

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

August 18, 2021

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Member; Michael D. O'Reilly, Elected Member; Maureen A. Joyce, *Ex Officio* Michael W. McLaughlin, Elected Member. (All Members remotely present)

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. (All Staff remotely present)

ALSO IN ATTENDANCE: Michael Dwyer, IT Consultant; Michael Manning, William Forde & Kiley Fischer, NEPC; Joel Francis, Ernest & Young. (All presenters remotely present)

EXCUSED ABSENCE: Thomas V.J. Jackson, Fifth Member

Meeting Convenes

The Board voted unanimously via roll call (4-0) to enter into Administrative Session at approximately 10:02 a.m.

Previous Minutes

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

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

Motion accepted (4-0)

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

Electronic Payment of Retirement Benefits Update

Mr. Smyth stated that the Systems issues approximately 457 monthly paper pension checks that the System issues each month. There is a desire to

move from paper to electronic payment. A draft letter has been circulated among senior staff. The System staff thinks it will suffice as far as a notice to members. It is expected that it will be generated in approximately a week. Staff has notified the mail room and they will print and mail the letters. Mr. Smyth expects that they will be in mailboxes within 10 days. The initial deadline is September 3rd. Right now, the deadline for return on direct deposit is expected to be September 30.

COLA Base updates

Mr. Smyth reported that the City Council has approved the COLA base increase. BRS has sent it to PERAC for certification and it was reflected in the July paychecks effective 07/01/2021.

Quotes for scanning old payroll records

This issue started before COVID in that the System has file cabinets after file cabinets that contains old paper payroll records that are starting to degrade due to their age. Mr. Smyth strongly urged that they be electronically scanned and preserved. Ms. Pizzarella sought assistance from the City's Procurement Department and obtained quotes for the two companies. Both are from the city's approved list. N.E. Archives actually submitted a quote before, they came in at \$9,312.00, while Konica came in at \$13,365.00.

Mr. Smyth asked that the Board approve an expenditure of \$9,312.00 for services rendered by N.E. Archives to preserve these records.

Motion made, and seconded, to retain New England Archives Center to scan old payroll records for an estimated cost of \$9,312.00 as presented.

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

Motion accepted (4-0)

Vitech update

Mike Dwyer opened by stating that the project is generally going in the right direction. The team knew it had to do a lot of infrastructure moving to the cloud. They have had to do more than expected because of environmental changes.

Notably the Treasury vault redesign but they have to get rid of the mainframe. It turns out that when the System does their payrolls, weekly and monthly. The files that go to the bank, credit union, etc. All that administration and logic, has been happening on the mainframe for years. It takes the form of controlled total record email that goes to Treasury. Then they authorize, the mainframe logs into Citizen bank and pushes some files. Then there are some notifications to credit unions.

The key is the mainframe substitution design, so far, we have been able to swap project hours and basically, be creative and flexible and keep this within scope. We have been able to move through it in a reasonable and expeditious way. Staff is going to start user acceptance tests at the end of the month and most things are taking shape.

Bill Oates has been a great sounding board during the project. As we get near the end. Mr. Dwyer wants to reintroduce Mr. Oates. Mr. Dwyer has worked ahead of time with Mr. Smyth and others on the following idea. As the project moves into September, October, November meetings. Leading to go on this new cloud V10, the project wants to hear what Mr. Oates has to say on the state of cyber security. Mr. Oates wants to put that issue within the larger discussions and the expectations Mr. Dwyer has developed with Mr. Smyth is that as of November, He'll drop off these Board meetings as the project goes live. But keep Mr. Oates as a monthly or every other month to segue through the cyber security issues with this implementation but to also establish some of the cyber security strategies and practices that the Board would want to see leading into next year. Member Joyce is in support of the reintroduction of Mr. Oates.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

NEPC

Mr. Manning The current search focused on identifying candidates across two styles: Core and US TIPs. At the July meeting, NEPC presented the list of respondents and helped the Board to develop a shortlist of managers for further analysis. At today's meeting, NEPC will provide an analysis on the shortlist of Core and Absolute Return managers. The objective of today's discussion is to (1) select candidates to interview at an upcoming meeting, or (2) reaffirm the Board's conviction in their current Core Fixed Income program.

