

## MINUTES OF BOSTON RETIREMENT BOARD

### **Administrative Session**

September 21, 2022

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael D. O'Reilly, Elected Member; **(Remote)** 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; Lauren Santillana Interim, Operations Officer; Gregory Molina, Executive Assistant

ALSO IN ATTENDANCE: Will Forde, Kiley Fischer, NEPC; William Oates, Consultant, Daniel Heflin, Greg Dineen, Chris Henderson Torchlight; Geoff Langdon, Steve Faliski, Mathew Richter, Davis Stephen Davis, Quentin Reynolds, Cappy Daume, Alidade; Michael Haggerty, Kendrick Leckband, Devin Sullivan, TA Realty.

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### **Administrative Session Convene**

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:10 a.m.

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

**Motion accepted (5-0)**

Chairman Greene stated that the Board meeting will go out of order and go into the Executive Session to hear the pension forfeiture case of Marilyn Golisano.

### **Adjourn from Administrative Session**

*The Board voted unanimously to adjourn from Administrative Session at approximately 10:24 p.m.*

### **Administrative Session Reconvene**

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:24 a.m.

Motion made, and seconded, to accept the Administrative Session Minutes of the August 17, 2022 meeting as presented.

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

**Motion accepted (5-0)**

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

*IT Security*

Mr. Oates stated that BRS contracted GreyCastle Security to conduct an IT Security Risk Assessment.

The assessment is made up of two components – the NIST (National Institute of Standards and Technology) portion looks at the policies, procedure and controls currently in place at BRS. The Cloud Security component looks at the AWS (Amazon Web Services) environment that is supporting the BRS V10 system managed by Vitech. The risk discussions were held in August – consisting of fifteen interview sessions and a risk workshop that included key stakeholders. There was good participation from BRS management/staff, the city's Department of Innovation and Technology (DoIT) and Vitech. Findings review calls are upcoming with GreyCastle (9/28, 10/6) and Executive Presentations to be scheduled.

Initial Feedback on Findings: NIST – Findings from of the assessment were generally positive, demonstrating good attention to security across the organization. GreyCastle noted several areas where improvements are warranted, including:

- Media Marking – guidelines for marking sensitive paper or digital media to inform users of proper data handling requirements.
- Improved Security Awareness Training – fully effective, enforced and tested program that includes onboarding of new staff and (minimum) annual staff certification.
- Better isolation of the BRS network – as we experienced in our cyber insurance discussions, the BRS network is a component of the city network. It is recommended that BRS work with DoIT to improve network segmentation.

Other areas (data loss prevention, backup encryption, ongoing risk assessment process, Vendor contract review) were also noted in the findings report. All findings will be further discussed in our calls with GreyCastle.

Cloud (AWS) - The cloud assessment findings were also positive. GreyCastle measures the AWS environment managed by Vitech against the CIS (Center for Internet Security) security benchmarks. The compliance score for Vitech/AWS was above 90%. There were recommendations to improve the Vitech password policy (for accessing AWS) and authentication required to make changes in the AWS S3 (Simple Storage Service) bucket. This is the nomenclature for where data objects are contained in AWS. These findings will also be reviewed with GreyCastle and Vitech in our findings review call.

### *Office Reconstruction*

Ms. Weir stated that the system wants to get the staff all in the same floor and department. The system has the opportunity to move into the current 311 offices, which are currently next door to the existing office space, on the eighth floor. We also have had discussion with the City in regards to moving to the seventh floor. In our discussion we told them we would need a swing place for several staff members in the event members need to come in for service. We also discussed 26 Court Street where they currently have swing space.

We need space for at least eight staff members. The rest of the staff will go Remote and work hybrid. In this manner it would be more efficient and quicker to gut the whole eighth floor. They approximate being finished in a month to a month and a half.

Member McLaughlin wanted to know if REG was the architect firm or the contractor.

Ms. Weir stated that there is a portion in proposal that they elude to contractor but she believes the City will hire an outside contractor. She will get back to Board with a concrete answer.

*Motion made, and seconded, to accept the proposal as presented by REG for the remodeling of the Boston Retirement System 8th floor offices.*

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

**Motion accepted (5-0)**

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

***Real Estate Search***

Mr. Forde reported that the current real estate search encompasses the targeted commitments for 2022 and 2023, totaling approximately \$150 million over the two-year period. The search focused on identifying candidates across three different strategy types: value-add, debt and opportunistic. At the August meeting, NEPC presented the list of search respondents by strategy type. The Board selected one debt respondent and three value-add respondents to interview. Those candidates will present today.

***Torchlight***

Mr. Heflin stated that Torchlight is 100% employee owned with \$5.3 billion in assets under management. The investment types are; mortgages and mezzanine loans, preferred equity, CMBS and distressed debt workouts. Torchlight has worked out 745 loans since inception with a total par amount of \$11.6 billion.

