

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

February 21, 2024

Boston Retirement Board

Pavilion Conference Room, Boston City Hall

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 Sullivan, Kiley Murphy of NEPC.

Administrative Session Convene

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 9:01 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 January 17, 2024, meeting 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 Administrative Issues: Timothy J. Smyth, Executive Officer

Waiver Request

Mr. Smyth informed the Board that that the first item for today's meeting is

a waiver request for Kevin Mojave. Member started with BPS as a custodian in 2000. BPS set him up at 7 +2 % when he should have been 9 +2%. He came in to file his paperwork. The system sent him a letter in 2004 identifying the arears. He also received a system wide letter in 2012 indicating the Systems new policy on waivers. We just recently sent him a third letter calculating his benefits and informing him that these arears were still outstanding. He executed an affidavit answering the three questions in the affirmative. The member is asking for a waiver.

Motion made, and seconded, to deny this Needham Waiver request of Kevon Mojave. His request was not made in a timely manner.

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

Motion accepted (5-0)

Mr. Smyth indicated to the Board that there were two forms in the Board packet stating the system has recently approved by PERAC. One is for indemnification for disability retirees for when they submit their medical records. We have updated that form. The form the system was utilizing was going back to the 1980's. The new one is much more user friendly. We've updated the form with ADR population.

PERAC has also approved our notice of injury form. Mr. Smyth sees this being used, particularly in those cases involving potential PTSD claims. If a member has had a particularly traumatic event and they document it and file it. PERAC has approved the use of this form. This will protect their rights down the road. Both forms have been uploaded to the systems web site.

Mr. Smyth discussed PERAC memorandae 7, 8 and 9. He also pointed out the PERAC Pension Newsflash, which announced that PERAC had appointed William Keefe as its new Executive Director.

The policy the system drafted on annual vacation buybacks leaves. Ms. Thomas and Mr. Smyth had a meeting with Patrick Charles about three weeks ago. They largely were very supportive of the language we drafted. The only caveat and its been corrected. Any buybacks prior to May 1, 2018 regardless of consistency is regular compensation. Mr. Smyth edited the memo to reflect that. Mr. Smyth sent the edited memo to Mr. Charles last night. The system will commence instituting that policy and recalculate some member benefits.

Documents Presented: 1. PERAC approval of reimbursement form for indemnification of ADR retirees - 01.22.2024. 2. PERAC approval of Notice of Injury Form - 01.22.2024. 3. PERAC Memo 7-2024 re buyback and make-up repayment worksheets. 4. PERAC Memo 8-2024 re PROSPER COLA Submission. 5. PERAC Memo 9-2024 re actuarial data.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Mr. Kelly wanted to inform the Board that he had a meeting with PERAC and Hamilton Lane to go over logistics on how should things work going forward. Given that PERAC issued in the memo. Everyone is comfortable with what is being proposed. It would be to have them participate in a five to ten-minute call to go over when there is an investment that they are recommending that need to be voted/approved by the Board.

2024 Asset Allocation Review

Mr. Manning stated that NEPC will provide their current market themes, opportunities, and asset class assumptions for 2024. The full NEPC market outlook will be provided as a separate document. Additionally, NEPC will review the System's asset allocation and discuss potential changes for the Board's consideration.

NEPC Research recently published its asset class assumptions and market outlook for 2024. Return assumptions decreased year-over-year across asset classes – The asset class assumptions and outlook information are included. At today's meeting we reviewed the System's asset allocation and provide a potential change for the Board's consideration. The System's expected return assumption is down from last year as asset class assumptions have broadly declined.

The System's current asset allocation is well positioned and diversified. While no major changes are needed, NEPC suggests making a minor adjustment to the allocation targets. NEPC recommends an Increase TIPS: + 1% and a Decrease Core Bonds: - 1%. In form of implementation. They NEPC feels that the System Adjust the IR+M targets to be 40% Core and 60% TIPS. R+M is currently 60% Core / 40% TIPS. With IR+M at ~5% of the portfolio, this would increase TIPS by 1%, and decrease Core by 1%.

NEPC would like to add U.S. Tips to policy targets. With the normalization of real interest rates, we recommend introducing dedicated U.S. TIPS exposure to strategic policy targets. IPS will compete with other

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diversifying assets in a strategic asset allocation, while representing a less complex and lower fee option. Strategic policy targets for TIPS set below a 5% level are unlikely to offer a material total return or diversification benefits to the portfolio. NEPC's preferred implementation approach is passive and should track the full TIPS index or the 1-10 Year TIPS Index depending on duration needs.

Mr. Sullivan outlined NEPC's strategic asset views. The current efficient frontier curve has flattened. A flat risk curve reduces the marginal benefit of adding risk to the portfolio. The market environment offers a challenging path for several years and will be difficult to repeat the last decade of strong returns. e mindful of long-term wealth objectives as shifts to fixed income from equity limit the potential return upside for portfolios. He asks that the Board be mindful of long-term wealth objectives as shifts to fixed income from equity limit the potential return upside for portfolios. Equity exposure over the long-term offers a wider range of outcomes and can provide returns well-above median expectations.

