MINUTES OF BOSTON RETIREMENT BOARD
Administrative Session
April 27, 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 (Remote)

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; (Remote) Michael Manning, Kiley Fischer, Matt Ritter of NEPC; Kathy Riley, Seagle; Audi Millan, Counselor Kendra Lara Representative, Veronica Simpson; Counselor Ruthzee Louijeune Representative, Emily Polston; Counselor Erin Murphy Representative, Trip Graham; Charlie Owen; AFSME, Lawrence Connolly; RTU, Janey Frank; Connie Thibaul, James P. Phillips, Marylin Flowers, Judy Irsh, COLA supporters; Mary Anne Ubou, BTU/RTU; Richard Clark, ISS; Emily Polston.

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Administrative Session Convene
The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:06 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 March 16, 2022 meeting as presented.

Roll Call Vote: Member O’Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; and, Chairman Greene: Aye.
Outstanding/Ongoing Administrative Issues: Timothy J. Smyth, Executive Officer

IT update

Mr. Smyth introduced Mr. Oates for an update progress with Vitech. Mr. Oates reported that Vitech operational meetings are going well. Monthly metrics and growth are in line with contracted levels. Transaction performance metrics will be added to our monthly reports this month.

The consultants have also progressed in their discussions on a third-party security maturity assessment for BRS. The Board has two viable proposals, with one offering an approach that they believe may be more cost effective, quicker to complete and easier to manage given the resource constraints.

GreyCastle Security’s proposal is in the $40K range and would be completed in 4-6 weeks. They are reaching out to Accenture - who has provided a solid proposal - to obtain their best and final offer. There was a brief discussion of the assessment approaches. A recommendation will be provided to the Board for the May meeting.

COLA & COLA base public comment

Mr. Smyth went on to discuss the COLA scheduling. He stated that there were various unions in attendance that would like to speak or read a statement to the Board.

Chairman Greene greeted the supporters and stated that Ms. Riley stated that the Board wont vote on the COLA at this meeting. Mr. Greene went on to state that the Board is glad to hear any comments that the people in attendance have. There is a sigh in sheet going around for everyone to sign in with affiliation to keep for the record.

He then went on to Kathy Riley from Segal & Co. to speak as to the financial impact as the system’s actuary. Ms. Riley referred to a memo that is in the Board package dated February 25, 2022.

These numbers are based on the January 1, 2020 valuation. It was noted that the 2022 valuation is in progress but not complete. They are looking at the additional impact of changing the COLA and she does not expect any difference from until the 2022 valuation is complete.
Ms. Riley reviewed increasing the COLA base from the current $15,000.00 level to $16,000.00, $17,000.00 and $18,000.00. They assume that the change will be made. It would be made effective July 1, 2022. The first effect in 2023 fiscal appropriation.

As everyone's aware the City has a funding schedule in place that fully funds the System by fiscal 2027. Assuming all the assumptions are met and the appropriation is increasing by 8.85% per year for fiscal 2023 until the end of the schedule for 2027.

The way they priced out the additional costs of the COLA is to look at the one time increase in the fiscal 2023 appropriation and then assume that that portion of the COLA cost will continue to increase at the increments as the rest of the schedule. You can see the additional costs of the appropriations, about $400 million dollars. The current fiscal appropriation is about $404 million dollars. It increases by about $7 million dollars to $411 million dollars. For the first $1,000.00 it increases to about $7 million dollars for every increase after.

They determine that the impact on the unfunded liability and on the employer normal cost. The change in the COLA base effects the liabilities of the benefits people already earned and it effects the benefits of people's earnings in the future. So, it has an impact of both components. Each $1,000.00 dollar increase in the Base increases the unfunded liability by about $34 million dollars. It also increases the normal costs by about $700,000.00 thousand dollars. The $33 million dollar increase in the unfunded liability is paid for through fiscal 2027 like a mortgage payment and that's where they came up with the $7 million dollar increase in the appropriation.

