IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael W. McLaughlin, Elected Member; Sally D. Glora, Ex Officio Member; 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: Benjamin Stuart, Boston Municipal Research Bureau; David Sweeney, City of Boston CFO; Michael Manning, NEPC; William Forde, NEPC; and, Michael Sullivan, NEPC.

MEMBERS OF BTU RETIRED TEACHERS CHAPTER: Refer to sign-in sheet.

NOT IN ATTENDANCE: Michael D. O'Reilly, Elected Member

Convene

Administrative session convened at 10:07 a.m.

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of the December 14, 2014, meeting as presented.

Motion accepted (4-0)

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

• COLA base

David Sweeney, City of Boston CFO, stated that the City had no opinion, as of yet, whether or not a COLA base increase is appropriate. Mr. Sweeney noted that it was difficult to consider a COLA base increase without an updated Valuation report. Mr. Smyth indicated that the January 1, 2014 Valuation from Segal should be prepared for the February 2015 Board meeting.

After some discussion, it was agreed that the COLA base issue would not be considered for vote until the March 2015 Board meeting, at which time the Board members would have had an opportunity to review the information
contained in the January 1, 2014 Valuation. Mr. Sweeney stated he would attend the March 2015 Board meeting.

Multiple members of the BTU Retired Teachers Chapter were present and inquired about the schedule for a decision on the COLA base. The BTU RTC also offered a written request seeking to increase the COLA base to $16,000. In addition, Lawrence Connolly offered verbal and written testimony in favor of increasing the COLA base to “at least $16,000.”

- IT audit update
  Mr. Smyth reported to the Board that the job descriptions for the three new IT jobs have been created and that the next step would be to seek City of Boston Personnel Review Committee (“PRC”) approval.

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

- Investment Performance Review
  In December the plan returned -1.1%. The System’s performance was driven by poor performance across most asset classes. For CY2014, the System returned +4.2%, gross of fees. The largest detractor from the 2014 performance was International Equities, which were down -5.1% for the year and comprised 15.7% of the total portfolio. The other negative performing asset class was Emerging Market Debt, which was down -5.3% for the year. All other asset classes posted positive returns in 2014.

- Private Equity Commitment
  At the October, 2014 meeting, the Board voted to make a $15 million commitment to NGP to fulfill its 2014 Energy commitment (NGP had a 2014 final closing). The Board also interviewed ArcLight as a finalist for the mandate and discussed revisiting ArcLight in January, 2015 as a potential candidate to fulfill a 2015 Energy commitment. ArcLight’s final close is not until 1st quarter 2015.
  
  _Motion made, and seconded, to allocate $15 Million USD to ArcLight Energy Fund VI to fulfill the Plan’s 2015 Energy commitment in Private Equity._
  
  _Motion accepted (3-0). Mr. Jackson abstained._

- Asset Allocation Review
  NEPC recommended no new changes to the current asset allocation, but instead focused on rebalancing specific asset classes back to target. In particular, NEPC recommended rebalancing the System’s overweight in U.S. Large Cap equities to Non U.S. equities.
As a result of strong markets across most asset classes, NEPC’s 2015 5-7 year forecast for equities and fixed income is generally down. NEPC views this as an opportunity for clients to review the alignment of their portfolio positioning with long-term objectives. As part of its asset allocation review in 2013, the System approved a 3% target to Risk Parity. In addition, a Risk Parity search was issued in May of 2013. This search remains outstanding as the Board and NEPC has yet to formally evaluate the respondents. NEPC recommended that the Board discuss revisiting the Risk Parity search and consider managers who are more flexible across different strategy types.

- Credit Opportunities Search

The Board decided to interview two managers, Oaktree Capital Management and GoldenTree Asset Management at the February 2015 meeting in order to fulfill the System’s Credit Opportunities mandate. NEPC initiated the search in December 2014, for up to a $30 million commitment in a fund or funds.

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

- Operational Snapshot

Mr. Lucas offered the December 2014 operational snapshot to the Board. The December 2014 contributory pension payroll was $45,377,499.00, paid to 14,623 payees; the non-contributory pension payroll was $407,453.00, paid to 86 payees. The operations warrant was $476,277.00.

- 2014 1099R update

Mr. Lucas updated the Board regarding the issuance of the 2014 1099-R tax forms. It was noted that a memorandum was sent to disability retirees and beneficiaries informing them that the 1099-R forms, as well as the “2014 Annuity Distribution” letter. In short, they were advised that both documents would be needed to file their income taxes.

