

**MINUTES OF BOSTON RETIREMENT BOARD**

**Administrative Session**

November 17, 2021

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

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

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, John F. Kelly, Investment Analyst; Ellen M. McCarthy, Comptroller; Christine M. Weir, Operations Officer, Natasha Thomas, Assistant General Counsel; Gregory Molina, Board Secretary (All Staff remotely present).

ALSO IN ATTENDANCE: Michael Dwyer and William Oates, IT & Upgrade Consultants; Michael Manning, Brian Cronin, Kiley Fischer of NEPC; Corina English, Michael Koenig, Timothy Darcy and Owen Burns of Hamilton Lane.

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**Administrative Session Convene**

*The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:03 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)**

**Previous Minutes**

*Motion made, and seconded, to accept the Administrative Session Minutes of the October 20, 2021 meeting as presented.*

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

**Motion accepted (5-0)**

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

*Vitech update*

Mr. Smyth introduced Mr. Dwyer for an update on Vitech. Mr. Dwyer opened by stating that both the V10 go-live and the start of a 5-day training for all staff including several users in Treasury and Health Benefits began on November 15, 2021.

Issues found on the Sunday, Nov 14 final review were quickly corrected or agreed as lower priority and to be corrected soon. Attention now turns to supporting upcoming initial weekly refund and monthly benefit runs. Due to timing of the cutover and Thanksgiving holiday, the first refund will be either November 24 or Dec 1; the first monthly benefit run will be on December 15 for payment on December 22.

Bill Oates marshalled two suitable vendors; Boston Retirement System (BRS) quickly assessed the vendors, chose, and created a small engagement that supported passing the MICR and formatting tests at Citizens Bank as well as some support hours for upcoming benefit runs if needed. (Special thanks to DoIT's Sherlock Mason and BRS's Flor Valencia in this work).

As for SSO / SLO; A major effort from very sophisticated technologists at both DoIT and Vitech solved the remaining interoperability issues so access to the V10 version of V3 is via the "Access Boston" portal as planned. At some future point, the parties will rejoin for further tweaks.

Work begins on managing shared infrastructure among AWS (Amazon Web Services), DoIT, and BRS. Vitech is preparing change order to replace mainframe file handling, notification, and 1099 printing over the course of Q1 2022. The Current training includes Member Self Service (MSS; sometime referred to as DSS or Digital Self Service) but BRS has targeted Q1 2022 for focus on how to phase in access for members and retirees / survivors. The final infrastructure tweaks for AWS reporting database access, cloud to local network file tracking, etc. continues BRS is now in the warranty phase of the project; contracting provides separate 30-day warranty coverage for any periodic processing not encountered in the initial use such as 1099s, affidavits, actuarial export, etc.

*PERAC Pension News No. 58*

Mr. Smyth stated that the PERAC newsletter is online and can be reviewed by the Board members at a later date.

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

*Hamilton Lane Portfolio Update*

Mr. Koenig began by sharing over the last year and a half coming out of Covid, the Private Markets have done really, really well. Some of it more Growth and tech focused, which led the Venture Capital sector of the market to return

+84%. Basic industrials materials businesses that you think of as the traditional buyout components, still a +50% returns over the last year.

This market continues to grow. Hamilton Lane's investment committee has looked into 1200 new primary fund investment opportunities to date this year. That is a record for them in terms of the number of funds they look at.

Rates of contribution and distribution remain around long-term averages for Q3 2021 with an uptick in distribution activity as the demand from buyers stays high. 2021 continues to be on pace to have a record fundraising year.

Ms. English continued by stating that from a performance perspective. Performance for the portfolio looks better and better every year. Since Inception IRR: 40.79%, Multiple: 1.54x, Net of Hamilton Lane fees. From an activity perspective, there are 13 new high-quality funds with the last commitment scheduled to close the week of November 22<sup>nd</sup>. Those funds are made up of 11 managers across a diverse group of strategies, geographies and industry specialist. As for allocation, they are in year three of their three-year investment period. Which is a \$240 million launch, committing \$80 million a year.

