

## **MINUTES OF BOSTON RETIREMENT BOARD**

### **Administrative Session**

February 25, 2025

Boston Retirement Board

9<sup>th</sup> Floor BPDA Conference Room, Boston City Hall

Boston, MA 02201

**TRUSTEES IN ATTENDANCE:** Thomas V.J. Jackson, Chairman; Karen T. Cross, Elected Member; and, Scott Finn, *Ex Officio* Member.

**STAFF IN ATTENDANCE:** Timothy J. Smyth, Executive Officer; Christine M. Weir, Deputy Executive Officer; John F. Kelly, Investment Analyst; Natacha Thomas, General Counsel; Ellen M. McCarthy, Comptroller; Gregory Molina, Board Secretary.

**ALSO IN ATTENDANCE:** Michael Manning, Kiley Murphy, Michael Sullivan, Kyan Nafissi of NEPC; Graeme Daykin, Greg Sherry of Magnitude; Adam Blitz, Lance Donenberg of Evanston; Paget MacColl, David Ben-Ur of Blackstone; David Richter, Dianna Henrich of Grosvenor; Owen Burns of Hamilton Lane; Denise Henderson, Janey Frank, Maryann Urban, James Phillip, Denise Berckley, Elisse Cadillac of BTU/RTC.

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### **Administrative Session Convene**

The Board voted unanimously via roll call (3-0) to enter into Administrative Session at approximately 9:02 a.m.

*Roll Call Vote: Member Cross: Aye; Member Finn: Aye; and, Chairman Jackson: Aye. Motion accepted (3-0)*

### **Past Minutes**

Motion made, and seconded, to **accept** the Administrative Session Minutes of the January 15, 2025 meeting as presented.

*Roll Call Vote: Member Cross: Aye; Member Finn: Aye; and, Chairman Jackson: Aye. Motion accepted (3-0).*

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

*IT update*

Mr. Dwyer updated the Board on the cybersecurity grant and the bidding process.

*2025 Special Board Election update & Request for Voter List*

Mr. Smyth informed the Board that the special election is proceeding as planned. The ballot positions have been solidified, the biographies have been sent to the printer and the printed ballot has been proofed and approved by Board management. The ballots are set to go out in the mail on March 11, 2025.

Mr. Smyth brought an issue to the Board's attention relative to a public records request for home addresses and emails of potential voters made by one of the labor unions. Mr. Smyth indicated that the Board had in the past provided the requested information. However, in the last election, there were multiple complaints from members and one of the unions that the issuance of home addresses and personal emails was an invasion of privacy.

Mr. Smyth noted that there is Supervisor's Opinion that gives the Board the discretion regarding whether it wishes to disclose the mailing and email list. There was discussion between the Board and staff relative to privacy, particularly with the email given the rise of phishing and other cybercrime.

*Motion made, and seconded, to deny Chapter 150E Union requests for Members home and email addresses or contact information for election purposes.*

Roll Call Vote: Member Cross: Aye; Member Finn: Aye and, Chairman Jackson: Aye.

**Motion accepted (3-0)**

*PERAC Memos, Reports and/or Forms for Board education:*

Mr. Smyth informed the Board that there are six PERAC memoandae in the Board package. He drew the Board's attention to the PERAC memo relative to COLA. As the Board is aware, a COLA cost memo is produced by Segal. Ms. McCarthy stated that normally the System targets to receive the COLA cost memo by April or May at the latest in order that the Board may review the results prior to public comment typically in June. Ms. McCarthy had already reached out to two weeks ago to start the process of preparing the memo. The Board was asked whether they had any funding schedules they wished to be factored in to this memo and none did. However, the Board agreed to ask Segal to generate an invoice using the standard \$16,000, \$17,000 and \$18,000 increments.

