

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

November 15, 2023

Boston Retirement Board

Auditing Department Room M-4 Conference Room

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael D. O'Reilly, Elected Member; Karen T. Cross, Elected Member; Maureen A. Joyce, *Ex Officio* Member; Thomas V.J. Jackson, Fifth Member.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Christine M. Weir, Deputy Executive Director; John F. Kelly, Investment Analyst; Natacha Thomas, General Counsel; Ellen M. McCarthy, Comptroller; Gregory Molina, Board Secretary

ALSO IN ATTENDANCE: Michael Manning, Kiley Murphy, Kristina Tomasik of NEPC; Gail Suyemotto, Sgt. Detective Kevin Witherspoon of BPD Detectives Union; Richard H. McLaughlin, Member.

Administrative Session Convene

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

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

Motion accepted (5-0)

Past Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of the October 18, 2023 meeting as presented.

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member Cross: Aye; , Chairman Greene: Aye

Motion accepted (5-0)

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

Administrative Update

Mr. Smyth asked the Board if the meeting could go out of order to accommodate member Richard H. McLaughlin who wished to be heard statement to the Board regarding his pension.

Mr. McLaughlin read from a prepared letter that was submitted to the Board for review. Mr. McLaughlin would like the Board to take the evidence provided in letter in consideration when determining his pension.

Mr. Smyth stated that the Board and staff would like him to submit the written PERAC waiver that he mentioned and the completed CJIS document. In addition, staff will review to see if there was any over payment by member McLaughlin.

Mr. Greene informed Member McLaughlin that the Board will take his statement into consideration.

- PERAC 2022 Annual Report re Appropriation Data. *This report was provided to the Board.*
- EY banned from auditing public interest companies in Germany over Wirecard - CNN April 2023. *This report was provided to the Board.*
- Boston Retirement Board - Meeting Dates and Standard Agenda for CY24 - filed 10.27.2023.
- Receipt - food for all staff for October payroll - 10.27.2023. *This was provided to the Board*

PERAC Memoranda for educational purposes only:

- PERAC Memo #22 2023. Appropriation Data;
- PERAC Memo #23 re Paid Family and Medical Leave and Supplemental Payments.
- PERAC Memo #24 re Outsourced Chief Investment Officer (OCIO) Policy.
- PERAC Memo #25 re Cybersecurity Training.

Mr. Smyth informed meeting attendees Gail Suyemotto, Sgt. Detective Kevin Witherspoon that the vacation buyback issue has gone to PERAC. PERAC must approve the proposed regulation before **it is implemented**. He noted that it is usually a 60 to 90-day time period.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Custody Search

Mr. Manning stated that NEPC will provide an analysis on the respondents to the System's custody search which was issued in compliance with PERAC requirements. The objective of today's discussion is to determine next steps in the search process.

Ms. Tomasik stated that a custody search was issued in September 2023 in compliance with PERAC regulations. State Street is the System's current custodian.

The minimum requirements for firms responding to the search are; Firm has at least \$1 trillion under custody for institutional clients and at least five U.S. based institutional public fund clients with assets in excess of \$20 billion. Firm must have at least \$50 billion in lendable assets within the securities lending program for each of the last five calendar years.

As expected, the number of responses were limited. There are a limited number of providers with the capabilities to service clients above the \$1 billion asset threshold. Two firms responded to the search, State Street and Northern Trust. Both firms are considered highly advantageous.

State Street and Northern Trust are established custody service providers with notable experience in the Public Fund space. Both firms are equipped with the systems, tools and technology to support Boston Retirement System across core custody and ancillary services. State Street and Northern Trust offer limited partnership administration services including capital call execution and document management (for an additional cost). There are slight differences between the proposed relationship staff including experience, volume of existing client relationships and team structure.

State Street, the incumbent custodian, responded with the lowest fee proposal. State Street has proposed a \$135,000 discount from the System's current fee. Northern Trust was unable to provide a Securities Lending evaluation without a detailed holding list

NEPC staff, BRS staff and the Board discussed the strength of both firms and its longstanding relationship with State Street.

Motion made, and seconded, to hire State Street for custodial services. for a term of five years with the possibility of two one-year extensions according to the information presented.

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member Cross: Aye; and Chairman Greene: Aye

Motion accepted (5-0)

Q3 2023 Performance Summary

Mr. Manning stated that NEPC reviewed the third quarter 2023 investment performance, which provides a high-level review of the plan's performance through September 30, 2023.

The market value of the plan is \$6.3 billion. For Q3 the plan was -1.9 %. Not surprisingly, it ranked in the 22% percentile. The plan has always had a conservative investment philosophy. Year to date up +4.3% which is good through three quarters. The one-year number is up +10.6%. The markets have really rebounded.