As for the strategic plan, Ms. English stated that Hamilton Lane will continue to do for the BRS what it has been doing since 2016. They will continue to build a high-quality portfolio that outperforms the market. The Horizon Model is a Hamilton Lane proprietary tool that uses existing portfolio information coupled with future allocation targets to create a quantitative future investment plan. The model uses a formulaic approach to projecting value and future cash flows using internal database of 4,500+ funds. The pacing model considers all historic commitments within the total Boston Retirement System Portfolio.

If the BRS continues to invest \$100-\$125 million in Private Equity, its modeled to increase BRS Private Equity allocation to 7.0% target within a five-year period.

#### *Private Equity Search*

The Private Equity search was issued in September on behalf of the System and focused on identifying Secondaries strategies for a \$15 million mandate. NEPC presented the respondent list at the October meeting. The objective of today's discussion is to choose a shortlist of candidates for further analysis, or to select finalists to present at the next Board meeting.

Ms. Fischer stated that in January 2021, the Board reviewed the annual private markets pacing plan and determined the System's targeted commitment amounts for the year. In 2021, BRS has made \$125 million private equity commitments with \$15 million remaining to reach the targeted amount. The private equity search was issued in September and is the final private markets search for 2021. The search focus is in Secondaries. The mandate size is \$15 million

but can go up \$30 million if the Board decides on a bigger commitment. The respondent list was provided at the October meeting.

Mr. Cronin stated the Secondaries market suffered a collapse during the Covid pandemic but they have really started to see a bounce back. With that said, Mr. Manning stated that as NEPC spoke about this market internally, the managers indicated with a green star are the ones that NEPC felt were more attractive. Lexington Capital Partners is a buyout fund primarily focused on LP stakes. Top Tier's, Venture Velocity Fund 4 and HarbourVest's Dover Street XI fund is another firm that NEPC recommends that does a combination of both LP stakes and the GP Led.

The Board and NEPC discussed the assets and strength of the proposed firms. The BRS Board decided to bring in Lexington, Top Tier and Hamilton Lane to come in and present to the Board.

#### *Portfolio Positioning*

NEPC will provided a market update and thoughts on portfolio positioning. The System is heading into the asset allocation period of the year. A couple of views from the NEPC asset allocation team is to reduce lower quality credit exposure by shifting Shift exposure equally to U.S. equity and safe-haven fixed income. Also reduce U.S. TIPS exposure by dispersing TIPS proceeds to safe haven fixed income and/or the portfolio and add large-cap value U.S. equity exposure.

#### *October 2021 Flash Report*

Mr. Manning presented the October Flash Report stating that the System was +2.1% in the month of October 2021, bringing the YTD to +11.6% and the One Year to +24.1.

#### *Work Plan*

Mr. Manning stated that NEPC has included an updated work plan with the including a proposed work plan for 2021.

	November	December	January	February	March	April	May
<b>TOTAL PLAN</b>							
Asset Allocation				AA Review & Market Outlook			
Performance	Q3			Q4			Q1
Education/Review							
<b>TRADITIONAL</b>							
Search/Presentations					Issue Small Cap Equity Search	Review Respondents	Search Analysis/ Presentations
<b>HEDGE FUNDS</b>							
Program Planning							
Search/Presentations							
<b>PRIVATE MARKETS</b>							
Program Planning	Hamilton Lane Update		Pacing Plan				
Search/Presentations	Private Equity Search Review	Finalist Presentations					
Performance	Q2			Q3			Q4
<b>REAL ESTATE</b>							
Program Planning			Pacing Plan				
Search/Presentations							
Performance	Q2			Q3			Q4

**Outstanding/Ongoing Operations Issues: Christine Weir, Operations Officer**

*October 2021 payroll update*

Ms. Weir provided an update on the payroll numbers for the month of October. There were 152 total retirees, 138 Superannuation's, 2 Death of Active (DOA), 12 Disabilities. 19 cases did not make it to payroll for October, 18 were superannuation's. 1 DOA. The reason members did not make it on payroll; 1 waiting for rollover, 4 missing salary, 1 changed option, 10 did not return final papers and 1 legal issue.

