

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

October 19, 2016

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 W. McLaughlin, Elected Member; Michael D. O'Reilly, Elected Member.

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

ALSO IN ATTENDANCE: Michael Manning, Josh Koh and Sean Gill of New England Pension Consultants; Luella Wong.

NOT IN ATTENDANCE: Thomas V.J. Jackson, Fifth Member

Convene

The meeting convened at approximately 10:06 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 September 21, 2016 as presented.

Motion accepted (3-0)

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

PERAC Trustee educational administrative report 2016 Q3

Mr. Smyth asked Board Members to review the report for accuracy and inform him if there is missing information pertaining to their individual education hours.

Proposed Supplementary Regulation re Membership Eligibility Vote

Motion made and seconded to accept the Proposed Supplementary Regulation regarding Membership Eligibility as presented.

Motion accepted (3-0)

Annuity Balance Correction (ABC) Project

The Board had previously approved two individuals for one year appointments to work on this project. Mr. Daniel Tan has been hired and is already on board doing excellent work. At this point, however, the project is ready to ramp up. Mr. Smyth requested to increase the number of hires to five, including Mr. Tan. He reported that staff has interviewed a number of excellent candidates and would like to lock them into employment on the project. Additionally, Mr. Smyth requested permission to extend an offer (\$75 an hour, capped at 10 hours a week for 13 months) to retain Jenny Larm as a professional services contractor providing data review. Ms. Larm is a PeopleSoft expert who recently left the City's employment. Mr. Smyth noted that her expertise and institutional knowledge will prove to be invaluable to the project.

Ms. Wong then provided a brief update on the project and approach. The three groups being focused on initially are the deceased, the refunded and the retired. Ms. Wong reported that staff was still reviewing data and that there was a hesitancy to adjust active member data right away. Also, from the research done thus far, active accounts are cleaner than expected. There should be some quick initial progress including be a steep "up curve" up in accounts being cleaned. The approach being used will be articulated to ensure that all parties know and understand it.

Mr. McLaughlin arrived at 10:17 a.m.

Motion made and seconded to retain Jenny Larm for no more than three months through Atlantic Associates and through the Board for no more than ten months at an amount not to exceed \$37,500.00 and subject to PERAC approval.

Motion accepted (4-0)

Motion made and seconded to hire five contractors to work on the Annuity Balance Project for no more than three months through Atlantic Associates and through the Board for no more than ten months at an amount not to exceed \$45,600.00 each and subject to PERAC approval.

Motion accepted (4-0)

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst
New England Pension Consultants

Private Equity Separate Account Search

This Private Equity search was issued with the goal of identifying a candidate to manage a customized separate account to complement the existing

program. The manager would serve as a satellite position to the core private equity program and tactically take advantage of opportunities as they arise. It is anticipated that NEPC will work with the chosen manager on the implementation of its proposal, including a review of the structure of the existing core private equity program and general partnerships, establish targets/objectives relating to geography and strategy type, confirm annual commitment pace and amount. The expectation is that the candidate would invest roughly \$100 million in aggregate over 3 years. The Board had previously voted to interview the three below as finalists:

HarbourVest

Scott Voss, Managing Director & Portfolio Manager

Aris Hatch, Managing Director, Client Relations

Fran Peters, Vice Present, Client Relations

Mesirow

Marc Sacks, CEO – Private Equity

Bob DeBolt, CIO – Private Equity

Tom Hynes, Sr. Managing Direction – Private Equity

Hamilton Lane

Hartley Rogers, Chairman

Michael Koenig, Managing Director, Client Services

Corina English, Vice President, Client Services

In its materials, NEPC provided analysis focused on each candidate's proposal structures, expected number of investments and commitments, geographic breakout, strategy allocations, and fees, all specific to the Boston Retirement System. After the presentations and discussion, the following motion was made:

Motion made, and seconded, to invest \$100 million over three years with Hamilton Lane for a discretionary private equity separate account.

Motion accepted (3-1) *Mr. O'Reilly voted nay.

GAM CIO Departure

It was reported to the Board that David Smith, CIO of GAM Alternatives Investment Solutions ("AIS"), has departed the firm. Mr. Smith served as CIO and Chairman of the Investment Committee ("IC") for AIS. IC members collectively set the top-down view for the Institutional Diversity Fund.