**Documents Presented:** 1. Amended Administrative Session Agenda of 02.25.2025. 2. Administrative Session Minutes of 1,15,2025. 3. 2025 BRB Interim Board Timeline. 4. Election Ballot and Candidate Biographies. 5. BRS Board of Trustees Cybersecurity and Pension Software Report 2025. 6. Combined Source Offer

Responses with Scoring and Pricing 2025. 7. PERAC Memo 4-2025 re 2025 Limits Under Chapter 46 of the Acts of 2002. 8. PERAC Memo 5-2025 re 2025 Limits Under Section 23 of Chapter 131 of the Acts of 2010. 9. PERAC Memo 6-2025 re COLA Notice. 10. PERAC Memo 7-2025 re buyback and workup sheets. 11. PERAC Memo 8-2025 re Investment Manager Statements via PROSPER. 12. PERAC Memo 9-2025 re actuarial data.

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

*2025 Asset Allocation Review*

NEPC will present their market outlook and asset class assumptions for 2025. The full NEPC market outlook has been provided as a separate document. Additionally, NEPC will review the System's asset allocation and discuss potential changes for the Board's consideration. Mr. Manning had a few takeaways. Return assumptions increased year-over-year across most asset classes.

The System's current asset allocation is well positioned and diversified. NEPC suggests making a few minor adjustments to the current allocation targets. NEPC suggests an Increase in US Large Cap: + 2%, Private Debt: + 1% Decrease. Non-US Developed: - 1%, High Yield: - 1%, and Emerging Market Debt: - 1%. Increase.

Implementation would be US Large Cap: +2%, Current allocation is 19%. No rebalancing is needed. Private Debt: +1%, make annual commitments to private debt using the pacing plan which has been run with a 5% target Decrease. Non-US Developed: -1%, redeem funds to rebalance towards the 15% target, and reallocate to areas that are underweight within the portfolio. High Yield: -1%, redeem funds to rebalance towards the 4% target, or terminate one high yield manager. Emerging Market Debt: -1%, redeem funds to rebalance towards the 3% target. The Board discussed the percentages, impact, portfolio and timeline.

*Motion made, and seconded, to **adopt** NEPC recommended for asset allocation for the Boston Retirement System. Which includes increase US Large Cap: + 2%, Private Debt: + 1% Decrease. Non-US Developed: - 1%, High Yield: - 1%, and Emerging Market Debt: - 1%. Increase.*

Roll Call Vote: Member Cross: Aye; Member Finn: Aye; and, Chairman Jackson: Aye.

**Motion accepted (3-0)**

*Hedge Fund of Funds Search*

Mr. Manning stated that the hedge fund of funds (HFOF) search was issued

in compliance with the seven-year search requirement. The search received responses from 22 managers. The System has a 5% allocation to HFOF which is managed by Blackstone and Grosvenor. NEPC provided a review of the respondents, and the respondents were reviewed at the December Board meeting. Four finalists were chosen by the Board to present at today's meeting.

Mr. Nafissi gave a short update of respondents. Stating that Blackstone and Grosvenor are very large firms. They try to secure capacity on the larger hedge funds. They leverage brand and skill. The other two firms Evanston and Magnitude. Evanston especially, they are a lot smaller. They are not able to secure capacity with the larger hedge funds. But they can source smaller managers.

Evanston has a pretty strong track record of going out and funding new launch hedge funds. Which can sound risky but they have done a good job.

Magnitude on a risk adjustment basis, are quite strong. In 2022 they returned almost 8% while all the others were down. That's a big boost if your looking at a hedge fund strategy. They have made money in volatile environments.

They are all strong options. He thinks that it will come down to some preferences of the risk the Board would like to take and how you want to pair the strategies together.

#### *Magnitude*

Mr. Sherry opened by introducing himself and Mr. Daykin. He went on to state that Magnitude are experienced practitioners focused on achieving differentiated investment outcomes. They count on Senior team of experts, aligned with investors. The Flagship fund launched 22 years ago and the firm is run today by seven partners, including co-founders; closely held partnership with no external investors. All current partners required to hold meaningful personal investments in Magnitude funds.

The focused objective, is in broad capabilities. With a team of 43 with deep and varied hedge fund experience, vast bulk of assets managed in relatively few vehicles with similar investment mandates and continuously broadening investment tool-kit over 22 years.



Magnitude counts on diverse, institutional investor base. With \$8.3 billion of assets under management (AUM), 85% of firm AUM from institutions and 68% North America, 32% ex-North America.