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

- Operations Update

Ms. Weir provided an update on the payroll number for the month of December 2014. There were 56 possible retirees, of which, 44 were processed (38 superannuation, 1 DOA and 5 disabilities). Regarding the 12 cases that did not make the payroll, 9 were superannuation retirements, 2 were disability retirements and 1 was a death of active member. The breakdown of the 12 unprocessed cases was as follows:
  ➢ 7 failed to return final papers timely;
► 4 were waiting on buybacks;
► 1 required PERAC approval.

- **Member Service Update**
  Staff continues to hold frequent status meetings, at least three times per week. The new Member Service Manager started and has started resuming some of Ms. Weir's former responsibilities.

- **CBA Update**
  Ms. Weir reported that the CBA recalculation project was 73% complete. All cases have been reviewed at least one time, additional work is required for complex calculations and missing information, as well as members that have died and beneficiaries have been paid out. We continue to analyze the information and work on cases moving forward. We reviewed 342 cases and completed 297 for the month of January 2015. In total, 544 cases have been completed at this point in time.

  We have started dialogue with all autonomies agencies regarding the request for information. We have requested the information back to the retirement board for end of February.

  As to the 2014 CBA's, which we estimate to be 400 members at this point, Staff is currently working with Pat Murphy and Mike Dwyer on vetting the information to be able to move forward. Estimated time frame on receiving information to start to the process is about 2 to 3 weeks.

- **Service Purchases ("Buy Backs")**
  Ms. Weir provided an updated figure of approximately 1,600 open buyback workflows in V3. The buyback workflow query report consists of requests, and, in some cases, may be a duplicate request or missing vital information. We have a proposed strategy on handling the buybacks and continue to work on developing a different process to complete the buybacks as well as to quality check. We have started meetings and will resume every week to move forward with a stronger process. We have now established with the CBA process that it is successful in changing the traditional processing way.

**Outstanding/Ongoing Legal Issues: Padraic P. Lydon, General Counsel**
- Requests for waiver pursuant to MGL ch. 32, § 20(5)(c):
  o Patrick J. Connolly   BPS   $5,217.45

  Motion made, and seconded, to accept the waiver request of Patrick J. Connolly, in the amount of $5,217.45 (caused by deduction rate error), because Mr. Connolly did
not receive notice of the Board policy change due to the fact that BTU members were in “inactive” status and did not receive the mass mailing.

Motion accepted (3-0). Mr. Jackson abstained.

- Peggy S. Kemp
  BPS
  $40,204.89

  The member presented along with her attorney, Nicholas Poser, and requested a waiver in the amount of $40,204.89. These arrears were due in fact that the member, a BPS retiree, over-earned as Headmaster of the Fenway School in violation of MGL ch. 32, §91(b) and was subject to an earlier Board meeting. Attorney Poser submitted a memorandum for Board consideration at the meeting.

  Motion made, and seconded, to table Ms. Kemp’s request for waiver until the February 2015 Board meeting.

  Motion accepted (3-0). Mr. Jackson abstained.

- William J. Walsh
  BPD
  $17,253.43

  Motion made, and seconded, to accept the waiver request of William J. Walsh, in the amount of $17,253.43 (caused by deduction rate error), because Mr. Walsh made a timely request for waiver.

  Motion accepted (3-0). Mr. Jackson abstained.

- The following PERAC memoranda were offered and discussed for educational purposes only:
  - PERAC Memo #37/2014 re Tobacco Company List
  - PERAC Memo #38/2014 re Annual Review of Medical Testing Fee
  - PERAC Memo #39A/2014 re Board Member Training
  - PERAC Memo #1/2015 re 2015 Limits under Ch 46 of Acts of 2002
  - PERAC Memo #2/2015 re 2015 Limits under Sec 23 of Acts of 2010
  - PERAC Memo #3/2015 re COLA Notice
  - PERAC Memo #4/2015 re Ethics Commission Seminar
  - PERAC Memo #5/2015 re 2015 Interest Rate set at 0.1%
  - PERAC Memo #6/2015 re buyback & makeup repayment worksheets

Enter Executive Session

  A roll call vote (3-0) to enter Executive Session was had at approximately 11:54 a.m.
Adjourn

After exiting Executive Session, a roll call vote (3-0) was had to adjourn until the February 18, 2015 Board meeting, at approximately 12:31 p.m.

Respectfully submitted,
BOSTON RETIREMENT BOARD

Daniel J. Greene  
Mayoral Appointed Member, Chairman

Sally D. Glora  
Ex Officio Member

Michael W. McLaughlin  
Elected Member

In Absentia  
Michael D. O’Reilly  
Elected Member

Thomas V.J. Jackson  
Fifth Member