

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

May 18, 2022

Boston Retirement Board, Room 716

Boston, MA 02201

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

STAFF IN ATTENDANCE: Natasha Thomas, Assistant General Counsel; John F. Kelly, Investment Analyst; Ellen M. McCarthy, Comptroller; Christine M. Weir, Operations Officer; Gregory Molina, Board Secretary.

ALSO IN ATTENDANCE: Michael Dwyer, IT Consultant; Michael Manning, Kiley Fischer, Matt Ritter of NEPC; Audi Millan; Councilor Kendra Lara; Councilor Ruthzee Louijeune; James P. Phillips; Connie Thibault; Marylin Flowers; Janey Frank; Sandra Segal; Walter Wood; Lawrence Connolly all of BTU/RTU; Daniel R. Dynan, C. LaRoy Brantley, Alli Wallace Stone, John Haggerty all of Meketa; Mark Attanasio, Mark DeVincentis, John Fekete all of Crescent Capital; Matt Hensher, Dave Breazzano, John Sherman all of Polunin Capital; Brendan McDonough of GoldenTree.

EXCUSED ABSENCE: Timothy J. Smyth, Executive Officer.

Administrative Session Convene

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:06 a.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)

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of the April 27, 2022 meeting as presented.

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

Motion accepted (5-0)

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

IT update/ Grey Castle Security Risk Assessment Proposal

In Mr. Smyth's absence, Ms. Thomas introduced Mr. Dwyer for an update progress with Vitech. Accenture is unable to materially reduce the scope or price (about \$150k), i.e. unable to make significant departure from their methodology.

GreyCastle will develop findings based on "trust-based interviews" as opposed to the more in-depth Accenture approach that was almost an audit-level of detail. For purposes of getting a sense of the system's cybersecurity strengths and weaknesses, we recommend the smaller GreyCastle project at a cost of \$38,100 with the lower cost and shorter duration being a better fit for BRS as opposed to the Accenture offering.

Consultants Mr. Dwyer and Mr. Oates recommend moving forward with the GreyCastle proposal. Member McLaughlin questioned if Grey Castle was big enough to serve the needs of the BRS. Mr. Dwyer answered that they are 60-person firm with all the capabilities to handle the security assessment the BRS needs. They may be too small to handle bigger audits that may be needed in the future. Member McLaughlin asked who the lead person on this project would be. Mr. Dwyer answered that he would be the lead contact and Flor Valenia would be the technology lead.

Motion made, and seconded, to hire Grey Castle for Boston Retirement System cybersecurity risk assessment as presented.

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

Motion accepted (5-0)

COLA & COLA base scheduling

Chairman Greene opened the floor to discuss the COLA and the COLA base scheduling. He stated that there are numerous statements and letters on the record. Concerning these issues. The City is aware of the additional costs in the funding schedule. He went on to state that Member McLaughlin has some comments that he wanted to make.

Member McLaughlin stated that he apologized to all the retirees that are present especially the BTU/RTU members for not being physically present due to illness. He went on to state that on behalf of all retirees and BTU/RTU members. He would like the Board to consider raising the current COLA base from the current \$15,000 to \$18,000. With all the current economic pressure that we are all facing, he feels retirees are facing an even higher hardship.

Member O'Reilly stated that if you look at the schedule that Segal presented starting with the 2023 appropriation that starts at \$15,000, its \$403 million. Then increases slightly in 2024 by \$35 million and 2025 \$38 million. It is evident that it will increase slightly every year. In 2026, the appropriation is \$520 million. The increase for 2026 will be \$28 million. If the current appropriation of \$520 million if you stayed at \$15,000. With the additional \$28 million, that would be \$548 million. for an additional year. Regal's extended schedule has the cost at \$566 million. He does not understand the difference. If you look at the fiscal 2028 appropriation, its \$106 million. Which is a fraction of the \$502 million. Even with a \$64 million difference. Numbers don't make sense to him.

He went on to state that the Board owes it to the retirees to increase the COLA base to \$18,000. He is disappointed that Segal was not at the last Board meeting or today's meeting. A couple of years ago when the City wanted to lower the systems rate of return they didn't want to pay the appropriation to reflect the lower rate of return. They wanted the system to absorb it by extending the funding schedule out two years. We did that for the City and for the City to turn around now and tell us they don't support the increase. He wanted to state that the BRS Board is autonomous from the City of Boston and the fiduciary responsibilities are with its members and beneficiaries of the fund. The Board should increase COLA to \$18,000.

Retiree Thibault wanted to know if She could get a copy of all the support letters received by the Board. Chairman Greene assured her that she would get a copy of all support letters.

