.

**Outstanding/Ongoing Legal Issues: Natacha Thomas, Esquire**

*Legal update*

No legal update at this time.

**Adjourn from Administrative Session**

The Board voted unanimously to adjourn from Administrative Session at approximately 11:55p.m.

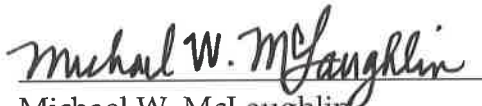
*Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye and Chairman Greene: Aye.*

**Motion accepted (5-0)**

Respectfully submitted,  
BOSTON RETIREMENT BOARD



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



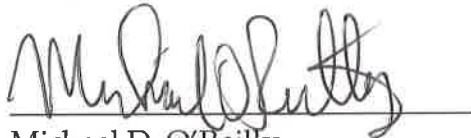
Michael W. McLaughlin  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*



Maureen A. Joyce  
*Ex Officio Member*



Michael D. O'Reilly  
*Elected Member*