

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

July 26, 2016

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael W. McLaughlin, Elected Member*; Michael D. O'Reilly, Elected Member; Thomas V.J. Jackson, Board Member (via conference call); Sally D. Glora, Ex Officio Member.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; Jonathan D. Lucas, Comptroller; John Kelly, Investment Analyst; Christine M. Weir, Operations Officer.

ALSO IN ATTENDANCE: Michael Manning, Will Forde of New England Pension Consultants.

Convene

The meeting convened and entered Administrative Session at approximately 10:20 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 June 16, 2016 as presented.

Motion accepted (5-0)

Outstanding/Ongoing Administrative Issues: Timothy I. Smyth Executive Officer

Administrative Update

Outreach Efforts

Mr. Smyth reported to the Board that staff conducted a retirement seminar at the Boston Public Health Commission at 1010 Mass. Avenue. The room was at capacity. Mr. Smyth reported that it was the first time a retirement seminar was conducted at 1010 Mass. Avenue in recent memory.

We will commit to conducting bi-annual retirement seminars at 1010 Mass. Avenue, hopefully expanding to the other departments in the building. Also, we have committed to staffing a once per month drop in session at that location to service our members who do not have easy access to City Hall.

Mr. Smyth reported that he hopes to conduct similar retirement seminars at the Boston Housing Authority and Boston Water & Sewer Commission by early Fall.

PERAC Education for Active Members Report Q2 2016

Mr. Smyth provided the Board members with their respective PERAC Education for Active Members Report Q2 2016 for their perusal. He requested that Board Members each review their report for accuracy; any errors/ omissions should be brought to his attention. On August 25, 2016 PERAC is offering a class on vendor disclosures at their Somerville offices; three educational credits can be earned for attendance. Additionally, Mr. Smyth emailed the Board the PERAC Emerging Issues Forum Agenda which will be held at Holy Cross College this September; three educational credits can be earned for attendance.

Proposed Supplementary Regulation re Membership Eligibility

Mr. Smyth provided the Board member with a draft version of a supplementary regulation pertaining to membership eligibility with the retirement system. The Boston Retirement System currently has a fairly broad definition of membership under M.G.L. Chapter 32. It was asked that the Board members read and mull over any questions or issues they may have for the August board meeting, when it is hoped a Board vote will be taken.

Scheduling of August Board Meeting

The August board meeting was re-scheduled to August 29, 2016, at 10:00 a.m.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Boston Municipal Research Bureau Report

Mr. Kelly summarized that the BMRB June Report reiterating Boston's 2015 poor performance in relation to its Massachusetts Public Plan peers. Mr. Kelly informed the Board that he had contacted Ben Stuart of the Boston Municipal Research Bureau who had authored the report to review some of the steps that are being implemented to address the shortcomings in investment performance and the Research Bureau's previous recommendations, specifically the Board's search for a discretionary private equity manager and the potential external review and recommendation of the hedge fund portfolio in its entirety.

Clearbrook Hedge Fund Proposal

Mr. Kelly distributed a proposal from Clearbrook Global Advisors to provide a deep dive review and recommendation on the Plans Hedge Fund Portfolio. We will discuss the Proposal at the August Board meeting.

Diversified Credit Search

The goal of the search was to identify a manager to take advantage of current opportunities within credit and also complement the System's existing fixed income managers. The scope of the search focused on liquid credit strategies that opportunistically invest across different sectors and asset classes including high yield, bank loans, distressed debt, and structured credit with a geographic focus in the U.S. and globally. NEPC has provided the list of respondents for the Board's review. After a thorough discussion of these managers, the Board instructed NEPC to invite Loomis Sales, Goldentree and Bain Capital to present at the August 29, 2016 Board Meeting.

Update on Private Equity Separate Account Search

This search was issued in June to target private equity managers focused on, but not limited to, the following strategies: buyout, venture, growth, and co-investments. In addition, the search targets managers who can also complement the System's existing private equity program while exploiting current market opportunities through a customized separate account. NEPC recommends committing \$100 million in aggregate across 3 years to the chosen candidate(s). Responses to the search are due today by 5 pm.

