

## MINUTES OF BOSTON RETIREMENT BOARD

### **Administrative Session**

February 24, 2021

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

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

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

ALSO IN ATTENDANCE: Alexander Lowry, Edward Spellman, Bill Porter, Fran Johnson, Gar Chung, Richard Deraney, Brian Norton, Fran Asselta, Mike Manning, Kiley Fischer, Will Forde, NEPC; Cori English, Mike Koenig, Owen Burns, Hamilton lane; Lindsay Chamberlain, Jose Morales, Axiom; Dara White, William (Ted) Truscott, Francine Asselta, William (Bill) Manthorne, Columbia Threadneedle; Matt Mecendor, Ben Falcone, Matthew McMenemy, Vontobel.

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### **Administrative Session Convene**

*The Board voted unanimously via roll call (3-0) to enter Administrative Session at approximately 9:31 a.m.*

*Member Jackson and Member O'Reilly were not present at the time of the roll call.*

### **Fifth Board Member Interviews**

- Interview of Alexander Lowry
- Interview of Edward Spellman

### **Previous Minutes**

*Motion made, and seconded, to accept the Administrative Session Minutes of the January 20, 2020 meetings as presented. Roll Call Vote: Maureen A. Joyce, Member McLaughlin; Aye, Member Jackson; Aye, Chairman Greene; Aye.*

**Motion accepted (4-0)** Messr. Jackson joined the meeting after the interviews of Messrs. Lowry and Spellman. Messr. O'Reilly had technical difficulties.

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

*Statement of Financial Interests (SFI) Online Submission Tutorial*

Mr. Smyth opened by presenting to the Board a statement of Financial Interests online tutorial from PERAC the Member O'Reilly brought to Mr. Smyth's attention and he is distributing solely for educational purposes.

*Pending Legislation (HD1794 and SD1686)*

Mr. Smyth continued by mentioning that there have been many bills filed that have garnered many members attention. One in particular is the Covid Credit. It is for three-year service or age for any combination thereof. If you worked onsite between March and December of 2020. At this time Mr. Smyth has absolutely no insight on the viability of these bills. Many members have been calling and asking and Board members may also be asked about the bill.

*Vitech upgrade*

Mr. Dwyer informed the Board that the project is on track. The system has a cloud instance that is beginning to be tested. The one-month test cycle began February 22, 2021 and its very promising. A process improvement study completed Linia Solutions a sub-contractor of Vitech. Engagement has gone very well. The BRS management team was very pleased. What is worrisome next are the major infrastructure items. Like check printing in the treasury vault, getting the cofax scanning to work with this new cloud instance, piggy backing the city's authentication and things like that.

Understanding that we have to watch our technology miscommunication, understanding we have a full agenda. The upgrade is on track. What they need to turn their attention to is this month-long test cycle and they need to working on in the next few months are on the complex infrastructure matter.

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

*NEPC*

Mr. Manning opened by telling the Board that the main focus of the meeting is to interview the Diverse Manager Fund of Funds Search. The Diverse Manager Fund of Funds Search was issued on behalf of the System and focuses on firms that invest with underlying managers that are diverse owned or

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diverse-led by an underrepresented demographic group(s). First Item on the table today, Hamilton Lane will provide an update on the Boston Retirement System relationship.

*Hamilton Lane*

Ms. English started by introducing Mike Koenig and Owen Burns. Mr. Koenig then opened by stating that the Private Equity market in the last year have mostly seized up at the beginning of the pandemic. That is true in both the deals that that were happening and the valuation of the funds and portfolios. The market traded down significantly and it was marked down significantly. That said, it has come back.

Ms. English went on to give a summary of the systems portfolio in terms of performance. Performance continues to look good for the HL portfolio. As of 9/30/2020, since Inception IRR: 26.40% and a Multiple: of 1.30%. You are off to a great start. Although its early, the average age of this portfolio is less than a year and a half. And about 30% of commitments on the ground. They are also monitoring and reporting on the Legacy piece exposure and the Non-HL PE Portfolio, they want to make sure that they are being mindful of the exposure in the rest of the systems portfolio and to make sure that they are working toward that goal of the performance of the program.

