

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

June 19, 2019

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 D. O'Reilly, Elected Member; Thomas V.J. Jackson, Fifth Member; Michael W. McLaughlin Elected Member.

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

ALSO IN ATTENDANCE: Michael Manning, Kirsten Christenson, Kiley Fischer, NEPC; Liam Greene, Liam Hoey, Board Student Interns.

Administrative Session Convene

The Board voted unanimously (5-0) to enter into Administrative Session at approximately 10:13 A.M. All in attendance were identified for the record and introductions were made.

Previous Minutes

Motion made, and seconded, to accept the Executive Session Minutes of April 24, 2019 and May 15, 2019, as presented.

Motion accepted (5-0)

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

- Administrative Update
 - IT Update & V10 Upgrade – Gloria Pizzarella, Chief Technology Officer

Gloria Pizzarella presented a proposal along with 3 excel spreadsheets from Vitech, the estimated cost is \$13 million including Member Self Service and

a Project Manager. There are monthly payments along with “milestone” payments.

Ms. Pizzarella recommended upgrading our Pension System Software V3 System Version 8.10 to Version 10. With a starting date sometime in October 2019; implementation will run through April 2021. Reasons to move forward include: current version will no longer be supported, higher performance, better tools and Member Self Service.

The features and functionality will improve staff productivity and improve services for members. The improvements include:

Staff:

- Queries much easier to create
- User friendly
- Document creating will be much easier
- Tools

Retiree /Member Self Service:

- Change address
- Direct deposit
- Check/change beneficiaries on Options A and B, although can't change Option C
- download 1099R

Members:

- Generate a Regular Retirement Estimate
- Ability to view Total Account information (deductions, Interest Account Balance and Total Service)
- Check/change beneficiaries

A Project Manager will need to be hired but anticipating no other new hires. It was recommended that Mike Dwyer fill the Project Manager role. This will be a part time position. Mr. Dwyer would be still available to BRS as a business analyst.

The Project Manager would work with Operations Officer Christine Weir and the Member Services Manager (now vacant) along with CTO.

- Subject Matter Expert (SME)
- Chapter 32 Business Process

Ms. Pizzarella and Board discussed the types of servers being utilized by BRS. V3 and all databases will be served by Vitech remotely utilizing the V10 operating system. Vitech will do its downloads once a month through the “V10

Cloud" (Internet based system). Board Members indicated that legal should be consulted to find out any liability exposure from being on the Cloud. Also inquired if it would be safer to be in COB Cloud? Ms. Pizzarella stated that Vitech utilizes Amazon security system which is considered the best in the industry. Looking into cyber security insurance was suggested. The Cloud would provide a snap shot of data every two minutes. Additionally, recovery of lost data would be much quicker. The security of having data on the Cloud greatly outweighs having it in the basement of City Hall that is open to climate and flooding dangers.

A spreadsheet provided by Comptroller, Ellen M. McCarthy estimated the cost associated with the upgrade to V10 over the next three years to be at approximately \$13M. A license and upgrade fee must be paid on October 2019. Board maintained that no licensing fee should be paid until system is live. Go live date projected to be April 2021. Database to be utilized would be "My SQL". The database Oracle is no longer supporting anything under V10. If they have to support it would cost an additional \$3-5K. Board maintains that Vitech should pay for their own change in data storage, not the BRS. Additionally, they would like Vitech to come and answer questions directly. Ms. McCarthy will continue to negotiate with Vitec on fees, prepaid costs, hours, etc. Ms. McCarthy and Pizzarella will manage relationship. Executive Officer; Smyth will contact former COB chief Information Officer Mr. Bill Oates to assist in negotiating the V10 upgrade contract.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

- Investment Update
 - PERAC's Investment Report 2018

PERAC's Investment Report 2018 was previously distributed to Board for educational and discussion purposes.

- Large Cap Equity Search Review

Michael Manning of NEPC informed the Board that the objective of today's discussion is to identify a short list of managers to include in a detailed search analysis across the three different equity styles: Core, Value and Growth. Mr. Manning provided an overview of NEPC's Performance Analytics Statistical Software ("PASS"). PASS provides a baseline and enables us to compare the performance of each manager that responded to the search by an equal weighing of numerous factors in a uniform fashion. Mr. Manning reminded the Board that the current managers in the BRS portfolio have performed well. This search is looking to accomplish multiple goals including decreasing the number of

managers, lowering management fees and favoring highly active managers where it makes sense within Value and Growth areas, which may look different from the benchmark.

