MINUTES OF BOSTON RETIREMENT BOARD
Administrative Session
March 16, 2022
Boston Retirement Board, Room 716
Boston, Massachusetts 02201

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

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

ALSO IN ATTENDANCE: William Oates, IT Consultant; Michael Manning, Kiley Fischer of NEPC.

Administrative Session Convene
The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:07 a.m.

Roll Call Vote: Member O’Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; and, Chairman Greene: Aye.
Motion accepted (5-0)

Previous Minutes
Motion made, and seconded, to accept the Administrative Session Minutes of the February 16, 2021 meeting as presented.

Roll Call Vote: Member O’Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; and, Chairman Greene: Aye.
Motion accepted (5-0)
on February 24th with Vitech management to review the metrics on AWS. The good news is that there is nothing really surprising. It looks like the BRS is in reasonably good shape. They have two concerns with Vitech that they are working through.

One, is the cost of capacity in the database. It has a baseline of 600 Gigs, which is large estimate before the system was launched. Mr. Oates has found that this is one of the areas where they are seeing growth. By September, the BRS would go over its baseline number and would be required to pay some additional monies. Mr. Oates and their team feel that this is unreasonable. The BRS negotiated a 120-day review period. Vitech believes that the number should be increased to up to 850 Gigs. They agreed that the number was right and countered with a reduced cost to go up to 850. They countered with there should be no cost to go up to 850 Gigs. Mr. Oates thinks they are going to accept that offer. They haven’t confirmed it and are waiting for the CEO to get back to them. If Vitech agrees then the system doesn’t have to worry about the growth for four or five years.

The second issue is the performance metrics. One of the things that they watch is the transaction response time. Vitech has not been able to give us a performance number because they haven’t been able to measure due to our multi-factor authentication. Mr. Oates spent a lot of time with DoIt and Vitech to come up with a service account where the system can bypass extra authentication so that the system can really get some numbers on how the transactions are responding. DoIt has been very helpful. They have a risk assessment process now. They are going to test that this week and the system will start getting its performance numbers that we need on a monthly basis. Operationally, the system is in great shape. Ms. Weir is involved in the member self service process with Vitech. The system has one more patch build that Mr. Dwyer is the lead on.

As to cybersecurity, that is on everyone’s minds given the state of affairs in Europe and Ukraine. Mr. Oates noted that there is always the concern that if someone goes after the City of Boston or a financial institution, that it would have a spill over impact on BRS. Mr. Oates is working on the security assuredly risk assessment engagement. The system has one in house and is working out the issues.

The other important piece is cyber insurance. Ms. McCarthy is working with insurance brokers. The cyber insurance market is challenging right now. Last year, the system was paying in the $60,000 range for $5 million coverage. This year, there has only been one carrier that is willing to provide cyber insurance and it’s the incumbent carrier. The cost has gone up over 200%. Also, the deductible is $1 million dollars. Ms. McCarthy stated that they have been
going back and forth with the carrier for the last couple of months. This process is probably going to cost the system a lot of money.

Mr. Smyth has talked to other Boards and there seems to be an appetite for self-insurance which could also be an option. Mr. Oates stated that the system has to conduct the self-assessment to try to plug any holes that are in the system which will ultimately drive the cost down. Mr. Smyth stated that for some reason if the Board decides to not proceed with the insurance, The Board’s staff have identified firms in the past that can help the system in the event that there is a breach. They would have to be put on a retainer.

The Board members, Mr. Oates and staff went on to discuss the cyber security industry and the options that the Board can take in acquiring cyber security insurance and staffing.

**PERAC Pension News No. 59**

Mr. Smyth stated that the pension news letter was for the Boards edification. He also pointed out on page five, house bill 2664 was reported favorably. H.2664 would incrementally increase the state and teacher’s COLA base by $1,000 annually from the current $13,000 until it reached $16,000. Also, H.2608, the three-year retirement COVID credit for employees working outside the home, which is talked about frequently in City Hall.

**PERAC Memo 9-2022 re: Extension of Open Meeting Law Waivers**

Mr. Smyth stated that this may not apply to the system since everyone is acceptable to being in person for Board meetings.

**COLA & COLA base scheduling**

Mr. Smyth stated the he has sent notice to City Council, City’s A&F and Commonwealth’s A&F regarding COLA scheduling.

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

**Private Debt Search**

Mr. Manning stated that NEPC recommends issuing a private debt search. As reviewed in the annual pacing plan, the System has approximately $60 million to allocate to private debt in 2022.

**High Yield Search Update**

Ms. Fischer stated that the high yield search was issued in compliance with PERAC guidelines, which requires a review every seven years. The System’s high yield portfolio is comprised of three managers and is flexible across investments including high yield bonds, bank loans and additional.
strategies. There were over 65 responses to the current search across various firms and strategy types. NEPC will continue its preliminary review and categorization of the respondents and will revisit with the Board for further review.

