

## MINUTES OF BOSTON RETIREMENT BOARD

### **Administrative Session**

January 20, 2023

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael D. O'Reilly, Elected Member; Michael W. McLaughlin, Elected Member; Maureen A. Joyce, *Ex Officio* Member; Thomas V.J. Jackson, Fifth Member.

STAFF IN ATTENDANCE: Christine Weir, Interim Executive Director; John F. Kelly, Investment Analyst; Natacha Thomas, General Counsel; Ellen M. McCarthy, Comptroller; Gregory Molina, Executive Assistant

ALSO IN ATTENDANCE: Mike Manning, Kiley Fischer, Bob Britenbach *NEPC*; William Oates, Consultant; Michael Dwyer, Consultant; Andre Rice, Irwin Loud, Alfred Sharp, Gregg Walker, Ms. Marcia Markowitz, Muller & Monroe; Courtney McCrea, Sarah Zulkosky, Recast Capital.

ABSENT: Lauren Santillana Interim, Operations Officer.

**(All Attendees remotely present.)**

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### **Administrative Session Convene**

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 9:08 a.m.

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

**Motion accepted (5-0)**

*Motion made, and seconded, to accept the Administrative Session Minutes of the December 21, 2022 meeting as presented.*

Member Joyce requested that the acceptance of minutes be tabled until February Board meeting

Chairman Greene approved the tabling of acceptance of minutes.

Outstanding/Ongoing Administrative Issues: Christine Weir, Interim Executive Officer

*IT Security Update*

Mr. Oates stated that there is some traction on a true cybersecurity program for the Boston Retirement System (BRS). This is the result that came out of the Gray Castle assessment that we did last year.

He went on to state that the focus is in three areas. The consultants want to focus on the BRS internal issues, the need to stay focused on the relationship with BRS critical partners that came out of the Great Castle assessment and also thinking about the third parties that BRS is involved in, in the course of business. The first one is the internal, which he thinks is the harder one. The consultants have updated the incident response plan. This is all about making sure that the organization is resilient in the event that we have an incident or a breach that we can respond appropriately to it. We have had for a number of years without an incident response document. We're really trying to update the document into an actionable playbook that BRS could truly test and utilize.

Ms. Weir has put together an incident response working group. The first meeting will be held on January 30th, to think through the business processes, the business impact at the top levels of the organization, and understand the important processes. To a document we could use and respond. This is probably the most important thing that we can do. And as we go down the road and talk to cyber insurance organizations, the fact that we will have something that is current in actionable will be really important.

The second focus is with our partners. The BRS has good support from their partners, like DoIT at the City and Vitech. Since our last meeting we met with the City's chief information officer to talk about that partnership and to also establish a governance forum. The CIO agrees that that's a great idea. We've reached out to have a date for that first meeting, this will allow us address a number of technical issues that are really on DoIT, hands-on identity management, digital loss, prevention data loss, prevention systems, as well as the broader issues.

All parties will probably get into a quarterly cadence where they'll rotate their different subject matter experts.

The third focus of vendor management policy drafted. DoIT needs to make sure that they secure those things Set up a vendor due diligence policy for new parties that we get involved with.

Mr. Dwyer added that, pre covid BRS did a test of the emergency plan. They took a couple of scenarios, one mild, one severe and asked What's BRS's legal going to do? Who's going to talk to the insurance company? Part of our goal, is that we have done that exercise again, that we've actually done some walkthroughs that we have a more active working relationship with DoIt in the sense of how to manage any outages on their part.

#### *Reschedule Meetings*

Ms. Weir stated that we changed the April meeting date. From April 16 to April 26, 2023. All dates have been approved by the Board and may be changed as needed.

The Board discussed the procedure for changing meeting dates and Member McLaughlin agreed to update the document and put it in final draft to the board for vote for February meeting.

#### *PERAC Memos*

Ms. Weir stated that she provided four PERAC memos for the Boards information.

- PERAC Memo 1.2023
- PERAC Memo 2.2023
- PERAC Memo 3.2023
- PERAC Memo 4.2023

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

##### *NEPC*

##### *Investment Update*

##### *Private Equity Search*

Mr. Manning stated that the respondent list was presented in October, and three diverse fund of funds candidates were selected as finalists (Barings, Grosvenor, and Wellington). The three candidates presented in November, and two additional finalists, Mueller and Monroe and Recast will present today. The recommended commitment amount for the diverse fund of funds mandate is \$30-\$50 million.

### *Muller & Monroe*

Mr. Rice started by sharing they are focused on the lower middle market emerging manager space in private equity. He said they have a very disciplined approach and a lot of skin in the game. We have a very talented group of diverse individuals, a proven track record and excellent performance for over 20 years. Muller & Munroe has a robust pipeline and a comprehensive due diligence process. They are able to create a very customized approach for all of our clients.

Mr. Rice noted the firm's performance back to 2007. The firm has exceeded the benchmarks over the last decade in seven out of eight of our funds. We have outperformed the benchmarks by a thousand basis points.

Ms. Markowitz continued the presentation speaking on the firm's Investment Strategy. She reiterated that they're focused exclusively on the lower middle market. Small funds but big opportunities. The target fund size is primarily between \$200 and \$700 million. They will not invest in smaller funds if we can't be assured of organizational stability and a similar investment strategy. They focus on buyout and growth equity strategies with a small allocation to special situations.