Mr. Daykin updated the Board about their team, approach and some about portfolio. Magnitude's approach has generated superior results by balancing analytical discipline with investment innovation. They focus on areas where they believe opportunity set is attractive, manager edge is tangible, and risk management is comprehensive and effective. They have a team of senior practitioners with over 37 years of experience.

Mr. Daykin stated that they very much have a team-based orientation around making decisions. They believe investments has become so complicated, that having a team that has touched all the various strategies that they allocate to. This ensures that they are likely to return assets and not likely to make mistakes.

The Magnitude fee structure is through performance fees, this is intentional. It means, when they generate returns for their clients, they as an organization gets paid. If they fail to do that, they don't get paid. All the Magnitude partners are invested in the same product. The larger firms are oriented in a different way.

#### *Evanston*

Mr. Donenberg opened by thanking the Board for having Evanston present. He went on to introduce Mr. Blitz and state that Evanston Capital is an Alpha-Focused, Client Driven for Over 20 Years. It has \$4.2B firm-wide AUM, fully independent and employee-owned firm. It counts on a stable team with broad equity ownership and Investment Committee tenure of 18+ years.

Evanston is singular focused, no competing lines of business, all "pulling the same oar" with senior professionals actively involved. They implement a flat organization structure, allowing for efficient decision making. They offer preferential fees with approximately half of flagship fund portfolio, saving approximately 0.79% in 2024. They believe in alignment of interest with personal capital invested alongside clients – "eat the cooking".

A partnership between Evanston Capital and the Boston Retirement System means Be a trusted financial partner striving to fulfill commitments to Boston Retirement System's beneficiaries and stakeholders. Evanston would support the

plan's objectives by seeking to help your portfolio achieve its return and volatility targets.

Provide a curated portfolio of hedge funds with a high degree of transparency and direct access to Evanston Capital's owners and decision makers. They will also offer a competitive and aligned fee structure. Evanston's long-standing relationships, their investors (by AUM) have been invested for 5+ years with an average weighted investor tenure of approximately 13 years.

Mr. Blitz continued by adding that Evanston Capital's investment philosophy is rooted in five key beliefs. Alpha is very scarce, newer and more specialized managers often sustain strong Alpha generation, hands-on execution by an experienced and diverse team is critical, concentration in best ideas creates value over time and effective risk management must be forward-thinking.

Evanston Capital's Flagship Fund. Evanston Capital's multi-strategy fund, launched in October 2002; returns have exceeded the HFRI FOF Index in 18 of 22 years. It's an Institutional heft yet nimble enough to quickly implement portfolio changes. The disciplined approach to AUM growth provides ability to invest meaningfully in smaller managers. They identify and invest in top-tier managers across a broad array of hedge fund strategies.

Evanston avoids managers with high levels of leverage and/or illiquidity. They believe many hedge funds follow a natural life cycle. They often invest early with managers (60% of portfolio invested with managers within one year of their launch) and typically turnover 15-20% of managers each year.

Evanston historical protection of Capital in down markets is crucial to them. The firm earned ~40% S&P 500's upside capture with ~25% of the downside capture. They outperformed the S&P 500 in ~95% of down quarters and ~90% of down months. With a Beta of 0.3 to the MSCI World and to the S&P 500 since inception.

#### *Blackstone*

Ms. MacColl opened by thanking the Board. She stated that Partners is BXMA's flagship program. Its all-weather profile is consistent with their understanding of BRS' objectives. It aims to deliver consistent, efficient and lowly correlated returns across market cycles. It is well diversified (1) by strategy mix (Equities, Credit, Quant, Macro, Other), investment styles, and implementation (external manager funds, SMAs, co-investments, direct deals). It includes >70%

allocations to scarce capacity managers and favorable fee deals and custom exposures.

Partners has a distinguished 28-year track record. Since 2021, BXMA's culture of continuous improvement has resulted in meaningful improvements to Partners' Sharpe ratio (1.66), drawdown minimization (-1.3%) and correlation profile (0.05 beta to global equities). They believe Partners' is well-positioned for good days ahead.