Private Equity Search

Mr. Manning stated as a reminder, NEPC put out The Private Equity search 11 respondents. Going forward, given PERAC's recent guidelines the new provider will have a flat fee and inform the System of the decisions there are going to make, prior to making them. NEPC received a variety of responses. Some quoted Asset based fees. Although they stated in the search that there will be no asset-based fees. Five firms listed a flat fee in a wide range of fees. Hamilton Lane was the only firm that responded with a flat fee and a discount on those fees. Hamilton Lane will come in for the December Board meeting to present their portfolio.

October 2023 Flash Report

Ms. Murphy stated that the plan was down -1.9%. during the month of November 2023. The YTD performance is up +5.2% through November 2023.

Work Plan-2023

Mr. Manning stated that NEPC has included an updated work plan with the including a proposed work plan for 2023

	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY
TOTAL PLAN							
Asset Allocation				Asset Allocation Review			
Performance	Q3			Q4		Q1	
Education / Review				NEPC Market Outlook			
TRADITIONAL							
Search / Presentations	Custody Search Review	Analysis/ Presentations			Issue Int'l Small Cap Search	Review Respondents	Analysis/ Presentations
HEDGE FUNDS							
Program Planning							
Search / Presentations							
PRIVATE MARKETS							
Program Planning		Hamilton Lane Update	Pacing Plan				
Search / Presentations		PE SMA Search Review	Analysis/ Presentations				
Performance	Q2			Q3		Q4	
REAL ESTATE							
Program Planning			Pacing Plan				
Search / Presentations							
Performance	Q2			Q3		Q4	

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

October Financial Snapshot

Ms. McCarthy reported the October 2023 pension payroll as follows: Contributory payroll: \$64,126,550; Contributory Payees: 15,789; Non-contributory payroll: \$503,998; Total Non-contributory payees: 42; Regular Retirees: 109; Survivor/Beneficiary Retirees: 1; Disability Retirees: 11; Option C/Disb Surv: 9; Members Refunds: 62 for \$ 1,230,190; Members Transfers: 7 for \$ 900,700 Option B Refunds: 1 for \$4,577; and Operational Warrants: \$363,759.

Ms. McCarthy informed the Board that she included 24 documents in the Board package for the Boards educational purposes only. Among the documents is the proposed 2024 Operating Expense Budget Assumptions for the Boards approval.

CY24 Operating Budget

The proposed CY 2024 budget is a 16% increase from the CY 2023 budget.

- Personnel increased slightly due to estimated CBA expectations.
- Technology increased by 81%. The reason for such a large increase is that BRS is running low on our prepaid hours. We last purchased 13,000 hours in 2020 for 2.2M. What we currently have left should last about six (6) months. A positive reduction in our IT budget is that the we are currently have only one bond with the City of Boston that we are repaying for our initial purchase of pension software from Vitech in 2013. The final bond will be paid in full in CY25.
- Finance increased by 11% primarily due to a slight increase in the Investment Consulting fees and Audit fees per the current contract for each vendor. There is a sizable increase in our Actuarial budgeted amount for 2024 as 2024 is a full valuation year.
- Legal & Disability increased 13%. The increase reflects a 20k increase in our outside legal costs as a result of the current contracts. There is a small increase in Hearing Officer costs. The biggest increase is related to the systems medical review vendor Sargent for whom we have increased their contract by 40k. There has been an increase in disability cases, but also a change in procedure wherein all presumptive cases are sent for medical review before proceeding. These two points along has added to the cost of this budget line. Indemnification invoices are also reviewed by Sargent, a cost which we continue to bear on the City's behalf.
- General Office increased 2%. This is related in part to an increase in postage as well as a contract with a Temp Agency to assist short time staffing.

Motion made, and seconded, to accept the proposed 2024 Operating Expense Budget Assumptions as presented.

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member Cross: Aye; and Chairman Greene: Aye

Motion accepted (5-0)

Outstanding/Ongoing Operations Issues: Christine M. Weir, Deputy Executive Director

October 2023 payroll update

Ms. Weir provided an update on the payroll numbers for the month of October 2023. Out of possible 118 potential new cases, 3 death of active, 104 Superannuation and 11 disability cases. 3 Members did not make payroll.

Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 11:50 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



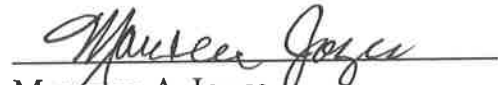
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



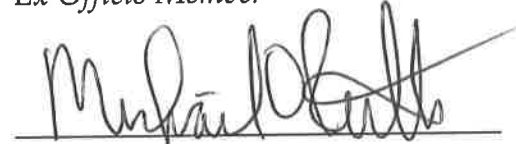
Karen T. Cross
Elected Member



Thomas V.J. Jackson
Fifth Member



Maureen A. Joyce
Ex Officio Member



Michael D. O'Reilly
Elected Member