Total Large Cap allocation currently stands at 18% of the total portfolio. This is comprised of about 13% in Core and 2.5% each in Value and Growth respectively. Other questions were raised of whether the portfolio needs two 130/30 managers and does it make sense to increase the allocation that is passively managed? After discussion it was determined that Mellon, Fiera, Manulife, Wellington, Loomis Sayles, Pollen, Lord Abbott and Aristotle were amongst the managers the Board would like further research on, in addition to the portfolio's existing large cap managers.

- May 2019 Flash Report

The Total Plan was down -3.2% in May, bringing the year to date performance return down to +5.8%. The month of May's poor performance was driven by Total Equities, which were down -6.7%.

- Work Plan

NEPC noted that at the July meeting we will try to narrow down finalists from the short list and have them begin presenting in August.

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

- Financial Update

- May 2019 Financial Snapshot

As to the May 2019 Financial Snapshot Financial Update Ms. McCarthy reported the following: Pension payroll contributions; \$52,308,117, Total Payees; \$15,067, Payroll non-contributors; \$320,840, Total payees; 54, New Regular Retirees, 42; Survivor/Beneficiary Retirees; 2, Disability Retirees; 3, Refunds and transfers; 108 for \$2,751,781, Members Refunds; 67 for \$733,888, Members Transfers; 35 for \$1,887,006, Option B Refunds; 6 for \$130,886; Operations Warrants; \$458,499.

- April 2019 Financial Statement

Comptroller McCarthy presented a May BRS financial statements as of April 30, 2019. Total assets are up \$200M, from \$6,460,109,335 to \$6,667,107,245. Net assets are up over \$180M year-end 2018. BRS income \$407M, with net assets available end of period is \$6.5B. Administrative fees were discussed and will be broken down further going forward.

- Food Budget

Mr. Smyth informed the Board that he has utilized food budget to buy lunch for staff and food for seminars, as well as bringing food into the office after heavy payrolls in March and October. The Board was reminded that the current budget allows for \$3,000 on food. The Board asked if that was sufficient. Mr. Smyth said yes it has been. The Board unanimously agreed and endorsed the food policy and use of Board funds to pay for same.

Ms. McCarthy informed the Board that PERAC auditors will be conducting an audit in mid-August. They will be auditing years 2014, 2015, 2016 and 2017.

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

- Operations Update

- May 2019 payroll update

Operations Officer Weir presented an update on the payroll number for the month of May, 2019. She stated that there were 63 Possible Retirees = 47 Superannuation, 9 Disabilities & 7 DOA's (Death of Active Member). 47 cases were processed, of which, 42 were superannuation, 2 DOA's and 3 disabilities. There were 16 cases that did not make the payroll. Reasons for missing payroll; were 1 waiting transfer, 2 locating Minor children/diseased member, 1 incomplete application, 1 widow getting social security, 1 DALA, 1 DRO, 1 possible rescind, 1 school letter, 1, no final papers, 1 salary (ISD), 5 disability cases are being calculated.

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

- Legal Update

- PERAC Memos offered for educational purposes only:

- PERAC Memo # 17-2019 re Tobacco Company List.

Adjourn

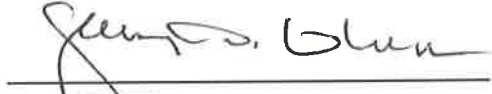
Motion made, and seconded, to adjourn from Administrative Session at approximately 12:13 p.m.

Motion accepted (5-0)

Respectfully submitted,
BOSTON RETIREMENT BOARD



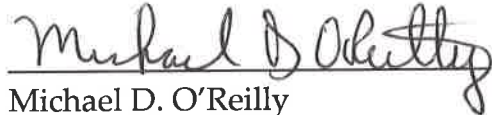
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



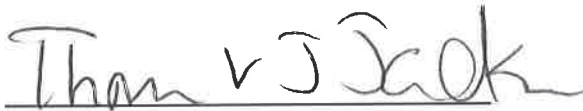
Sally D. Glora
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Michael W. McLaughlin
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Thomas V.J. Jackson
Fifth Member