Torchlight employs a U.S. value-add strategy focused on four key principles.  
(1) Sourcing Advantage; Networks developed over two decades and special servicer Relationships.  
(2) High Current Income; Target income producing assets and target high cash.  
(3) Downside Mitigation; Attractive basis, defensive structuring and prudent leverage. (4) Upside Optionality; Minimum multiple, opportunistic exit strategies and upside participation.

The Congressional Budget Office projects \$16.0 trillion in deficits over the next 10 years, contributing to the total projected U.S. government debt held by the public of \$40.2 trillion in 2032. Torchlight believes it has sourcing advantages for acquiring distressed notes. Elevated Conduit CMBS delinquency rates in the lodging and retail sectors are expected to lead to distressed private investment opportunities.

The fund targets capital commitments of \$2.0 billion. The target net return is 10% to 12%. With a target distribution rate; 6+% (once fully invested). The maximum Fund-Level borrowing is 40% of total fund assets.

### *Alidade*

Mr. Langdon opened that Alidade Capital has managed five value-add real estate investment funds focused in secondary geographic markets (two prior funds have been fully harvested and closed).

Alidade Capital invests in "under the radar" Smaller Deal Sizes (\$5-50+ million) because access is attractive at entry pricing. There is less competition acquiring assets. Scale is not required in a single transaction. Fund V is anticipated to be an "all-weather" designed portfolio. Portfolio current income is distributed quarterly. Alidade prudently uses leverage and focuses on long-term growth themes.

Alidade Capital invests in markets where it has advantages. They target markets selected through data driven research. ("RED" Fundamentals) They further target Innovation Ecosystems that attract companies and knowledge workers. They target secondary markets that pair well with Fund V's deal sizes and asset types and Alidade Capital's team is deeply embedded in their target markets.

### *Davis*

Mr. Davis stated that Davis investments ventures capitalizes by identifying hidden value. They plan, execute and oversee asset level improvements to drive value. They improve assets in a manner that yields greater long-term cashflow that positions them for sale to institutional ownership. They also monetize assets upon business plan completion through a transparent and competitive bid processes.

Fund V's primary investment themes are capitalizing on new demand driven by intellectual capital, innovation and population flows. Life Science & Research provide modern lab and high intellectual capital workplaces for companies located in growing technology/knowledge hubs. They acquire properties at a compelling cost basis and reposition and redevelop them to appeal to rapidly growing technology and life science tenants.

In the Industrial space they acquire and develop warehouse and industrial space that benefits from expanding ecommerce, changing consumer demographics and technological disruption. They reposition and develop modern, climate controlled self-storage facilities in dense population centers. In

the Residential space they target middle-income residential projects that appeal to the evolving preferences of millennials and baby boomers in growing urban areas.

Target Fund Size is \$950 million. Target returns are Gross IRR: 18%-20%; Net IRR: 14%-16%; Net Multiple: 1.6x-1.8x.

### *TA Realty*

Mr. Haggerty stated that the Fund XIII investment strategy consist of 5 components. Product types include Industrial, multifamily, office, and grocery-anchored retail. Geographic focus is on primary strategic and secondary U.S. Markets.

Ms. Leckband went on to state that TA Realty executes value-added strategies converting to cash flow as quickly as possible. They count on an agile execution platform that enables the ability to pivot to best market opportunities during acquisition period. Their portfolio level debt with prudent LTV levels within 40-45% range works to enhance – not drive – returns. They have fee structure that promotes alignment between GP/LP interests.

TA had an industrial overweighting in Fund XI with a 59% allocation to industrial and in Fund XII a 69% allocation to industrial. Their target for Fund XIII, is somewhere between 50% - 60%. On the multi-family side, they are targeting an allocation of about 40% - 50%. The fundamentals in office space is still trying to find their footing after the pandemic. Right now, the firm is in a wait and see mode. The firm is going to be very selective and there is a possibility that the fund will have no office. They are going to watch it closely. If there is a clear path to get to the IRR , we will consider office. Retail will probably comprise 5% of fund XIII. That sector has seen some improvement over the recent quarter. We have focused on grocery anchored centers. Retail has been a small piece that they are looking further into.

The target return is 12.5-15.0% Gross IRR (before management fees and carried interest). They are targeting \$1.25 billion in aggregate capital commitments. The first close was held in January 2022.

The board, staff and NEPC discussed the presentations, firms, previous performance and fund allocations, timeline to deploy amounts of \$25 million, \$25 million, \$15 million.

Motion made and seconded, to hire TA Realty Value-Add Fund XIII, \$25 million, Davis Investment Ventures V for \$25 million and Alidade Capital Fund V for \$15 million as part of the Systems Value-Add Real Estate search.