Mr. Ben-Ur continued by stating that BXMA is the world's largest discretionary allocator to hedge funds, combining an allocator skillset with real direct investing capabilities. This may allow us to better evaluate market opportunities and generate value for BRS through more than just manager selection.

BXMA's integration into Blackstone, the world's largest Alternatives asset manager, provides access to the Firm's proprietary investment insights and data, scaled corporate functions, and bank relationships to drive enhanced likelihood of returns for BRS.

BXMA's scale in Hedge Funds and leveraging Blackstone's broader ecosystem can allow for advantages in terms of sourcing, manager access, customization, preferential fee terms, and co-investments which can enhance performance. BXMA's high alignment of interest (\$874m of internal capital in Partners) seeks to ensure strong focus on performance. BXMA leverages its scale to benefit our Clients. BXMA was founded in 1990 and counts on a \$84Bn AUM with 116 investment professionals, 306 BXMA professionals and an average industry experience of management team.

The Systems continued benefits as a client are; Differentiated access to closed capacity managers, custom exposures and favorable fee terms. Proprietary risk technology platform designed to our specific needs and priorities. Extensive middle and back-office, as well as legal and compliance resources and comprehensive client service through a 26-person strong ICS team and transparent reporting.

*Grosvenor*

Ms. Henrich opened by stating that Grosvenor would like to continue building on nearly a decade of partnering together, GCM Grosvenor is well positioned to continue to support Boston Retirement System's investing goals.

In 2013, BRS invests \$65M in commingled hedge fund of fund GIPMS. In 2019, Commitment increased with additional \$35M investment in GIPMS. In 2020, Partnership expands with additional \$10M invested in GIPMS. 2021, Partnership expands with \$25M commitment to Advance Fund I and in 2023, Partnership expands with \$20M commitment to Advance Fund II. We want to thank the Systems for these investments.

Grosvenor has been in business for 50+ years of alternative investing. They are one of the world's largest and most diversified independent alternative asset management firms. The firm counts on \$80B in AUM, \$57B in Private Markets and in \$23B Absolute Return Strategies. In 1971, they established the firm and began investment services of AUM in customized separate accounts. 72% of AUM in customized separate accounts. 549 employees across the globe and 181 investment professionals.

Mr. Richter continued by once again thanking the Board for their business. Grosvenor's platform for absolute returns strategies. As a leading global provider of investment management for absolute return strategies programs. They are the Partner of choice, one of the longest tenured investors with strong industry presence with a global research team covers ARS universe with a specialist approach. They count on efficient access to managers through improved fee structures, favorable terms and/or capacity arrangements, and targeted exposures. 190+ funds with whom they invest >90% of capital invested through means of unique access.

Grosvenor Institutional Partners Master Fund, Ltd. (the "Fund") (GIP) fee saving. 40% of investments allocated to funds with economic & structural benefits from underlying hedge fund managers. 3.04% cap weighted hurdle rate, 6.24% cap weighted preferred return. He stated that they generally pay lower management and performance fees. 33 bps of aggregate fee savings assuming gross 8% ROR for underlying investments. All fee savings are passed directly to our Clients.

He went on to state that Long Short credit strategies are not traditional credit. Not high yield bonds or investment grade bonds. These are alternative credit hedge funds credit strategies. There are some good ones but the credit spread is tight today. So, he would expect that to be higher over time. First lien corporate credit, structured credit remains dislocated, higher rates stressing corporates and LMEs (liability management exercises) and restructurings.

It was noted that 39% of GIP investments are in Low Net /Neutral strategies. The reason that is excellent is because interest rates are higher today than the past and uncertainty is higher. This causes dispersion among stocks and bonds and that provides a headwind for hedge fund strategies. Thank you.

The Board, staff and NEPC staff discussed the responders and the strength of their proposal's performance and track record. Also discussed was the systems current relationship with current managers, fees, NEPC's ratings of managers, commitment amount, and Hedge fund markets.

*Motion made, and seconded, to retain Grosvenor and Blackstone for the Hedge fund to fund mandate.*

Roll Call Vote: Member Cross: Aye; Member Finn: Aye and, Chairman Jackson: Aye.