Member O'Reilly stated that the House of Representatives has approved the social security recommendation of not the full five-point nine percent (5.9%) but a onetime five percent (5%) increase in the COLA. With a local option. It still has to go through the Senate and signed by the Governor. He would like to amend the motion to the point where, if and when it is signed by the Governor, that the Board would reconvene and discuss that aspect of the COLA for consideration.

Chairman Greene stated that he would not amend the motion because it is based on PERAC regulations.

Motion made, and seconded, to grant a three percent increase in the COLA for fiscal year 2023.

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

Motion accepted (5-0)

Motion made, and seconded, to have the Board reconvene regarding the COLA, if and when Legislature approves the five percent (5%) onetime increase to COLA.

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

Motion accepted (5-0)

Motion made, and seconded, to increase the current COLA Base of \$15,000 to \$18,000.

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

Motion accepted (5-0)

Member O'Reilly proposed a friendly amendment to the motion, to increase the current COLA Base of \$15,000 to \$18,000. Based on the proposed funding extension schedule provided by Segal. Member McLaughlin accepted the friendly motion proposed by Member O'Reilly.

Motion made, and seconded, to increase the current COLA Base of \$15,000 to \$18,000. Based on the proposed funding extension schedule provided by Segal.

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

Motion denied (3-2) (Member Joyce, Member Jackson and Chairman Greene voted nay; Member O'Reilly, Member McLaughlin voted aye).

Motion made, and seconded, to increase the current COLA Base of \$15,000 to \$17,000. Based on the proposed funding extension schedule provided by Segal.

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

Motion denied (3-2) (Member Joyce, Member Jackson and Chairman Greene voted nay; Member O'Reilly, Member McLaughlin voted aye).

Member O'Reilly stated that the current pension reform allows the local Board to increase by increments of \$1,000 of the COLA Base.

Motion made, and seconded, to increase the current COLA Base of \$15,000 to \$16,000. Based on the proposed funding extension schedule provided by Segal.

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

Motion denied (3-2) (Member Joyce, Member Jackson and Chairman Greene voted nay; Member O'Reilly, Member McLaughlin voted aye).

Retiree Connolly stated that he was disappointed in the voting and can not believe that Mayor Wu was not in favor of this increase and that the Board does not see this increase favorable. Member McLaughlin stated that since Mr. Connolly mentioned the Mayor, last year City Counselor Wu supported the COLA increase to \$18,000.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

High Yield Search

Mr. Manning opened by stating that the high yield search was issued in compliance with PERAC guidelines, which requires a review every seven years. The System's high yield portfolio is comprised of three managers and is flexible across investments including high yield bonds, bank loans and additional strategies. NEPC provided an analysis on a shortlist of candidates at the April meeting, which reaffirmed the Board's conviction in their current high yield managers. The current managers will be presenting strategy updates at today's meeting.

Meketa Investment Group

Mr. Dynan opened by introducing himself and thanks the Board for the presenting opportunity. Mr. Brantley, Ms. Stone and Mr. Haggerty continued by introducing themselves and giving a quick biography.

Mr. Dylan went on to state that Meketa is an experienced, stable, and independent Consulting Firm. Since 1978, Meketa has served as an independent fiduciary. They are a full-service investment consulting and advisory firm. They are 100% independently owned by senior professionals of the firm. They operate from 7 offices: Boston, Chicago, Miami, New York, Portland, San Diego, and London. Their consulting and advisory services fall into three primary categories:

General (Non-Discretionary) Consulting Services, Outsourced CIO/Discretionary Services and Private Markets Advisory Services. Some of the

key benefits to the BRS would be MEKETA's Deep Resources with a Boutique Sensibility, Insightful, Highly Customized Solutions, Private Markets Experts and a Significant Public Fund Experience.

Mr. Brantley went on to state that Meketa has a very strong bench with four decades of investment advisory experience. Advising Defined Benefit and Defined Contribution plans, and Endowment/Foundations. They work with Corporates, Endowments, Foundations, Healthcare, Taft-Hartley, Public, and Non-Profits. They have Over 200 clients. 88 Public Fund clients, 180 General Consulting clients and over 100 Private Market clients. They rely on a staff of 235, including 153 investment professionals. 68 consultants and 46 analysts, 44 investment operations and 74 corporate & business administration. They provide One Line of Business. All revenue from advisory and consulting services and have no proprietary products.

Ms. Stone highlighted the firm's growth and team. They have experienced a consistent and controlled growth that has resulted in strong retention. Highly experienced staff allows us to service your needs. Low client to employee ratio means They know their clients and their portfolios well. They enjoy a nearly 100% client retention rate and this shows they have been able to keep their clients happy.