Although Mr. Smith was Chairman of the IC, day-to-day management of the Fund was largely overseen by Anthony Lawler and Amir Madden, both of

whom remain at GAM. Mr. Smith's role as Chairman of the IC has been permanently assumed by Larry Hatheway, Chief Economist. Mr. Hatheway joined GAM a year ago from UBS and works closely with AIS and GAM's Multi Asset Class Solutions ("MACS") group. Mr. Hatheway's experience and top-down expertise combined with the continued day to day management of the fund by Mr. Lawler and Mr. Madden lessons the impact of Mr. Smith's departure. While the cause of the departure is in question, Mr. Smith chose to leave after an internal restructuring involving the merger of AIS and MACS.

Custodial Bank Search Update

NEPC provided a list of respondents to the recently issued custodial search under s for informational purposes only. Additional details on each respondent will be provided at a future date.

September Flash Report

The total plan up was up +0.5% for the month of September 2016, which brings the total plan up to +5.9% year to date. The September performance was driven by non US equities (+1.3%), emerging market debt (+1.0%) and high yield fixed income (+0.9%).

Work Plan

NEPC provided an updated proposed work plan and manager search schedule for 2016-2018.

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

Financial Snapshot

Mr. Lucas presented the September 2016 financial snapshot to the Board. He noted that the September payroll went out timely to 14,652 payees and totaled \$47,546,659 million and that 105 refunds and transfers totaling \$2,725,330 million were processed. The operational expenses were approximately \$460,319.

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

Operations Update

Ms. Weir provided an update on the payroll number for the month of September, 2016. There were 61 possible retirees (43 superannuation, 13 disabilities & 5 DOA's (death of active member), of which 41 were processed. Ms. Weir noted that of the 20 cases that did not make the payroll, 6 were superannuation retirements, 4 were DOA's and 10 were disabilities. The breakdown of the 20 unprocessed cases was as follows:

- 1= Waiting PERAC Approval for §10(2)(a) Termination benefits;
- 1= Missing Documentation;
- 2= Updating DRO with Probate Court;
- 1= Waiting Court Documentation;
- 1= Process of buyback/rollover;
- 1= Issue with over payment;
- 2= In process of calculating;
- 1= Process of roll-over;
- 7= Missing Salary (4 BPS, 1 BFD, 1 PWD & 1 Parks & Rec); and,
- 1= Did not return final papers timely.

Buy Back

The buyback project continues to move forward. Ms. Weir reported that 98 outstanding buybacks are open for the backlog project, 35 ready for review and 193 cases were incomplete and closed. Ms. Weir reported from the new buyback list 407 were completed and 98 are waiting for review.

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

Waiver Request

Mary F. Flaherty	BPS	\$2,572.27
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Motion made, and seconded, to grant the waiver request of Mary F Flaherty in the amount \$2,572.27 as presented because Ms. Flaherty timely responded to the November 2012 correspondence.

Motion accepted (4-0)

Mary F. Flaherty	BPS	\$1,156.37
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Motion made, and seconded, to deny the waiver request of Mary F. Flaherty in the amount of \$1,156.47 as presented because Ms. Flaherty was erroneously refunded the \$1,156.47.

Motion accepted (3-1)* *Mr. McLaughlin voted nay.

The following PERAC memos were discussed for educational purposes only:

- PERAC Memo 23-2016 re tobacco company list;
- PERAC Memo 24-2016 re Board member training;
- PERAC Memo 25-2016 re OPEB Summary; and,
- PERAC Memo 26-2016 re appropriation data due.

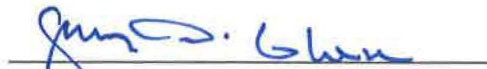
Adjourn

Board voted (4-0) to exit Executive Session and adjourn from Administrative Session at approximately 1:17 p.m.

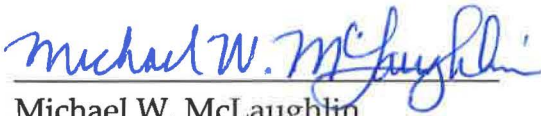
Respectfully submitted,
BOSTON RETIREMENT BOARD



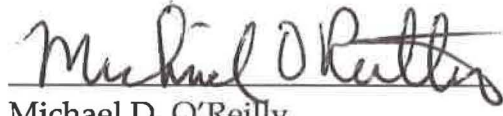
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



Sally D. Glora
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member

In Absentia

Thomas V.J. Jackson
Fifth Member