Mr. Walker went on to state we recently launched a co-investment strategy. They are in the process of working with their largest clients, to get the flexibility to make co-investments. Member Jackson asked about the percentage breakdown between primary investments and co-investments? Mr. Loud responded by stating they are proposing 80% of the money to be primary investments and 20% of money in co-investments.

### *Recast Capital*

Ms. Zulkosky opened by stating that Recast Capital is a one hundred percent woman-owned platform investing in and supporting diverse emerging managers in venture. The platform includes three parts. The core of our platform is a hundred-million-dollar target fund of funds investing in diverse emerging managers in venture. They are managers that Recast believe are in the best position to outperform and will be creating the industry-leading franchises of the future.

The other two parts of their platform are strong complements to the fund of funds. The first being a tuition-free virtual educational program for emerging managers in venture, which is called the Enablement program. The second part is

a catalytic strategy, providing funds to cover emerging managers operational expenses and other support, which they call their Accelerate program. Both of these programs have helped widen the top of funnel for the fund of funds as well as build relationships with more emerging managers in venture. These have been strong ways to support more of the emerging manager community than just those that we can invest in out of our fund of fund strategy.

Ms. Zulkosky stated in summary, they believe investing in Recast Capital allows the BRS to generate very attractive returns and drive the change that we all hope to see within industry. They're really excited about what this firm can achieve moving forward, and we'd love for you to join our journey.

The Board, BRS staff and NEPC Consultants, Mr. Manning and Mr. Britenbach discussed the merit of all the respondents and amount of investments, funding totals and proposed terms, fees and similarities of some of the firm's respondents.

*Motion made, and seconded, to hire Grosvenor Advance Fund II for \$20 million, Muller & Monroe Private Equity Fund-of-Funds IV for \$15 million and Recast Capital Recast Capital Fund for \$5 million for diverse Fund to Fund search as presented today.*

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

**Motion accepted (5-0)**

#### ***Small Cap Value Search***

Mr. Manning stated that the small cap equity search was issued in compliance with the seven-year search requirement, and included core, value, and growth strategies. NEPC provided the respondent list, and a review of the System's existing small cap portfolio. The next step is to further evaluate the Value respondents. NEPC has provided a detailed analysis on a shortlist of Value candidates. After discussion, the Board decided to interview Hotchkis and Wiley, Systematic and Mesirow at the February meeting.

#### ***December 2022 Flash Report***

Mr. Manning went on to state that in the month of December the system was up + 4.7%. The three-month was up + 1.9% and the YTD was down - 8.2%.

**Work Plan**

Mr. Manning stated that NEPC has included an updated work plan with the meeting materials. As shown on the work plan.

	January	February	March	April	May	June
<b>TOTAL PLAN</b>						
Asset Allocation		Asset Allocation Review				
Performance		Q4			Q1	
Education/Review		Market Outlook				
<b>TRADITIONAL</b>						
Search/ Presentations	Small Cap Value Search Analysis	Finalist Presentations				
<b>HEDGE FUNDS</b>						
Program Planning		HF Search Discussion				
Search/ Presentations						
<b>PRIVATE MARKETS</b>						
Program Planning						
Search/ Presentations	Diverse FoF Presentations					
Performance		Q3			Q4	
<b>REAL ESTATE</b>						
Program Planning						
Search/ Presentations			Revisit Search (Opp & Debt)	Analysis/ Presentations	Analysis/ Presentations	
Performance		Q3			Q4	

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

***December 2022 Financial Snapshot***

Ms. McCarthy reported the December 2022 pension payroll as follows: Contributory payroll: \$58,095,374; Contributory Payees: 15,459; Non-contributory payroll: \$278,844; Total Non-contributory payees: 33; Regular Retirees: 40; Survivor/Beneficiary Retirees: 5; Disability Retirees: 5; Option C/Disb Surv; 11; Members Refunds: 57 for \$1,169,575; Members Transfers: 0 for \$0.00; Option B Refunds: 5 for \$26,651; and Operational Warrants: \$526,234.

Ms. McCarthy also stated that staff was wrapping up for 12/31 and they're starting a year-end process. They will be going to be having a kickoff meeting next week with the BRs auditors. She added that they are also working on PERAC annual statements.

**Outstanding/Ongoing Operations Issues: Lauren Santillana, Interim Operations Officer**

*December 2022 payroll update*

Mrs. Santillana provided an update on the payroll numbers for the month of November. 48 new retirees scheduled for the December payroll, 36 was superannuation cases, 12 disabilities out of the 36. Superannuation's, 27, superannuation made it nine did not for various reasons such as salary and papers, not being back.

**Outstanding/Ongoing Legal Issues: Natacha Thomas, General Council**

*Legal update*

Ms. Thomas stated that there was nothing to report on BRS outgoing and outstanding legal issues.

**Adjourn from Administrative Session**

The Board voted unanimously to adjourn from Administrative Session at approximately 11:15 AM.

*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



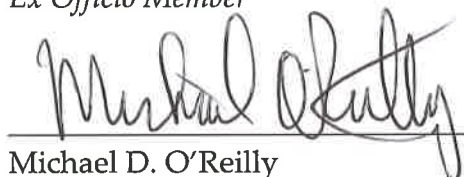
Daniel J. Greene, Esquire  
*Mayoral Appointed Member, Chairman*



Maureen A. Joyce  
*Ex Officio Member*



Michael W. McLaughlin  
*Elected Member*



Michael D. O'Reilly  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*