

Minutes of Boston Retirement Board
Administrative Session Minutes
April 15, 2015
Boston Retirement Board, Room 716
Boston, Massachusetts 02201

IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael W. McLaughlin, Elected Member; Thomas V.J. Jackson,¹ Fifth Board Member; Michael D. O'Reilly, Elected Member; Sally D. Glora, *Ex Officio* Member.

STAFF: 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 Sullivan, William Forde and Seth Bancroft, of NEPC; Samuel Tyler and Benjamin Stuart of Boston Municipal Research Bureau.

Convene

Administrative session convened at 10:12 a.m. and introductions were made.

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of the March 18, 2015, meeting as presented.

Motion accepted (5-0)

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

- *Boston Municipal Research Bureau report*

Samuel Tyler presented to discuss BMRB's 12/31/14 report entitled, "Revisiting Boston's Pension System." Mr. Tyler noted that pensions represent 12.4% of increase in spending. Mr. Tyler stated that PRIT outperformed Private Equity return of SBRS by over 10% and that the SBRS should consider using

¹ Mr. Jackson departed at 12:28 p.m.

PRIT and moving assets. Mr. Tyler discussed the significant investment made by SBRS in technology and noted that the right skills need to match the systems. He further stated that there should be a complete teacher transfer to Mass. Teachers Retirement System. Mr. Tyler noted that SBRS is in "pretty good shape" compared to public pension systems across the country.

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

- *Core Fixed Income Search*
 - *Income Research & Management - represented by William O'Malley, CFA, Managing Principal; Brian Houle, CFA, Principal and John Sommers, Managing Principal, Senior Portfolio Manager*

IR+M is a boutique firm that is 100% employee owned, specializing only in investment grade fixed income. They are a conservative high quality fixed income manager within long, intermediate or short duration. The State of New Hampshire was their first public client and their management fees are 22.5 bps.

- *Dodge & Cox - represented by Deirdre A. Curry Vice President*

Dodge & Cox is 100% employee owned, and the credit research team makes recommendations for both their fixed income and equity divisions. They are a Conservative Core Plus manager, with some below investment grade exposure. They do not invest in EMD or global bonds. There is a \$200 million minimum for a separate account. Their Management fees are 43 bps in the pooled fund.

- *BlackRock - represented by Matthew Marra, Managing Director and Donald Perault, Institutional Client Business*

BlackRock described this as their best idea, go anywhere fund. It has generated 1st quartile returns for the last 1, 3 and 5 year returns. This fund is risk aware not risk averse. Strategy has broad flexibility to invest across global fixed income and derivative markets. The strategy is led by Fixed Income CIO, Rick Rieder and PM Bob Miller with broad support sourced from sector specialists. BlackRock does not really do separate accounts. Their Management fees are 65 bps in the pooled fund.

It was noted that the 3 current Core Fixed Income managers, SSGA, Richmond Capital and Wells have all done what has been asked of them. After the 3 presentations from the proposed managers today and discussion between NEPC, the Board and Board Staff, the following motion was made:

Motion made and seconded to postpone the vote on the Core Fixed Income Search for further due diligence and discussion on how best to optimize the construction of the Core Fixed Income allocation amongst the current and proposed managers that presented today.

Motion accepted (5-0)

- *GoldenTree Update* – Investment analyst John Kelly updated the Board on the status of GoldenTree. The Board voted to commit \$25 million to GoldenTree's Distressed 2014 fund at the February meeting to fulfill a portion of the System's 2015 credit opportunities commitment. PERAC has not granted the Board the approval to hire GoldenTree due to concerns about placement agent fees and a recent suit brought against GoldenTree by the Philadelphia Teamsters Union.

- *March Performance* – An estimate of the System's March 2015 performance was provided by NEPC. The Plan was down -0.6 for the month of March but is up +2.0 YTD. Equities were down -1.0 for the month while Core Fixed Income was up +0.6.

- *Risk Parity* – There will not be any Risk Parity education at the May Board Meeting.

Outstanding/Ongoing Financial Issues: Jonathan D. Lucas, Comptroller

- *Financial Snapshot*

Mr. Lucas reviewed the March financial snapshot with the Board noting that the monthly payroll went out on time to 14,564 payees; the monthly payroll was \$45,646,515. He stated that operations warrants for March were \$2,315,579. Operations warrants were higher than other months due to a bond payment of more than \$1M.

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

Ms. Weir provided an update on the payroll number for the month of March 2015. There 80 possible retirements = 62 Regular Retirees, 14 Disabilities & 4 DOA's (Death of Active Member). There were 80 possible retirees, of which, 67 were processed (53 superannuation and 2 DOA's and 12 disabilities). Regarding the 13 cases that did not make the payroll, 9 were superannuation retirements, 2 were DOA's and 2 were disability retirements. We had 19 cases carried over from last month.

The breakdown of the 13 unprocessed cases is as follows:

- 7 members did not return final papers

- 3 were in process of buyback rollover
- 1 case was not completed in a timely fashion
- 1 case required additional salary
- 1 case was missing member information

- *CBA Update*

We are still working on the older cases and making progress. We are moving along the 2014 CBAs as we have worked to have a query designed so that we can pull the data. All the autonomous agencies have provided their respective CBA files. Since then, 90% of BWSC and PHC have been completed; BRA does not have any CBA's to be completed.

- *Buy Back*

We have started the training with the new groups on buybacks and continue to move forward on piloting our new review process. The new review process is working out very well. A new employee (John McCarrick) has started. He will be designated solely to process buybacks. Discussions were held around Mr. McLaughlin's request to provide update on progress to the board on a monthly basis. We will be kicking off the process and begin sending letters within the next month to the folks that we have identified missing information.

- *Training*

Ms. Weir is working on coordinating with Vitech for V3 training for end of May. This training will be conducted in three tiers: (1) new employee training, (2) refresher training to ensure that all groups are using V3 fullest capabilities and (3) manager training to ensure that all report functionality is being used.

Outstanding/Ongoing Legal Issues: Padraic Lydon, General Counsel

The following PERAC memoranda were discussed for educational purposes only:

- Tobacco Company list, Memo 9, 2015 companies we cannot invest in.
- PERAC, Memo 10, 2015. Mandatory retirement and Board member training.
- PERAC, March 2015 Pension News #39.

- Bernardino Guevara

\$1,510.11

Motion made, and seconded, to deny waiver request of Bernardino Guevara in the amount of \$1,510.11.

Motion denied (4-0). Mr. Jackson was not present.

Enter Executive Session

A roll call vote (4-0) to enter Executive Session was had at approximately 12:49 p.m. Mr. Jackson was not present.

Respectfully submitted,
BOSTON RETIREMENT BOARD



Daniel J. Greene
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