*Personnel*

Ms. Weir reported that BRS is still understaffed and shorthanded. Staff is doing their best in handling all the requests for estimates as well as buybacks. Management has hired two more employees that will take some time to train. There several open positions that management is working on adding to the staff. The BRS's priority is as always to the retiree's ability to get on payroll.

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

*October 2021 Financial Snapshot*

Ms. McCarthy reported October pension payroll contributors: \$59,086,745 Total Contributory Payees: 15,455 Total Payees; Payroll (non-contributors:) \$280,145; Total Contributory payees: 34; New Regular Retirees: 125; Survivor/Beneficiary Retirees: 0; Disability Retirees: 12; Option C/Disb Surv 5; Members Refunds 78 for \$ 1,632,370; Members Transfers: 13 for \$185,708; Option B Refunds: 6 for \$191,844; Operational Warrants: \$491,551.

*Proposed Operating Budget for CY22*

Ms. McCarthy also updated the Board on the proposed budget for 2022. The proposed CY 2022 budget is a 14% decrease from the CY 2021 budget. Personnel increased slightly due to estimated CBA expectations. Technology decreased -51% for a few reasons. First, we have completed our Vitech Software upgrade eliminating the costs associated. Second, we have shut down the Legacy System. Third, we are winding down on repayment of bonds for the initial V3 Software purchase and our annual P&I payments are smaller. Finance increased by 4% primarily due to the increase in Investment Consulting fees and slight increase in Audit fee costs. Legal & Disability increased 1% due to minimal increases in Legal subscriptions. General Office increased 5% which is a result of the increased costs associated with Cyber Security insurance as well as Fiduciary insurance. Estimated budget for 2022 is \$11, 128,853.

Mr. Smyth informed the Board that there has been a line item of \$500,000 expenditure for office renovation. The BRS will be moving into the space currently being occupied by 311 call center. The architects and property management looked at space and the System will move forward.

*Motion made, and seconded, to accept the proposed Operating Budget for CY22 as presented.*

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

**Motion accepted (5-0)**

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

*Procurement process for hearing officers*

Mr. Smyth informed the Board that historically the BRS has not done RFP's for hearing officers. Staff have spoken internally and there really is no reason not to. It makes sense due to the fact that the selection process has not been done in sometime. The System also has to do a 30A RFP, might as well do them simultaneously.

Mr. O'Reilly asked; How does the BRS utilize hearing officers? Mr. Lydon answered that much of it depends on scheduling. Staff has to make sure that we have a hearing officer available for the hearing dates. They rely on the applicants and attorney's schedule. Some of the cases are more complicated, so a specific officer is assigned based on the complexity of the case and the experience level of the officer.

Member O'Reilly acknowledged the provision and went on to asked; Why are some of the hearing officers paid a different rate than others? Mr. Smyth interjected that most of the respondents are asked to submit their fees in a sealed envelope. He suggested that a fee range should be developed that included what the Board is willing to pay for the service.

*Motion made, and seconded, to issue a Request for Proposal (RFP) for hearing officers and Chapter 30A for outside council. The System will honor all existing current contracts until expiration or renew contracts.*

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

**Motion accepted (5-0)**

#### **Adjourn from Administrative Session**

*The Board voted unanimously to adjourn from Administrative Session at approximately 11:38 p.m. Roll Call Vote: Member Joyce: Aye; Member O'Reilly: Aye; Member McLaughlin: Aye; Member Jackson: Aye; and, Chairman Greene: Aye.*

**Motion accepted (5-0)**

Respectfully submitted,  
BOSTON RETIREMENT BOARD



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



Maureen A. Joyce  
*Ex Officio Member*



Michael W. McLaughlin  
*Elected Member*



Michael D. O'Reilly  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*