**Motion accepted (3-0)**

#### *Pacing Plans*

NEPC has included the updated private markets pacing plans in today's materials. As a reminder, the annual pacing plans are used to determine future commitment amounts for private equity, private debt, and real estate. The plan accounts for factors such as existing commitments, anticipated cash flows, target allocations, and the forecasted net growth rate.

The plans are based on the September 30, 2024 private markets valuations. The rise in the markets in 2024 has resulted in the System's total assets increasing, thus NEPC has broadly increased the recommended commitment amounts for future years.

#### *High Yield*

Right now, the System is at 6.1% in High Yield. Its at six because we decided a few years ago, even though the target was five. We decided now is a good time. GoldenTree up 11.3% to be in High Yield. If we are talking about High Yield being compressed, doing more in Private debt. The target is going from five to four. We are at six and we need to get to four. We can cut each manager by a third, or shrink the number of managers. Keep two managers. Crescent Capital has been much lower than Poland and GoldenTree and has lagged the bench mark over the past five years. They are the manager that NEPC would reduce out of the portfolio. To give to Core income.

*Motion made, and seconded, to terminate Crescent Capitol in the High Yield mandate.*

Roll Call Vote: Member Cross: Aye; Member Finn: Aye and, Chairman Jackson: Aye.

**Motion accepted (3-0)**

#### *Pacing Plan Overview*

Ms. Murphy stated that each year NEPC provides a private market pacing plan to review the System's program and determine the annual commitment amounts. Projected commitment amounts broadly increased in result of total plan assets increasing. Private markets valuations are as of September 30, 2024 and projected commitment amounts are subject to change.

#### **Pacing Plan Summary:**

	Target Allocation	Current Allocation	Current NAV 2025	Comm. Amount
Private Equity	7.0%	6.6%	\$476	\$35m
Private Debt	5.0%	4.6%	\$337	\$100m
Real Estate	10.0%	8.3%	\$604	\$90m

*Motion made, and seconded, to commit to the pacing plan as presented by NEPC.*

Roll Call Vote: Member Cross: Aye; Member Finn: Aye and, Chairman Jackson: Aye.

**Motion Accepted (3-0)**

#### *February 2025 Flash Report*

Mr. Manning reported that the plan was up 2.1% through the month of February, 2025 and up + 10.0 % in the one-year period.

#### *Work Plan*

Mr. Manning stated that NEPC has included an updated work plan, see below:



	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>TOTAL PLAN</b>											
Asset Allocation	Asset Allocation Review										
Performance	Q4			Q1			Q2			Q3	
Education / Review					Asset Liability Study						
<b>TRADITIONAL</b>											
Search / Presentations							Issue EMD Search	Review	Review	Presentations	
<b>HEDGE FUNDS</b>											
Program Planning											
Search / Presentations	<i>Presentations</i> Blackstone, Evanston, Grosvenor, Magnitude										
<b>PRIVATE MARKETS</b>											
Program Planning	Pacing Plan										
Search / Presentations		Issue PD Search				Issue PE Search					
Performance	Q3			Q4			Q1			Q2	
<b>REAL ESTATE</b>											
Program Planning	Pacing Plan										
Search / Presentations				Issue Search							
Performance	Q3			Q4			Q1			Q2	

*Integrum Capital Partners II LP (Hamilton Lane)*

Mr. Burns of Hamilton Lane recommended a \$10 million commitment to Platinum Equity Advisors, LLC's Platinum Equity Small Cap Fund II, L.P. ("Fund"). Mr. Burns, Staff and Board discussed the recommendation and its merits.

*Motion made, and seconded, to approve Hamilton Lanes recommendation an allocate \$10 million to Platinum Equity Small Cap Fund II, L.P.*

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Cross: Aye; and Member Finn: Aye.

**Motion accepted (3-0)**

**Documents Presented:** 1. NEPC 2025 2 Meeting Materials. 2. Magnitude International Class A Monthly Report. 3. Magnitude Presentation. 4. Evanston Presentation. 5. Blackstone (BXMA) Presentation 6. Grosvenor HFoF 7. Hamilton Lane Recommendation - Platinum Equity Small Cap Fund II, L.P.