Mr. Forde stated that as a follow up to the July meeting, NEPC has provided analysis on a short list of 4 candidates to discuss in more detail like Strategy differentiators; Fee comparison; Performance and correlations.

Mr. Forde notes, NEPC has profiled each manager's composite performance as opposed to the specific BRS account performance. This was done to get a more wholistic view of each manager's broad core fixed income capabilities. IR+M's performance will differ the most given they manage a customized mandate on behalf of the System which includes Core Bonds and US TIPs.

While NEPC is comfortable with the existing manager roster, this exercise may provide an opportunity to make improvements, on the margin, to current structure. The System's existing managers have consistently outperformed the benchmark with lower correlations to Credit.

The benchmark weight for MBS is less than 5% but its roughly 85% of the AFL-CIO strategy. Their strategy also has an interesting IMPACT element. They focus on union labor, existing and future projects in major cities including Boston and increasing the supply of affordable housing.

The following fees were discussed:

- IR+M - Reported fees: 14 Basis points
- Dodge Cox & Wells - Reported fees: 18 Basis points
- AFL CIO – Reported fees: 32 Basis points

The following fixed comparison was made:

Mr. Forde went on to state that when you think of these managers do and how they do it, it tells a yield and a credit quality story.

- IRM & Wells will have a yield more akin to the benchmark, maybe marginally higher and a pretty strong credit quality at AA.
- Dodge & Cox because they're more of a Core + slightly more aggressive risk posture. Will have a higher yield but a slightly lower credit quality at single A.
- AFL-CIO is a bit more interesting because they have a higher yield than the benchmark in typically a more traditional Core Fixed Income managers. Because a lot of their projects are higher yielding and they are also backed by full faith from the federal government and other state agencies so their credit quality tends to be fairly high relative to the Barclays Agg. at AAA.

The Board and NEPC discussed the merits of all the candidates and decided to have AFL-CIO and IRM to present at the next Board meeting.

Absolute Return Core Fixed Income Search

BlackRock SIO has met the goal we laid out for them when they were funded back in 2015. They have provided complimentary exposure to the traditional core fixed income allocations and protected the System's portfolio from a rise in rates while outperforming the Agg. in a risk aware fashion while maintaining liquidity.

Lord Abbett provides similar characteristics to the other candidates but does so by investing solely in Short Duration High Yield. Short Duration High Yield may compliment the allocation by reducing volatility.

The following fees were discussed:

- BlackRock - Reported fees: 67 Basis Points
- Fidelity - Reported fees: 32 Basis Points

Lord Abbett - Reported fees: 14 Basis Points

Rebalance Proposal

Mr. Manning introduced Ms. Fisher to go over rebalancing proposal. Ms. Fisher stated that the system has seen a lot of gains coming from the Equity composite. NEPC is proposing rebalancing more towards the Policy targets. They propose taking 3.4% of funds from U.S. Large and Small Cap Equity that's currently 5.7% overweight. Those funds will be rebalanced into Core Fixed Income, Emerging Market Debt, Hedge Funds and cash.

Mr. Manning noted that this rebalancing is not due to concerns with managers or performance. It is simply to get back in line with the System's Policy targets.

Motion made, and seconded, to accept and adopt the NEPC rebalancing recommendations reducing total equity and increasing fixed income and cash as presented.

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

Motion accepted (4-0)

Q2 2021 Performance Summary

NEPC reviewed the second quarter 2021 Investment Performance Analysis ("IPA") which provides absolute and relative performance for the System along with in-depth manager analysis.

Exposure to US large cap growth equities served as a tailwind for overall performance. Large cap growth outperformed in the quarter with the Russell 1000 Growth index returning 11.9%. A relative underweight to fixed income added to the plan's performance and rankings as equities outpaced fixed income.

Value Added Fixed Income was the System's highest-ranking composite for the quarter, ranking in the 5th percentile. DDJ was the System's highest-ranking manager for the quarter, ranking in the 10th percentile and outpacing its benchmark by 90 basis points.

July 2021 Flash Report

Mr. Manning presented the July Flash Report stating that the System is +0.2% in the month of July and +2.6% for the last three months. This brings the YTD to a +9.0% and the One Year to +22.6%.