Mr. Manning from NEPC went on to introduce Mr. Forde NEPC's Diverse Manager Fund of Funds Search briefing. They had earmarked about \$30 million to commit to this space and now have more flexibility to commit closer to \$40 million. These firms will be investing into underlying Private Equity funds, by enlarge by focusing on finding diverse Private Equity funds of high conviction.

Baring and Grosvenor are very similar to each other, they will focus of the Buyout and Growth Equity space. They will make some tactical investments in Venture and some other areas. Greenspring will be unique in that they will make investments pretty much in the solely Venture space. They have historically made investments to Boston headquartered Venture funds. Mr. Forde then asked the managers to join meeting.

*Greenspring*

Mr. Wuestling opened by stating the firm was founded in 2000 exclusively focused on Venture. They manage about \$12 billion in assets and they're focus is on three distinct investment types within Venture. They are one of the largest allocators to fund investments within VC world having deployed \$4.5 billion to many of the well-known trade funds over the 21-year history. They

leverage the relationships that they have with they're fund managers to commit to invest in companies as well. They are active in investing in companies in the early stage all the way to the later stage. They are also active in secondary stage as well. They have a program that has deployed about \$1.5 billion over the course of their history. Their firm is comprised of 130 individuals and manage about \$11 billion in assets. If you were to have invested \$1 dollar in all their fund you would have generated a 19% Net IRR versus the public market equivalent of about 7%.

Mr. Wuestling then went on to state that the firm has benefitted greatly by having a number of great fund managers located in Boston. In turn they have made a number of direct investments into Boston based companies. About 48 total funds commitments to firms in Boston totaling \$150 million and about \$100 million through exposure of our underlying companies. Boston is near and dear to our hearts and we have a couple of companies that look like they could be big enduring job creators in the region.

#### *Barings*

Ms. Nazemi opened by stating that the firm has 20 investment team members focused on the lower and middle market and emerging managers. Note that, they are not a sub set of folks that are investing in this product or in this strategy. Every person on this team is dedicated to this space. Their team is quite diverse. Ms. Nazemi is a Latina also two thirds of their investment committee are woman and of diverse background and 50% of their investment team are woman and diverse as well. They have intentionally built this team with the fundamental value of diversity.

She then outlined what Barings brings to the table. A 30-year track record in the market. A senior team that has managed very similar mandates. A strong reputation and more importantly a repeatable process to invest in this segment of the market. Best idea fund and unparallel alignment of interest. An intense focus on lower middle market. A seasoned portfolio and j-curve mitigation. A strategic value from emerging managers and low fee advantage for the Boston Retirement system.

Ms. Weindruch continued by stating that the combination of all these factures, leads to emerging managers outperforming the market. The proof of that outperformance is in their track record. Over the last 27 years they have invested over \$2 billion in over 200 emerging manager funds and co-investments.

Generating consistently strong returns. Emerging managers tend to either outperform or underperform the broader Private Equity market.

*Grosvenor*

Mr. Idehen opened the presentation by stating that for them the name of the game has always been performance. Ultimately, they believe they have been able to deliver that via people. Both their people internally and the people they choose to partner with. For them the ability to deliver alpha and drive distinct and unique performance comes from embracing diversity. They like to do their best in underwriting the broadest spectrum of people with whom to partner. They believe they have the networks and the experience to be able to identify the highest quality managers that can generate consistent and repeatable alpha. They appreciated that these managers are not always easy to find. It requires unique access and they are thrilled to provide that to the system and build on the relationship. He then turned it over to Mr. Jones

Mr. Jones then stated that this has been an activity that they have been involved with a particular focus for 14 years. Over that time we have committed over \$5 billion to managers that happen to be women or people of color. About 150 investments, so it is a significant activity for the firm. 35% of our firms Private Equity allocation have gone to diverse managers over the last 3 years. The universe has become broad. They follow over 530 firms and the track records are a combination of established and emerging managers, its almost 50/50.