The BRS High Yield portfolio currently has 3 managers and ~$370 million
- Crescent Capital ~$120m
- DDJ ~$120m
- GoldenTree Multi-Sector Opp. Credit ~$130m

Two of the managers have been through ownership changes recently. Crescent Capital is now partially owned by SunLife Capital (2020). SLC acquired 51% of Crescent with the option to buy the remaining 49% in 5 years. Strategy team member Conrad Chen plans to retire in June 2022 and DDJ is now owned by Polen Capital (2021).

Mr. Manning went on to state the next steps in the search. NEPC will continue its preliminary review and categorization of the respondents. They will have a discussion with BRS to identify potential candidates for further review. At that time, NEPC will also provide more detailed comparative information on a subset of respondents the BRS will determine which managers to interview. It could include existing or potentially new managers.

Proxy voting

Mr. Manning stated that as a follow up to the February board meeting discussion, NEPC will provide additional information on proxy voting. This will include education, voting options and external provider information.

Voting of proxies is an important element of equity ownership it gives owners a pro-rata share in the governance of the company. Allows an owner to protect and enhance the value of ownership. Sample Proxy Voting Items: Election of Directors, Amend Articles & Bylaws, approve compensation and stock plans, support greater Board diversity, disclose political contributions/lobbying. Add ESG Review/Requirements, and remove Supermajority Rules.

Mr. Manning laid out the proxy voting options to the Board. Do nothing, inappropriate because it is a fiduciary duty to vote the proxies. The BRS vote the proxies. Unrealistic given the heavy administrative burden it would require. Have managers vote the proxies. An effective way to exercise the duty and assumes that managers will vote in economic best interest and there is no additional cost.
Outsource Voting to a third Party. This is also an effective way to delegate the responsibility and allows BRS to have some say in the voting philosophy (either directly or hiring a firm that aligns with BRS preferences) but does have an additional cost for the service.

The BRS can hire an external provider. There are 3rd party firms that specialize in voting proxies on behalf of clients. Many will have standard policies that they adhere to and some allow clients to provide input on how certain proxies can be voted.

NEPC has conducted searches for other clients in the past. Based on prior data, NEPC would estimate the cost to be in the $60-75k range. NEPC agreed to have a Proxy provider give an educational presentation at the April Board Meeting.

Potential Providers include:
- Egan Jones
- Glass Lewis
- ISS
- ProxyVote Plus
- Segal Marco

February 2022 Flash Report
Mr. Manning presented the February Flash Report stating that the System total fund performance for the Month was -1.7%. Year to date return is -4.8%. Prior to mid-February we had inflation, the economy, interest rates were starting to rise and on top of that we had the invasion of Ukraine and that has only exacerbated the inflation concern.
Work Plan

Mr. Manning stated that NEPC has included an updated work plan with the including a proposed work plan for 2022:

Mr. Kelly informed the Board that an RFP has been issued for investment consultant in mid-February 2022. There were two respondents. One the current consultant NEPC the other was Neaeta that is Westwood based. Next step is to determine if there was an interest to visit on site or have the firms present at a Board meeting.

The Board discussed and decided to conduct an onsite visit of both firms was warranted. It should include staff and Board members. Mr. Kelly will set up on-site visits and presentations from both firms to the Board.

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

February 2022 Financial Snapshot

Ms. McCarthy reported the February 2022 pension payroll as follows: Contributory payroll: $58,405,005; Contributory Payees: 15,514; Non-contributory payroll: $278,326; Total Non-contributory payees: 33; Regular Retirees: 52; Survivor/Beneficiary Retirees: 4; Disability Retirees: 12; Option C/Disb Survivors: 13; Members Refunds: 46 for $769,611; Members Transfers: 2 for $47,104; Option B Refunds: 7 for $348,073; and, Operational Warrants: $1,230,818.

Ms. McCarthy also informed the Board that the system is in the middle of conducting its year end 2021 audit. Ernest & Young has received the systems accounting documents. PERAC's legal statement will be completed by the end of March. It will be then sent to Segal for evaluation.

Outstanding/Ongoing Operations Issues: Christine Weir, Operations Officer

February 2022 payroll update

Ms. Weir provided an update on the payroll numbers for the month of February 2022. There were 68 possible cases (56 Superannuations, 12 Disabilities). Of the 68 possible cases, 18 did not make it to payroll for the following reasons: 3 changed retirement date, 1 rescinded, 8 did not return final papers, 4 no salary, 2 had issues with the case.

Ms. Weir informed the Board that two additional staff members were hired and are going through training. There are still a couple of positions open. The work flow is steadying up, but the system is still very, very busy. Staff is
working on member self service site. Vitech has begun testing the software. There will probably be a need for a staff person to man the self-service workflow.

**Adjourn from Administrative Session**

The Board voted unanimously to adjourn from Administrative Session at approximately 11:29 a.m.

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

Motion accepted (5-0)

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*

Thomas V.J. Jackson
*Fifth Member*