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

**Motion accepted (5-0)**

**August 2022 Flash Report**

Mr. Forde went on to state that the month of August was challenging as the system was down -1.8% in August. The 3 months were down -2.4% and the YTD was down -10.0% through August.

**Work Plan**

Mr. Forde stated that NEPC has included an updated work plan with the including a proposed work plan for 2022:

	Sept.	Oct.	Nov.	Dec.
<b>TOTAL PLAN</b>				
Asset Allocation				
Performance			Q3	
Education/Review				
<b>TRADITIONAL</b>				
Search/ Presentations		Issue Small Cap Search	Review Respondents	Analysis/ Presentations
<b>HEDGE FUNDS</b>				
Program Planning				
Search/ Presentations				
<b>PRIVATE MARKETS</b>				
Program Planning		Pacing Plan		
Search/ Presentations		Review PE Respondents	Analysis/ Presentations	Revisit PD Search (Direct Lending)
Performance			Q2	
<b>REAL ESTATE</b>				
Program Planning		Pacing Plan		
Search/ Presentations	Presentations: Alidade, Davis, TA Realty, Torchlight			
Performance			Q2	

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

*August 2022 Financial Snapshot*

Ms. McCarthy reported the August 2022 pension payroll as follows: Contributory payroll: \$59,661,632; Contributory Payees: 15,486; Non-contributory payroll: \$276,486; Total Non-contributory payees: 31; Regular Retirees: 61; Survivor/Beneficiary Retirees: 5; Disability Retirees: 6; Option C/Disb Surv: 1; Members Refunds: 63 for \$1,749,601; Members Transfers: 4 for \$1,076,331 Option B Refunds: 2 for \$67,689; and Operational Warrants: 472,450.

Ms. McCarthy informed the Board that the actuary RFP is out it was posted on September 12, 2022 on the PERAC website and is closing on September 26th. There are three or four vendors that pulled the RFP based on the questions received.

Member O'Reilly wanted to remind the Board that the MACRS fall conference is going to be held in Springfield, MA at the Sheraton Hotel. October 2nd through the 5th. He would like to see Board and key staff members to attend.

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

*August 2022 payroll update*

Ms. Santillana provided an update on the payroll numbers for the month of August 2022. There were 80 possible cases, (73 Superannuation's, 4 Death of active, 7 Disabilities.) out of all the cases 65 were put on payroll. 8 cases did not make it to payroll. Ms. Santillana noted the following reasons the reasons members did not make it on payroll; 61 superannuation, 6 missing documents, 1 charges pending, 8 No final papers.

**Outstanding/Ongoing Legal Issues: Natacha Thomas, Esquire**

*Legal update*

Ms. Thomas stated that she included the PERAC memo for the Boards review. There are a couple of RFPs' that are pending before the Board.

- Mahan v. Boston Retirement System, SJC - 13208  
(September 6, 2022)  
SJC found in the Boards favor.
- PERAC MEMO #23-2022



They are trying to clarify the vacation buyback issue. We are still looking for more clarity as to how they define it consistently.

- RFP Legal Services

Ms. Thomas has uploaded the RFP to CSI for the Board. That has the law firms who have submitted a response to the RFP. Board members can grade each proposal. Ms. Thomas along with her intern are in the process of uploading the securities litigation law firms monitoring RFP's. She will be providing the Board with her input and recommendation's. Both RFP's could be ready for an October Board vote.

Chairman Greene doesn't see a reason to interview all candidates, seeing as we have long standing relationships with many of these firms.

Ms. Thomas stated that the proposals are effective for 90 days.

- Joyce Austin - Waiver \$6,854.68 - board vote

Ms. Thomas stated that this case goes back a long way. The Board and General Council discussed the waiver and timely matter.

*Motion made and seconded to accept Needham waiver request to Joyce Austin in the amount \$6,854.68. Request was ultimately done in a timely manner.*

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

**Motion accepted (5-0)**

### **Adjourn from Administrative Session**

The Board voted unanimously to adjourn from Administrative Session at approximately 1:06p.m.

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

**Motion accepted (5-0)**

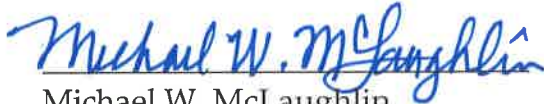
Respectfully submitted,  
BOSTON RETIREMENT BOARD



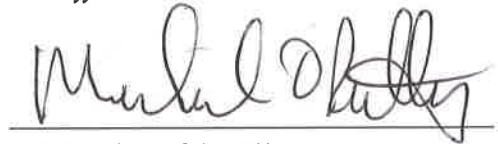
Daniel J. Greene, Esquire  
*Mayoral Appointed Member, Chairman*



Maureen A. Joyce  
*Ex Officio Member*



Michael W. McLaughlin  
*Elected Member*



Michael D. O'Reilly  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*