Mr. Howard continued by stating their Advance Fund invests in managers that have excellent track records. They wanted to create a turn key solution. Where with one check, LP's can get preferential access to some of the best diverse managers. Both emerging managers and established. It is diversified, it includes primary and co-investments, secondary investments and diversified across investment types. Buyouts, special situations, Growth and Venture.

Mr. Howard went on to discuss the firm's fees. Commitment Size: < \$50mm Primary Fund Investments: 0.50% Co-investments: 1.00% Estimated Average Annual Effective Fee: 0.42%. Commitment Size: ≥ \$50mm: Primary Fund Investments: 0.45%. Co-investments: 1.00% Estimated Average Annual Effective Fee: 0.40%.

The Board, BRS staff and NEPC staff discussed the merits and advantages of the presenters.

*Motion made, and seconded, to hire GCM, Grosvenor Advance Fund for \$25 million and Barings Emerging Generation Fund for \$20 million to satisfy the current diversity Private Equity search. Roll Call Vote: Member Joyce; Aye, Member O'Reilly; Aye, Member Jackson; Aye, Chairman Greene; Aye.*

**Motion accepted (4-0)** \*Member McLaughlin was disconnected from remote meeting.

#### *Emerging Market Equity Search*

Mr. Manning mentioned that at the January meeting the Emerging Markets Growth Equity finalists presented, and the list was narrowed down to Columbia Threadneedle and Vontobel. The objective of today's discussion is to select a finalist for the Emerging Markets Growth mandate. The search overview, including each manager's new fee proposal. Columbia's fees are 50 basis points. They cannot lower fees on the Emerging Markets strategy but they would lower the fees on Large Cap strategy at a three-basis point discount. Vontobel who was at 70, came back and offered a new share class, a new comingle trust. They offered founder pricing of 45 basis points. Fees much more attractive to where they were. Late yesterday, a key PM at Columbia is leaving to a competitor but NEPC does not see this as impactful at this time.

The Board and NEPC discussed and determined at this time to hold off on the decision to vote on the Emerging Market strategy.

#### *Manager Update*

Mr. Manning informed the Board that the fixed Income manager, Wells Asset management is being bought out in a Private Equity transaction. There is nothing to act on at this time.

#### *Real Estate Search*

Mr. Manning stated there a couple of managers that are historical managers for the system that are going to be closing in the very near future. The Venture Lending and Leasing they thought was an April close, its actually May. Mesirow on the Real Estate side is going to close and the system has \$80 million on the Real Estate side to commit. In the event that there interest the searches need to begin shortly in April or May.

Member McLaughlin asked Mr. Manning for an update on Segal. Mr. Manning responded that their performance has been very strong over the past

three months. They are up 20%. Still lag the benchmark so far this year. He did an update through last week. They are ahead of their benchmark again. Good

*January 2021 Flash Report*

Mr. Manning stated that they had December numbers and one thru January. He stated that the fourth quarter of 2020 was great. The system was up 10.6%. Ranked in the top third. For the year the system made 12.3%, which is an incredible return.

Next steps: NEPC will initiate Private Debt and Real Estate searches. Will not have managers in at the March meeting, more likely in April meeting. Follow up on the Emerging Market manager search in April. NEPC does have a planned Fixed Income search for this year.

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

*January 2021 Financial Snapshot*

Ms. McCarthy reported Pension payroll contributors: \$55,158,423 Total Contributory Payees: 15,173 Total Payees; Payroll (non-contributors:) \$ 283,501; Total Contributory payees: 38; New Regular Retirees: 27; Survivor/Beneficiary Retirees: 2; Disability Retirees: 2; Refunds and transfers: 43 for \$1,055,474; Members Refunds: 34 for \$771,783 Members Transfers: 5 for \$200,94; Option B Refunds: 4 for \$83,597; Operational Warrants: \$271,156.