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

*January 2025 Financial Snapshot*

Ms. McCarthy reported the January 2025 pension payroll as follows: Contributory payroll: \$64,449,193; Contributory Payees: 15,818; Non-contributory payroll: \$360,069; Total Non-contributory payees: 37; Regular Retirees: 14; Survivor/Beneficiary Retirees: 2; Disability Retirees: 0; Option C/Disb Survivors: 12; Members Refunds: 60 totaling \$1,227,958; Members Transfers: 46 totaling

\$2,615,504; Option B Refunds: 8 totaling \$153,460; and, Operational Warrants: \$658,833.

Ms. McCarthy informed the Board that in their packets they'll find the December reports. Please note they are preliminary. They will not be finalized for a couple of more months.

**Documents Presented:** 1. January snapshot for calendar year 2025 2. 12.2024 BRS Cash Projections. 3. 12.2024 MMDT Bank Account Reconciliation. 4. 12.24\_Cash Receipts Summary\_(Preliminary). 5. 12.24\_CashDisbursements Summary\_(Preliminary). 6. 12.24\_Adjusting Entries Summary\_(Preliminary) 7. 12.2024 Direct Deposit Bank Statement. 8. 12.2024 MMDT Bank Statement. 9. 12.2024\_GL (preliminary). 10. 12.2024\_Warrants\_(preliminary). 11. 12.2024 Operating Bank Account Reconciliation. 12. 12.2024 Operating Bank Statement 13. 12.2024 Retirement Payments Bank Statement. 14. 12.2024\_TB (preliminary). 15. New Retirement Account Listing February 2025. 16. Proposed Hearing Officer Hourly Increase.

**Outstanding/Ongoing Operations Issues: Christine M. Weir, Deputy Executive Director**

*January 2025 payroll update*

Ms. Weir provided an update on the payroll numbers for the month of January 2025:

- 35.....Total possible retirements, broken down:
  - 21.....Superannuation cases
  - 12.....Disability cases
  - 02.....Pre-Retirement Deaths
- 29.....Cases made it to payroll

*Renovation of Room 816 update*

Ms. Weir stated that staff continues to process vacation buybacks and CBA cases. It will go on for the next several months. As for a construction update. The offices have been demoed and construction is moving along as scheduled. Mr. Smyth added that staff has done a great job acclimating to the hybrid set up that we have. We do have regular hours at City Hall.

**Legal Issues: Natacha Thomas, General Counsel**

Attorney Thomas stated that a comptroller has submitted a proposal to increase the hourly rate to \$100 for Attorneys Cohen and Murphy, as well as adding two more Hearing Officers, would result in the following increased costs

to the 2025 BRS Budget. Attorney Thomas noted that by doing so, it would assist with retention of our seasoned hearing officers, as well as recruitment for future hires.

- Attorney Cohen \$25 hourly increase based upon billable 200 hours +\$5,000
- Attorney Murphy \$25 hourly increase based upon billable 200 hours +\$5,000
- New Hearing Officer #1 \$100/hour based upon 200 billable hours \$20,000
- New Hearing Officer #2 \$100/hour based upon 200 billable hours \$20,000
- Total increase to 2025 operating budget \$50,000

*Motion made, and seconded, to increase the hourly rate pay to hearing officers up to \$100 dollars per hour as presented.*

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Cross: Aye; and Member Finn: Aye.

**Motion accepted (3-0)**

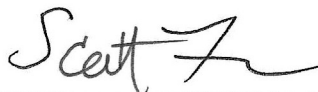
**Adjourn from Administrative Session**

The Board voted unanimously to adjourn from Administrative Session and enter into Executive Session at approximately 12:00 p.m.

Respectfully submitted,  
BOSTON RETIREMENT BOARD



Thomas V.J. Jackson  
*Chairman, Fifth Member*



Scott Finn  
*Ex Officio Member*



Karen T. Cross  
*Elected Member*

*Vacant*

Vacant  
*Elected Member*

*Vacant*

Vacant  
*Mayoral Appointee*