Mr. Haggerty informed the Board that the firm has significant Massachusetts Public Fund Experience. they were hired by their first public fund client in 1998. They currently advise on over \$1.8 trillion for 88 public fund clients throughout the nation. Locally, they currently advise 13 Massachusetts public fund clients. and representative public fund clients. Mr. Dynan thanked the Board for their time and consideration.

Crescent Capital

Mr. Attanasio opened by stating that firm was founded in 1991 with an AUM of \$38+ Billion, with 200+ employees in 5 offices with a client base of ~95% institutional investor base with over 550 client relationships. Some highlights have been that they are an alternative credit firm with complementary strategies. Primarily focused on below investment grade corporate credit. The firm prioritizes capital preservation and high current income. Crescent is staffed by depth and breadth of investment professionals with a long track record of demonstrated performance through multiple cycle. Crescent seeks to deliver attractive returns with less volatility, lower default rates and higher recovery than the market average.

Mr. Vincentis went on to state that the firm's management committee includes Managing Partners and leaders within Investment Management, Investor Relations, Legal, and Operations. They count on dedicated investment professionals with 95+ investment team members, 70 Private Credit and 25+ Public Credit professionals and a strong sourcing, structuring and portfolio management.

On the operations side, their operations team / administration counts on 100+ operations and administrative team members. They pursue the highest risk management / compliance standards and provides best-in-class support functions across their London, Chicago, Boston, New York and Los Angeles offices.

The Crescent investment approach is differentiated, disciplined and consistent with nearly 30-year history focused on below investment grade investing. The culture of credit focused on current income and principal preservation. They count on a proprietary transaction sourcing platform built on franchise relationships with leading private equity firms and intermediaries and cross-sourcing among investment strategies.

Crescent's sharing of "best ideas" across Crescent's platform. They have a proprietary research platform and investment teams analyze credit across both companies and industries.

Mr. Fekete stated that Crescent's income strategy is to seek to achieve attractive risk-adjusted returns over a full credit cycle by tactically allocating to below investment-grade investments. Seek to provide investors with a strategically managed portfolio allocated to higher yielding corporate credit and seek investments with high single digit yields and distribute income on a quarterly basis.

The strategy invests in below-investment grade fixed income assets, including Crescent Senior Bank Loans – (Floating Rate), Crescent High Yield Bonds – (Fixed Rate), and Crescent Syndicated Credit Solutions Investments – (Floating & Fixed Rate). Crescent's flexible investment mandate enables exposure to multiple asset classes. The firm has extensive experience managing multi-strategy funds with a track record of success and a diversified portfolio focused on principal preservation, risk mitigation, and current income. The Strategy is led by a portfolio management team with over 75 years of below investment grade credit investing experience at Crescent Capital and over 100 years of industry experience. The Strategy is supported by a dedicated team of analysts who

perform fundamental bottom-up credit analysis for over 500 issuers across the senior bank loan and high yield bond market.

Polunin Capital

Mr. Hensher stated that the system and Polunin have benefitted from a long-lasting relationship. Polunin Credit is a privately-held investment manager with a dedicated fixed income platform. The credit team focuses on managing high yield debt portfolios for a diverse set of institutional clients. They have been in business for 26 years with 47 employees including two in-house attorneys. They have \$8.3B in AUM, 15 investment team members. 67% of clients are in the U.S. and 33% in Europe.

Polunin has a U.S. High Yield Investment Philosophy. Through rigorous due diligence with a strong emphasis on margin of safety, we believe that we can construct concentrated portfolios that can outperform broad high yield indices over a full credit cycle.

The firm identifies Mispriced Risk. They focus on most inefficient areas of the market. Rating agency biases create opportunities. Emphasis on sourcing opportunities in the secondary market. They have a high conviction with private equity-like analysis applied to leveraged credit markets. Construct concentrated portfolios and analysts organized as sector specialists—priority is to monitor existing positions. They conduct exhaustive due diligence and implement the best risk control. Risk-reward is assessed through “loan-to-value” analysis. Primarily concerned with principal protection and thorough legal analysis augmented by in-house attorneys.

The investment process is one in which the firm does active monitoring. Regularly challenge thesis, adjust position weightings and proactive credit management. They use a leveraged credit universe with 2,000+ issuers of high yield bonds, syndicated loans and private debt. Their sourcing is through secondary debt securities, select primary issues and originate other investment opportunities. They construct portfolios with disciplined accumulation of overweight high-confidence positions and long-term investment mentality. At First Pass they classify investment thesis, sound initial risk-versus-reward and strong downside protection. They also take a deep dive to validate investment thesis and conduct due diligence and competitive analysis. They seek a strong loan-to-value and legal protections. They also evaluate ESG factors.

