

Boston Retirement Board  
**Administrative Session Minutes**  
February 18, 2015  
Boston Retirement Board, Room 716  
Boston, Massachusetts 02201

IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael W. McLaughlin, Elected Member; Thomas V.J. Jackson, Fifth Member; Michael D. O'Reilly, Elected Member; Sally D. Glora, *Ex Officio* Member<sup>1</sup>

STAFF: Timothy J. Smyth, Executive Officer; Jonathan D. Lucas, Comptroller; John Kelly, Investment Analyst; Christine M. Weir, Operations Officer; Susan M. D'Amato, Assistant General Counsel.

ALSO IN ATTENDANCE: Michael Sullivan, NEPC; Seth Bancroft, NEPC; Ben Stuart, BMRB.

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Convene

Administrative session convened at 10:06 a.m.

Previous Minutes

*Motion made, and seconded, to accept the Administrative Session Minutes of the January 21, 2015, meeting as presented.*

**Motion accepted (4-0)<sup>2</sup>**

*Motion made, and seconded, to appoint Thomas V.J. Jackson as the Fifth Board Member for a term expiring January 15, 2018.*

**Motion accepted (4-0)<sup>3</sup>**

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst and New England Pension Consultants

- *Credit Opportunities Search*

The Board interviewed two managers, Oaktree Capital Management and GoldenTree Asset Management in response to the System's Credit Opportunities

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<sup>1</sup>Ms. Glora presented at the meeting at 10:46 a.m.

<sup>2</sup>Mr. O'Reilly abstained as he was not present at the January 21, 2015 meeting.

<sup>3</sup>Mr. Jackson abstained from this vote.

mandate. The Board does intend to interview additional managers as part of this search at a later date.

- o Oaktree

Oaktree was represented by Melanie Mitchell, Sr. Vice President and Rajath Shourie, Co-Portfolio Manager. Oaktree Opportunities Fund X will focus on senior and secured debt, protection from underlying asset values and reasonable diversification of positions, usually below 10% and never above 15%. Potential types of investments include: distressed corporate restructurings, real estate, non-performing loans, platforms in markets and/or sectors, opportunistic equity investments, post reorganization equities and stressed high yield bonds. The fund is very active in Europe and 40% of the assets are outside of the U.S. The target fund size is \$3 billion and the GP fees are 1.6% on invested capital.

- o GoldenTree Asset Management

GoldenTree was represented by Marina Mekhlis, Business Development, Ted Roosevelt, Business Development and Steve Shapiro, Partner & Head of Distressed Debt. The GoldenTree Distressed Fund 2014 focuses on investment opportunities caused by financial, operational or legal stress. These opportunities are undergoing a fundamental change due to secular, technological, legislative or regulatory changes or temporary cyclical challenges. Distressed investing at GoldenTree usually involves an investment in the fulcrum security, which GoldenTree will seek to assume control. Stressed investing involves an investment in an asset that may not be the fulcrum security but that is trading on a dollar price basis rather than a yield basis where GoldenTree expects the credit to revert to trading on a yield basis following operational and/or financial improvements. The fund targets North America and Europe. The target fund size is \$1 billion. The GP fees are: 1.50% per annum on Series I and 1.25% per annum during the Investment Period, on drawn or NAV on Series II. The fund targets net returns of mid to high teens similar to the current GoldenTree fund of which SBRS is invested.

*Motion made, and seconded, to hire GoldenTree Asset Management, LP by making a \$25 million commitment to the GoldenTree Distressed Fund 2014.*

**Motion accepted (5-0)**

- *Core Fixed Income Search*

Seth Bancroft, NEPC's Senior Research Analyst, reviewed several of the respondents to the System's Core Fixed Income Search. The Board determined that Black Rock, Dodge & Cox and IR&M were worthy of presentation at the April, 2015, meeting. These three firms are each different in their investment

style and approach. It was noted that the System's three current Core Fixed Income managers are Wells, Richmond and SSgA.

- *Fountain Capital*

It was reported that Fountain Capital, which has managed a High Yield Strategy for the System since October of 2001 informed Investment Analyst John Kelly and NEPC that they will no longer perform High Yield services. Thus, the Board will have to find a High Yield manager to replace Fountain. NEPC was asked to initiate the search as soon as possible. Fountain currently manages about \$130 million for the Plan. It was asked whether or not we had legal recourse against Fountain Capital. It was believed not.

- *Investment Performance Review*

In January 2015, the System's preliminary performance was down -0.3%. This was primarily driven by the S&P and Russell 2000 indices being down -3.0% and -3.2% respectively. The Large and Small Cap Equity asset classes' associated with these 2 indexes comprise 26% of the Plan's total portfolio. The final gross performance number for the System in CY14 was a +4.8%.

