

Boston Retirement Board
Administrative Session Minutes
March 12, 2015
Boston Retirement Board, Room 816
Boston, Massachusetts 02201

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

STAFF: Timothy J. Smyth, Executive Officer; John Kelly, Investment Analyst.

ALSO IN ATTENDANCE: Michael Manning, NEPC; William Forde, NEPC; Seth Bancroft, NEPC.

Discussion: Fountain Capital currently manages a \$130 million High Yield mandate for the State-Boston Retirement System ("SBRS"). In mid-February 2015, Fountain notified SBRS that it was closing its high yield business and would like to stop managing all client portfolios as soon as administratively possible, (ideally April 30, 2015). A motion was made at the February 18, 2015 meeting to conduct a High Yield manager search and NEPC quickly initiated a high yield search to identify a potential replacement.

There were a total of 70 respondents to the RFP. NEPC's client team and high yield analyst worked to review, categorize, and rank each respondent. The 12 global focused respondents were ruled out based on portfolio fit. The remaining 58 U.S. focused respondents were categorized into 4 different strategy-style buckets: Core, Quality, Opportunistic or other. NEPC recommended having 2 or 3 managers from different strategy styles make presentations so the Board could hear, analyze and evaluate their different perspectives and tactics.

After further discussion and NEPC's recommendation 3 managers were chosen to make presentations at the March 18, 2015 meeting. DDJ and Crescent were selected from the opportunistic style. As opportunistic managers they take on more risk with the reward being higher returns. DDJ specifically focuses on lower-quality issues and investments in private markets which may include activist positions through ownership of debt. Crescent is unique and adds value by investing in a diversified portfolio of below investment grade public and

private debt securities, syndicated loans and high yield bonds depending on where they see the best opportunities given the current market conditions. Crescent is a current SBRS manager.

Oaktree Capital was the third manager selected to present. They are from the quality style and thus don't expect to generate returns as high as an opportunistic manager but they do provide more downside protection. Oaktree's investment process and philosophy is geared toward capital preservation and avoiding deteriorating situations in high yield bonds. They also are a current SBRS manager.

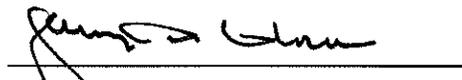
Motion made, and seconded, to invite DDJ Capital Management, Crescent Capital and Oaktree Capital Management to the March 18, 2015, board meeting in order to make presentations.

Accepted (4-0)

Respectfully submitted,
BOSTON RETIREMENT BOARD



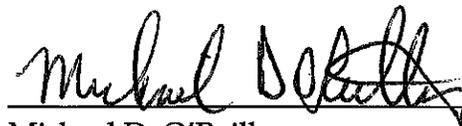
Daniel J. Greene
Mayoral Appointed Member, Chairman



Sally D. Glora
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member



Thomas V.J. Jackson
Fifth Member