Rebalance

NEPC recommended the Board redeem \$40 million from Rhumbline and contribute \$20 million each to Zevenbergen and JW Seligman Columbia. The goal here is to take capital from managers that have performed well and re allocate it to managers who have underperformed as they are better positioned for more growth.

Motion made and seconded to redeem \$40 million from Rhumbline and give \$20 million each to Zevenbergen and JW Seligman Columbia respectively.

Motion accepted (5-0)

June 2016 Flash Report

June was a challenging month for active management. The total plan was down 50 basis points. Active management detracted from the funds by 80 basis points. The largest detractor was International Equities, which were down -4.2% after the Brexit vote. Conversely Emerging Market Equities were up +3.2%. This

month's performance puts a dent in this year's previous gains and brought the plan's year-to-date return to +1.4%.

Outstanding/Ongoing Financial Issues: Jonathan D. Lucas, Chief Financial Officer

Financial Snapshot

Mr. Lucas presented the June snapshot to the Board. He noted that the June payroll went out timely to 14,662 payees and totaled more than \$46.6M, 76 refunds and transfers were processed in June, and that operational expenses were approximately \$2.2M.

PERAC Annual Report 2015

Mr. Lucas provided the Board with a copy of the PERAC Annual Report 2015.

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

Operations Update

Ms. Weir provided an update on the payroll number for the month of June, 2016. There were 53 possible retirees, consisting of 34 Superannuation retirements, 13 disability retirements and 6 death of active member, of which 27 were processed.

The breakdown of the 26 unprocessed cases was as follows:

- 1 = Rescinded retirement
- 1 = Missing Documentation
- 2 = Updating QDRO
- 5 = Work in progress
- 2 = Process of buyback
- 9 = Missing Salary (1 BTM, 3 BPS & 5 BFD) and
- 6 = Did not return final papers.

Buy Back project

The buyback project continues to move forward. Ms. Weir reported that 178 outstanding buybacks are open for the backlog project, 47 ready for review and 193 cases were incomplete and closed. Ms. Weir reported from the new buyback list 361 were completed and 58 are waiting for review. Currently there are 94 open workflows. Questions regarding the incomplete buybacks were presented. Ms. Weir clarified the incomplete buybacks process regarding the 60 day window and buybacks that are unwanted was closed. Once the project has

been completed Ms. Weir will provide further verification of who responded and paid buybacks.

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

Waiver Request

Maura Hennigan \$7,291.52 City Council

This request had been held over from the June 15, 2016 Board Meeting to allow staff to research what the practice has been when inactive members (who did not receive the Board's 2012 letter) have put in a waiver request. The final warning letter was not sent to the member as she was inactive at that time. Board legal staff determined that it has been the policy to grant Needham waiver request from inactive members as they did not receive the Board's 2012 letter.

Motion made, and seconded, to grant the waiver request of Maura Hennigan in the amount of \$7,291.52 as the member was inactive and did not receive the Board's 2012 final notice letter.

Motion accepted (4-1)* *Mr. McLaughlin voted nay

The following CRAB cases were discussed for educational purposes only:

Filkins v. State Bd. of Ret., CR-11-715 (DALA dec. 06-10-2016)

Maillett v. State Bd. of Ret., CR-13-327 (DALA dec. 06-03-2016)

Schofield v. State Bd. of Ret., CR-13-494 (DALA dec. 05-06-2016)

Sinopoli v. State Bd. of Ret., CR-15-223 (DALA dec. 06-10-2016)

Soldi v. Worcester Regional Ret. Bd., CR-14-525 (DALA dec. 05-20-2016)

Adjourn

Board voted (5-0) to exit Executive Session and adjourn from Administrative Session at approximately 11:56 a.m.


Respectfully submitted,
BOSTON RETIREMENT BOARD



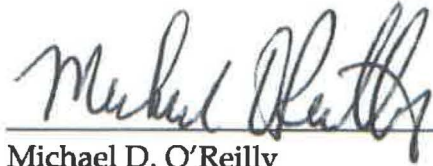
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



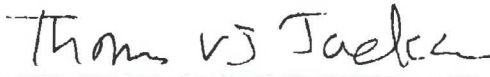
Sally D. Glora
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member



Thomas V.J. Jackson
Fifth Member