Outstanding/Ongoing Financial Issues: Jonathan D. Lucas, Comptroller

- Actuarial Valuation of January 1, 2014

Kathleen Riley, Segal Consulting, presented material on the actuarial data used in the valuation, establishes the funding requirements for fiscal year 2015 and later years and analyzes the preceding two years. This report shows the valuation of the SBRS as a whole and separately for the Teachers and SBRS excluding the Teachers. A copy of the report was supplied to the Board members.

*Motion made, and seconded, to adopt the January 1, 2014 valuation as presented by Segal Consulting.*

**Motion accepted (5-0)**

- Operational Snapshot

Mr. Lucas offered the January 2015 operational snapshot to the Board. The January 2015 contributory pension payroll was \$45,055,011, paid to 14,576 payees in Fund 1; the non-contributory pension payroll was \$283,405, paid to 82 payees in Fund 2. The operations warrant was \$1,671,635. A copy of the Operational Snapshot was provided to the Board members.

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

- Operations Update

Ms. Weir provided an update on the payroll number for the month of January 2015. There were 38 possible retirees, (28 superannuation, 6 disabilities, 4 DOA) of which, 31 were processed (24 superannuation, 2 DOA and 5 disabilities). The breakdown of the 7 unprocessed cases was as follows:

- one failed to return final papers timely;
- four were waiting on buybacks;
- one required PERAC approval; and,
- one did not get completed on time.

- **Member Service Update**

Staff continues to hold frequent status meetings, at least three times per week. The new Member Service Manager will be present at next meeting for introduction.

Ms. Weir reported that Richard Sabourin has begun his duties as member services manager. It is expected that Mr. Sabourin will be introduced to the Board at the next meeting.

- **CBA Update**

Ms. Weir reported that the CBA recalculation project was 77% complete. The remaining cases require careful analysis and additional work is required for the more complex calculations and missing information, typically those cases where the member has died. Ms. Weir reported that there are 346 remaining cases from CY2014 and it is anticipated that these will be on the March 2015 payroll.

Ms. Weir reported that there has been an ongoing dialogue with all of the autonomous agencies (BHA, BRA, BPHC & BWSC) regarding the request for information. To date, only BWSC has sent in a file, which includes about 25 people who need to be recalculated.

- **Service Purchases ("Buy Backs")**

Ms. Weir reported that the buyback workflow is being established. However, it is a slow process and the priority remains those pending on the retirement payroll.

Outstanding/Ongoing Legal Issues:

- Peggy S. Kemp                      BPS                      \$40,204.89

Attorney Nicholas Poser presented on behalf of member and requested a waiver in the amount of \$40,204.89. These arrears were due in fact that the member, a BPS retiree, over-earned as Headmaster of the Fenway School in violation of MGL ch. 32, §91(b) and was subject to an earlier Board meeting.

Attorney Poser submitted a memorandum for Board consideration at the meeting to reduce the amount owed. Mr. Poser is stating that the statute of limitations has expired because of the lack of communication by BPS in failing to apply for a critical shortage waiver. The Board was made aware that Ms. Kemp has an appeal pending before DALA regarding this issue.

*Motion made, and seconded, to deny waiver request of Peggy Kemp in the amount of \$40,204.89.*

**Motion accepted (5-0)**

- David G. Carter *Request for Member Survivor Benefits*

The survivors of David G. Carter request member survivor benefits pursuant to GL c. 32, §12(2)(d). Mr. Carter was a Police officer who died while a member in service in March of 2014 leaving behind five children, but no spouse. In 2013, he filed an Option D form naming Saneeyah Carter, his oldest daughter, as his Option D beneficiary. After his death, one of his other children made an allegation of fraud relative to the filing of the Option D form. Multiple hearings were conducted by hearing officer Robert Fabino. Mr. Fabino drafted a recommended decision wherein he recommended that the member survivor allowance be granted to Saneeyah Carter solely.

*Motion made, and seconded, to adopt the recommended decision of hearing officer Robert Fabino and direct staff to resume the member survivor benefits payable to Saneeyah Carter only.*

**Motion accepted (5-0)**

### **Enter Executive Session**

A roll call vote (5-0) to enter Executive Session was had at approximately 11:54 a.m.

### **Adjourn**

A roll call vote (5-0) to adjourn was had at approximately 12:52 p.m.

Respectfully submitted,  
BOSTON RETIREMENT BOARD



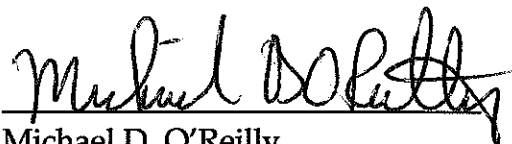
Daniel J. Greene  
*Mayoral Appointed Member, Chairman*




Sally D. Glora  
*Ex Officio Member*



Michael W. McLaughlin  
*Elected Member*



Michael D. O'Reilly  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*