They look at the teacher's liability separately. Seagle doesn't look at the impact of the appropriation because the Board doesn't look at the appropriation because the State controls that. So, they only looked at the impact of the liability of normal costs for each $1,000.00 increase in the Base adds about $18 million dollars to the teacher unfunded liability and adds about $270,000.00 dollars to the employee normal cost.

Member O'Reilly requested a breakdown from Segal looking into instead of increasing the appropriation to a model that increases the funding schedule out one year and provide to Board A&F department. Ms. Riley stated she would push out the schedule for one year out and provide the information in a week.
Counselor Kendra Lara Representative, Ms. Simpson, read a supporting statement letter from the Counselor. Counselor Ruthzee Louijeune Representative, Emily Polston read a supporting statement letter from the Counselor Louijeune. Counselor Erin Murphy Representative, Trip Graham read a supporting statement letter from the Counselor Murphy. AFEME representative, Charlie Owen read a supporting statement letter. Retired Teachers Union (RTU) representative, Lawrence Connolly read a supporting statement letter. BTU/RTU representative Janey Frank read a supporting statement letter.

Member O'Reilly wanted to address the Board as a member of Local 718, which is in favor of a COLA base increase to $18,000. He also wanted stated for the record that the Board's fiduciary responsibilities lie only with the System's members and their beneficiaries, not the City of Boston.

**PERAC Memos & Communication**

Mr. Smyth offered the following PERAC memos and an email for educational purposed only:

- PERAC Memo 11-2022 re Mandatory Retirement Board Member Training
- PERAC Memo 10-2022 re Tobacco Company List
- Email from PERAC re direct deposit scam (with attachment PERAC Memo 27-2018 re direct deposit scam).

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

**NEPC Real Estate Update**

Mr. Manning stated that Matt Ritter, Head of Real Assets Investments at NEPC, will be presenting a real estate overview. The presentation will include an update on NEPC’s real estate research capabilities as well as current themes and opportunities in the real estate market.

Mr. Ritter stated that at NEPC is deep specialist real estate expertise within a diverse generalist business. They continuously meet with funds across strategies, structures, and geographies. Their scale provides pricing power when negotiating terms with investment managers. They partner with clients to build portfolios and underwrite funds that meet specific goals and objectives. The Beta Group approach provides a top-down view on target strategies and comprehensive bottoms-up due diligence that seeks to underwrite “best of breed” funds.
NEPC’s Portfolio Construction and Planning strategy is that Real estate is not a ‘one size fits all’ investment class, it offers a broad range of strategies that can be customized based on specific investment objectives.

NEPC’s portfolio construction objectives are identifying the key objective(s) should always be the first step in building a strategic allocation to real estate. There is a spectrum of investment strategies within real estate, which can generally be grouped into “Core” and “Non-Core” categories.

A client’s target allocation to Core and Non-Core strategies should be driven by the following strategic questions, such as, What is the primary objective of the real estate allocation? What are the targeted returns and risk threshold? What is the preference for income generation vs. appreciation-driven returns? And how important is liquidity in the portfolio? Mr. Manning stated that the plan is to return next month and take a deeper dive into the Real Estate portfolio and set the stage for the searches for this year.

**Proxy Voting Discussion with ISS**

Mr. Manning stated that at the March meeting, NEPC provided an overview of proxy voting services, options, and providers. At today’s meeting we will continue the discussion with Richard Clark from Institutional Shareholder Services (ISS). ISS is a global provider of proxy voting solutions.

Mr. Manning introduced Mr. Clark of ISS. Mr. Clark stated that ISS Benchmark Policy and Research is an industry-leading global expertise and research services. Based on annual updates, policy reflects investor and market views, accepted good governance practices, and the inclusion of local regulatory changes.

ISS has a unique annual policy review process for its ISS benchmark to create voting policies that reflect investor and market views, accepted good governance practices, and helps ensure the inclusion of regulatory changes and practical implementation matters. Benchmark policy drives voting recommendations on management and shareholder proposals for 48,000 shareholder meetings, at 34,000 public companies in 115 global markets.