Management Responses PERAC 2014-2017 Audit

Ms. McCarthy also noted that she hoped that everyone reviewed the seven-page document that PERAC auditors brought to the systems attention. PERAC wanted responses from management, which management has done. Ms. McCarthy reviewed each finding with the Board. Ms. McCarthy noted that many of the findings are outdated given that the audit was for years 2014-2017.

*Motion made, and seconded, to accept the PERAC audit management responses as presented.*

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

*Motion accepted (5-0)*

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

*January 2021 payroll update*

Ms. Weir provided an update on the payroll number for the month of January. There were 38 Possible cases, 31 Superannuation's 5 Death of Active, 2  
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Disability. Seven cases did not make it to payroll for January for the following reasons: members missing information, one missing a specific DRO, one member did not respond and one in which staff was waiting on salary.

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

*Waiver Request – Brian O’Neill*

Mr. Lydon informed the Board that he had one Needham waiver for the Board to consider. It’s for member Brian O’Neill, he originally went into service with the system in 1992. He resigned and refunded a couple of years later and returned a year later and was deducted at his original 7+2 rate. They error was discovered in 2003. He did redeposit the refund, in 2003 he was notified that he had a shortage. He believed he filed for a waiver at that time, he did not. He was sent a letter and he did reply to the November 2012 letter. Mr. Lydon would recommend approval of this Needham waiver.

*Motion made, and seconded, to approve the Needham Waiver request of Brian O’Neill in the amount of \$4,406.28 because he responded in a timely manner.*

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

***Motion accepted (5-0)***

Mr. Lydon stated that there were seven PERAC memos for the Board’s consideration:

- PERAC Memos offered for educational purposes only:
- PERAC Memo 5-2021 re PROSPER SFI online submission
- PERAC Memo 6-2021 re 2021 Interest Rate set at 0.1%
- PERAC Memo 7-2021 re buyback and make-up repayment worksheets
- PERAC Memo 7-2021 re worksheet
- PERAC Memo 8-2021 re Required Minimum Distribution
- PERAC Memo 9-2021 re actuarial data
- PERAC Memo 10-2021 re forfeiture of retirement allowance for dereliction of duty by members.

**Executive Session**

*Motion made, and seconded, to enter Executive Session at approximately 12:43 p.m. It was announced that the Board would reconvene in Administrative Session for the vacant fifth board member vote.*

*Roll call vote; Member Joyce; Aye, Member O’Reilly; Aye, Member Mclaughlin; Aye, Member Jackson; Aye, Chairman Greene; Aye.*

***Motion accepted (5-0)***



**Administrative Session Reconvenes**

The Board voted unanimously via roll call (5-0) to enter Administrative Session from Executive Session at approximately 12:54 a.m.

**Fifth Member Vote**

The Board discussed the merits and qualifications of all candidates for the vacant fifth member position on the Boston Retirement System.

Motion made, and seconded, to appoint Mr. Spellman as fifth member of the Boston Retirement System.

Roll call vote: Member Joyce; Nay, Member O'Reilly; Aye, Member Mclaughlin; Aye, Chairman Greene; Nay.

**Motion fails as a tie vote (2-2)**

Motion made, and seconded, to Vote Mr. Jackson as fifth member of the Boston Retirement System.

Roll call vote: Member Joyce; Aye, Member O'Reilly; Nay, Member Mclaughlin; Aye, Chairman Greene; Aye.

**Motion accepted (3-1)**

**Adjourn from Administrative Session**

The Board voted unanimously to adjourn from Administrative Session at approximately 1:05 p.m. Roll Call Vote: Member Joyce; Aye, Member O'Reilly; Aye, Member Jackson; Aye, Chairman Greene; Aye.

**Motion accepted (4-0)**

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



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Thomas V.J. Jackson  
*Fifth Member*