

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

October 17, 2018

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: 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.

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

ALSO IN ATTENDANCE: Mike Manning, Will Forde, Kiley Fischer and Jake Mallinson all of NEPC; Luella Wong of Lunar, Inc.; and, Louis Roberts of EY.

Administrative Session Convene

The Board voted unanimously (5-0) to enter into Administrative Session at approximately 10:03 a.m. All in attendance were identified for the record and introductions were made.

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of September 19, 2018, as presented.

Motion accepted (5-0)

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

ABC / DQ Project Update

Luella Wong reported that of 11,427 non-zero refunded status accounts, 10,112 were zeroed out last month. This change was then backed out due to a mistake referencing bad or incomplete data that required further review of which 4,597 files have been double-checked and will be zeroed again based on guidance from the subject matter experts. Of the remaining 6,830 non-zero refunded accounts, 3,711 may be reclassified as Inactive.

The focus areas for Data Quality efforts are: 1983 Balance forward correction, Historic Refund correction, Duplicate Buybacks, Transferred In/Interest Earned, Missing Refunds in V3 including Multiple Refunds, Missing Deductions correction (1979-1983), Creditable Service correction for 2013-2015 and Refine model to identify accounts that do not need cleaning.

Travel Expenditure

After discussion relative to travel to TA Realty's Annual Conference, the following motion was made:

Motion made, and seconded, to accept the travel expense of John Kelly or any Board Member, to TA Realty's Annual Conference, November 6-7, 2018 in Austin, TX.

Motion accepted (5-0)

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

NEPC delivered an in-depth analysis of the System's current 52% (\$2.8 billion) target to public equities. The current composition of the equity portfolio is strategically allocated across domestic, international developed and emerging market equities. Over the last five years NEPC has worked with the Board to further enhance the Equity portfolio by carving out a dedicated Emerging Markets and Emerging Markets Small Cap target and hiring 3 new managers in the space (2013). After public searches incumbent managers were replaced in the US Small Cap (2015) and International Developed space (2016). A new allocation was carved out to International Small Cap and a new manager was hired in that space in 2017.

As a result of these searches nearly a third of the Plan's equity managers were hired within the past 5 years resulting in an increase to the equity manager roster (17 in total). NEPC continues to believe Non-US markets will outperform US markets over the next 5-7 years. While the Plan's Equity portfolio has evolved over time and performed modestly well under its current structure, NEPC presented to the Board the concept of implementing a Global Equity allocation to the portfolio as an effective way to outsource the US vs Non-US over/underweight decision to a manager and to potentially decrease the number of managers and where possible, management fees.

The Board asked NEPC if they had Global Equity Managers in mind that could successfully make tactical moves between US and Non-US Markets quicker than the Board could through the Public RFP Process. NEPC said they do have some strong candidates in the Global Equity space. So the question for the Board to consider is while nothing is broken in the current model, would adding

an allocation to Global Equities be an enhancement to the Portfolio? NEPC and the Board will continue this discussion at the November 2018 board meeting.

September 2018 Flash Report

The Total Plan was up +0.2% in September bringing the YTD performance up to +2.3% with one quarter to go in 2018.

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

2017 Financial Statements

Louis Roberts of Ernest & Young provided an executive summary of the 2017 Financial Statements. Mr. Roberts noted that the audit is consistent with prior years. Our key areas of investments are fair value, equity and alternative investments. EY reviewed reports from Segal regarding assumptions and are in agreement. No matters were brought to EY's attention that they are concerned about relative to unrecorded or corrected misstatements or material weaknesses. There were no matters, no issues with management or discrepancies as to fraud.

Motion made, and seconded, to accept Ernest & Young's 2017 financial statements as presented.

Motion accepted (5-0)

September 2018 Financial Snapshot

Ms. McCarthy noted the following pertinent information from the September 2018 payroll:

- Total pension payroll \$51,090,436;
- Total contributory payees 14,937;
- Non-contributory payroll \$318,374;
- Total non-contributory payees 57;
- New Retirees 27;
- Survivor/Beneficiary retirees 6;
- Disability retirees 4;
- Refunds/Transfers/Option B payments totaled \$2,229,178;
- Refunds for 77 members totaled \$827,498;
- Member transfers was 21 totaling \$1,202,222;
- Option B Refunds was 5 totaling \$199,459; and,
- Operations warrant totaled \$247,583.

Actuarial Valuation as of January 1, 2018

Ms. McCarthy presented Segal's Actuarial Valuation as of January 1, 2018. The change in assumptions were presented at the July 2018 board meeting by our actuary and were voted and accepted at that time. In September 2018, the new

Funding Schedule was presented and accepted by the Board. At this time the final report is available for the Board's acceptance.

Motion made, and seconded, to accept Segal's Actuarial Valuation and Review as of January 1, 2018.

Motion accepted (5-0)

Outstanding/Ongoing Operations Issues: Christine M. Weir, Operations Officer
September 2018 payroll

Ms. Weir reported that the September 2018 payroll consisted of 48 possible retirees / beneficiaries (30 Superannuation, 10 Disabilities & 8 Death of Active Members). Of the 48 possible cases, 37 were processed. The breakdown of the unprocessed cases is as follows:

- 1 Offset needed,
- 1 Upcoming hearing,
- 3 missing salary (BPS & BWSC),
- 1 BFD trying to locate minor children,
- 2 did not timely return Final papers,
- 1 Paternity issue
- 2 missing documents
- 1 may rescind retirement or transfer to another system.

Discussion was held pertaining to status on the always large October payroll. Christine stated issue's with receiving salary continues with BPS. Mr. McLaughlin stated that he had contacted Emily Quazalbush and Bonnie Mines regarding request for missing salary. Christine is trying to establish a process to pull correct salary from BPS to have them verify. Christine will continue to work with Pat Murphy on outreach and process for future payrolls.

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

Outside litigation offered for educational purposes only:

In *Bisignani vs. Saugus Retirement Board*, the Plaintiff was employed as Town Manager and was accused of theft. The Board forfeited his retirement allowance, which had a value of approximately \$1.3 million dollars. In doing so, the Board cited the *PERAC v. Bettencourt* analysis where ruling determined action was not grossly inappropriate to the crime he committed and not an excessive fine.

PERAC Memos offered for educational purposes only:

- PERAC Memo # 27-2018 re Direct Deposit Scam

- PERAC Memo # 28-2018 re Mandatory Retirement Board Member Training - 4th Quarter 2018
- PERAC Memo # 29-2018 re Tobacco Company List.

Waiver Request

Carole J. Zayas

BPS

\$6,829.39.

Motion made, and seconded, to accept and grant the member's waiver request as it was timely made.

Motion accepted (5-0)


Adjourn

The Board voted unanimously (5-0) to exit Administrative Session and adjourn from Executive Session at approximately 11:25 a.m.

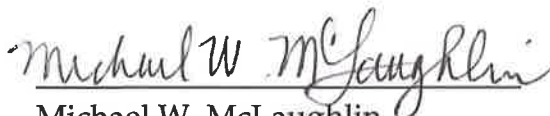
Respectfully submitted,
BOSTON RETIREMENT BOARD



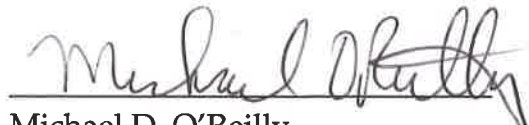
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



Sally D. Glora
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member

Thomas V.J. Jackson
Fifth Member