Many feel that the proxy is completely in bed with management. Managers have a different business objective than an asset owner. One of the things that drives the decision is your idiosyncratic values and beliefs. When you make the decision to take over proxy voting, one of the most important things that
is part of that task is you have to make the decision as to whether or not you would utilize an organization like ISS and utilize as they define as a benchmark policy. Which is another word for default. We have policies that are utilized by faith base organizations, public funds, SRI’s, etc. The Board can write and utilize your own proxy statement.

Mr. Manning stated that the Proxy Voting options include: (1) Do Nothing; (2) BRS Vote the Proxies; (3) Have Managers Vote the Proxies; and, (4) Outsource Voting to a 3rd Party.

**High Yield Search Review**

Mr. Manning 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 search, and the comprehensive list was provided at the March meeting. As discussed, NEPC has narrowed down the list of candidates for further consideration. NEPC will provide an analysis on the shortlist of candidates at today’s meeting. In addition to the materials provided, a more extensive search analysis has been developed by NEPC. The objective of today’s discussion is to determine which managers, if any, to interview. Interviews could include new or existing managers. Does the Board want to interview new managers? NEPC has 6 additional managers for consideration. The Board decided to have Crescent, Polen and GoldenTree come in to update the Board at the May Meeting.

**March 2022 Flash Report**

Mr. Manning presented the March 2022 Flash Report stating that the System total fund performance for the Month was +1.2%. Year to date return is -3.7%.
Work Plan
Mr. Manning stated that NEPC has included an updated work plan with the including a proposed work plan for 2022:

Investment Consultant Search
Mr. Kelly noted that the next due diligence meeting will be conducted at Meketa and all Board Members are encouraged to attend. Mr. Kelly will plan with both Meketa and NEPC to present to the Board in May.

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

March 2022 Financial Snapshot
Ms. McCarthy reported the March 2022 pension payroll as follows: Contributory payroll: $60,456,254; Total Contributory Payees: 15,556; Non-contributory payroll: $278,114; Total Non-contributory payees: 32; Regular Retirees: 91; Survivor/Beneficiary Retirees: 5; Disability Retirees: 13; Option C/Disb Survivor: 16; Members Refunds: 46 for $1,753,716; Members Transfers: 2 for $281,616 Option B Refunds: 7 for $351,411; and Operational Warrants: $575,636.

2021 Boston Ret System Annual Statement with Schedules
Ms. McCarthy also informed the Board that the system annual statement has been completed and is in the Board package. The 2021 annual report is ready to be voted on for approval.

Motion made, and seconded, the accept the Boston Retirement System Annual Statement as presented.
Roll Call Vote: Member Joyce: Aye; Member O'Reilly: Aye; Member McLaughlin: Aye; Member Jackson: Aye, Chairman Greene: Aye.
Motion accepted (5-0)

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

March 2022 payroll update
Ms. Weir provided an update on the payroll numbers for the month of March 2022. There were 94 possible cases, (82 Superannuation's, 12 Disabilities.) out of all the cases 78 Superannuation and 12 Disabilities made it. 4 cases did not make it to payroll. Ms. Weir noted the following reasons the reasons members did not make it on payroll; 1 needed a buyback processed and 3 did not return final papers on time.

Outstanding/Ongoing Legal Issues: Natasha Thomas, Esquire

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Linda Nathan Recommended Decision re post-retirement earnings

Ms. Thomas stated that Dr. Nathan retired from the Boston Public Schools effective September 1, 2014. She last worked as an education advisor to the Superintendent of the BPS. Currently, Dr. Nathan is the co-founder and co-director of a private, non-profit leadership program called the Perrone-Sizer Institute for Creative Leadership ("PSI"). The AG Office conducted a hearing and they found she was providing services to a public entity. Mr. Fabino determined that Dr. Nathan owes the System $34,497.50.

Motion made, and seconded, to recoup $34,497.50 from the member for over-earning violations.

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

Motion accepted (5-0)

Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 12:18 p.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