Motion made, and seconded, to increase the TIPS allocation by one percent (1%) and decrease the Core bond allocation by one percent (1%) within the IRN portfolio as presented in the NEPC deck.

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

Motion accepted (5-0)

Q4 2023 Performance Summary

NEPC will review the fourth quarter 2023 investment performance, which provides a high-level review of the program's performance through 12/31/2023. The one-year return was 11%. The update here is the risk and return metrics. For the last five years for the period ending December 31, 2023, the system has annualized at 8.4% percent. At a risk level of 10.5%. The system is just about average in terms of performance. An 8.4% return is great but the system took a lot less risks. The systems rank in terms of risks is 16. Meaning the system took less risk than 85% of the system's peers.

January 2024 Flash Report

Mr. Sullivan reported that the plan was down -0.1%. during the month of December. The YTD performance is up +7.5% and +5.9% in the one-year period.

Work Plan-2024

Mr. Sullivan stated that NEPC has included an updated work plan with the meeting materials. Additionally, NEPC has included an overview of the manager searches planned for 2024.

2024 Search Planning

Mrs. Murphy indicated that there a couple of searches that need to be conducted.

Private Debt for direct lending and credit opportunities. Commitment amount of \$60 million in February.

Real Estate for value-add and opportunistic/secondaries. Commitment amount of \$75 million in February.

Private Equity for energy/infrastructure. Commitment amount of \$30 million, which an issuing date TBD. Additional searches to be issued this year (7-year requirement): International Small Cap Equity and Hedge Fund of Funds.

Documents Presented: 1. NEPC February 2024 Meeting Materials.

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

January Financial Snapshot

Ms. McCarthy reported the January 2024 pension payroll as follows: Contributory payroll: \$62,189,147; Contributory Payees: 15,737; Non-contributory payroll: \$311,505; Total Non-contributory payees: 38; Regular Retirees: 15; Survivor/Beneficiary Retirees: 4; Disability Retirees: 7; Option C/Disb Surv: 8; Members Refunds: 54 for \$1,329,628; Members Transfers: 14 for \$774,147; Option B Refunds: 6 for \$190,781; and, Operational Warrants: \$190,948.

Ms. McCarthy informed the Board to refer to item 8 on her agenda, cash projections. One notable item that she would like to mention is that in December the system took in \$72,000.00 from the State for COLA reimbursement. Everything else for income and revenue is consistent. Staff is working on the bye year projections for March meeting. The other items in the package are standard items that PERAC asks to provide to the Board. Item I is the combined report that the Board asked staff to put into one file. The next couple of months the Board will be getting preliminary documents until everything is closed then the

final documents. Staff also sends preliminary documents to PERAC with falls in line with what they request each month.

Ms. McCarthy stated that she reached out to Vitech regarding the systems pre-paid hours. The system is reaching the limit of pre-paid hours the system purchased in July of 2020. They were expected to last four years. Negotiations have started to purchase more pre-paid hours at a reduced rate. The systems contract with Vitech ends in June of 2027. She would like to purchase hours that will at least get the system to the contracted end date. The cost was \$2 million to purchase 13,000 hours. She intends to purchase less since its only for three years. She is budgeting for an additional \$2 million.

Documents Presented: 1. January snapshot for calendar year 2024, 2. 12.23 Operating Reconciliation, 3. MMDT 0922 -State Boston Retirement Dec 2023, 4. 12.23 MMDT Reconciliation, 5. State Boston Retirement Operating #827-8 (4), 6. State Boston Retirement Direct Deposit #180-9 (2), 7. State Boston Retirement Payments #565-3 (2), 8. BRS Cash Projections 2023_Dec. Actuals, 9. Combined - CR_CD_Adj Summary-GL_TB_Warrants.

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

January 2024 payroll update

Ms. Weir provided an update on the payroll numbers for the month of January 2024, as follows:

26 Total potential cases
7.....Accidental disability cases;
1.....Pre-retirement Death cases;
18.....Superannuation retirement cases;
22.....Cases made it to payroll; and,
4.....Missed cases (all superannuation retirements)

Legal Issues: Natacha Thomas, General Counsel

Ms. Thomas stated there were no issues to discuss for legal issues.

Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 9:51 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

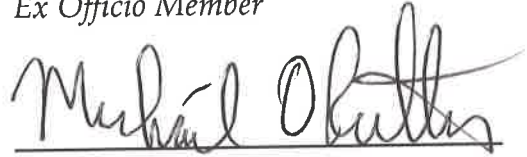


Karen T. Cross
Elected Member



Thomas V.J. Jackson
Fifth Member

Maureen A. Joyce
Ex Officio Member



Michael D. O'Reilly
Elected Member