Work Plan

Mr. Manning stated that NEPC has included an updated work plan with the including a proposed work plan for 2021.

PROPOSED 2021 WORK PLAN

	August	September	October	November	December
TOTAL PLAN					
Asset Allocation					
Performance	Q2			Q3	
Education/Review					
TRADITIONAL					
Search/Presentations	Core Fixed Income Search Analysis	Search Finalist Presentations			
HEDGE FUNDS					
Program Planning					
Search/Presentations					
PRIVATE MARKETS					
Program Planning					
Search/Presentations		Issue Private Equity Search	Review Respondents	Search Analysis/ Presentations	Search Analysis/ Presentations
Performance	Q1			Q2	
REAL ESTATE					
Program Planning					
Search/Presentations				Revisit Search 2021/2022	
Performance	Q1			Q2	

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

Boston Retirement System 2020 Audit Results

Ms. McCarthy introduced Joel Francis from Ernest & Young (E&Y) who presented the Systems audit results. Mr. Francis opened by stating that E&Y completed the audit and the financial statements were completed in late July. E&Y were engaged to audit and to report to appropriate members of management and the Boston Retirement Board on the results of our audit of the annual financial statements of the Boston Retirement System (the Plan or the System) and schedules of employer allocations and pension amounts by employer. As required by professional standards, auditors are required to identify management override of controls as a significant risk in all audits. Our audit procedures were designed and executed to be responsive to this risk.

The E&Y audit scope is consistent with what was planned. Upon completion of their remaining procedures, they expect to issue an unmodified opinion on the plan's financial statements as of and for the year ended December

31, 2020 and the required supplementary information in relation to the financial statements as a whole. They also expect to issue an unmodified opinion on the Plan's schedules of employer allocations and pension amounts by employer.

Overall, the Plan's analysis for significant accounting matters is appropriate. Reasonable judgments and consistency have been used by management to account for significant accounting estimates. No uncorrected misstatements, or significant deficiencies, were identified relating to the accounts or disclosures. Additional Points to consider are, required communications, open items, performing subsequent events review procedures through our report date and performance of Management and Retirement Board inquiries.

Motion made, and seconded, to accept the calendar year 2021 audit, financial statements and supplemental information of Ernest & Young as presented.

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

Motion accepted (4-0)

July 2021 Financial Snapshot

Ms. McCarthy reported July pension payroll contributors: \$56,529,483; Total Contributory Payees: 15,281; New Regular Retirees: 32; Survivor/Beneficiary Retirees: 2; Disability Retirees: 6; Option C/Survivor Disbursements: 9; Members Refunds 51 for \$ 1.199.212; Members Transfers: 7 for \$154,866; Option B Refunds: 3 for \$74,887; Operational Warrants: \$ 397,504.

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

July 2021 payroll update

Ms. Weir provided an update on the payroll numbers for the month of July. There were 37 total retirees, 28 made it to payroll. 0 Death of Active (DOA), 34 Superannuation's, 3 Disabilities. 33 cases made payroll, 4 cases did not make it to payroll for July.

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

Mr. Lydon presented one PERAC memo for Board review:

- PERAC Memo 21-2021 re COLA for Supplemental Dependent Allowance Paid to Accidental Disability Retirees and Accidental Death Survivors

Enter Executive Session

Motion was made, and seconded, to enter executive session at approximately 11:24 a.m.

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

Motion accepted (4-0)


Adjourn from Administrative Session

After re-entering from Executive Session, the Board voted unanimously to adjourn from Administrative Session at approximately 12:18 p.m.

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

Motion accepted (4-0)

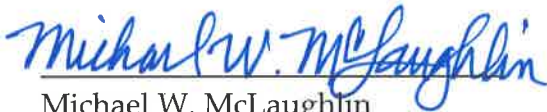
Respectfully submitted,
BOSTON RETIREMENT BOARD



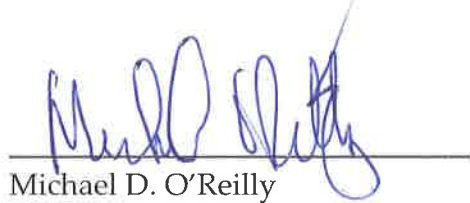
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



Maureen A. Joyce
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member



Thomas V.J. Jackson
Fifth Member