GoldenTree

Mr. McDonough stated that the firm was founded in 2000. They are 100% employee owned with 24 partners. Approximately 40% of partners internally promoted. Approximately 70 investment professionals with on average 16 years' experience and physical presence in Europe for over 15 year. The process they conduct their business is a conservative, value oriented, total return philosophy. Proprietary research on over 1,000 issuers. They implement a disciplined capital base with rigorous relative value approach using proprietary technology and sophisticated, dynamic approach to risk management. Their infrastructure consists of a significant investment in infrastructure comprising over 120 employees with the ability to execute dedicated, customized SMAs or Fund of One. Their Global Business Development Team providing valuable insight.

GoldenTree is one of the largest independently owned global credit asset managers with assets under management of nearly \$47 billion. The firm implements a Multi-Sector Strategy, which brings together many components of the firm's core long only products. GoldenTree has a 20-year track record in capturing the components of the. The Multi-Sector Opportunistic strategy targets high single digit net returns. The Opportunistic composite has delivered these returns while investing in primarily higher quality and lower duration assets.

GoldenTree's investment process has successfully captured opportunities across credit markets and throughout market cycles. Their investment approach is to conduct a robust fundamental analysis to determine enterprise value. They conduct an analysis of capital structure to ensure high margin of safety. Identified catalysts to drive total return in real-time and rigorous relative value analysis.

The initial, and critical, stage to all investments is an accurate and conservative determination of an Issuer's Enterprise Value. Investments are limited primarily to Enterprise Values greater than \$500mm. GoldenTree's Determination of Enterprise Value. The company analysis performed by Industry Specialists. Proprietary and independent modeling of company's forward projections including revenue, EBITDA and free cash flow. Analysis of management and track record of companies de-leveraging and growing business, Analysis of market share, barriers to entry and fungibility of assets. Determination of EBITDA or other proper valuation multiple based on extensive historical industry analysis and position in current cycle. For Distressed investments, extensive review by Restructuring and Turnaround Specialists as well as Industry Specialists to analyze capital structure issues that may impact valuations. Mr. McDonough thanked the Board for their time and consideration.

NEPC and Board discussed the merits of the presenters, firms' abilities, and current relationships.

Motion made, and seconded, the retain GoldenTree, Crescent Capital and Polunin Capital as high yield managers as presented.

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

Motion accepted (5-0)

Private Debt Search

Mr. Manning stated that the private debt search was issued in April on behalf of the System. The annual private markets pacing plan calls for ~\$60 million in private debt commitments in 2022. The current search focused on identifying candidates across various styles: asset-based lending, direct lending, and niche lending. There were over 45 responses to the search, varying in strategy type, size, geographic exposure, and sector focus. NEPC has included the respondent list in today's materials and will continue to review the candidates for further discussion at an upcoming meeting.

NEPC

Mr. Manning opened by stating that it has been an awesome relationship with NEPC and the BRS. He stated that He will continue to be the lead contact along with William Forde, Kiley Fischer and Tim McCusker. He went on to state that NEPC believes in the BRS mission. Boston Retirement System ("BRS") is the main retirement savings vehicle for over 14,000 retirees, 20,000 active members, and their dependents. NEPC want to help the BRS build an investment program that allows BRS to continue meeting the needs of its beneficiaries.

The BRS portfolio is well-diversified and designed to earn competitive returns at appropriate levels of risk. Is biased towards equities for long-term growth, uses fixed income assets for diversification and cash flow stability, and has commitments to private assets to earn an illiquidity premium, to access different market sectors, and to take advantage of unique manager skills.

NEPC has the deep resources and a strong commitment to continue to help BRS meet its objectives. They are stronger today than we ever have been, and they remain committed to working in a flexible and customized way.

NEPC remains a strong and stable firm and that has grown throughout the years. Independent partnership focused on providing advice to asset owners. The

firm has solved the key organizational issues which challenge other firms. They have continued to add resources to its industry leading Research group.

The firm has invested heavily in research and people. They employ 327 staff members across 7 offices. 100% employee owned with 45 Partners. They count with 399 clients and \$1.5 trillion in assets under advisement. Mr. Manning went on to thank the Board for their business and looks forward to a long and prosperous relationship.

Performance Q1 2022 & April Flash Report

Mr. Manning went on to state that in the first quarter, the Total Plan ranked in the 19th percentile of the Public Fund DB Universe with a return of -3.5%. The Plan's strategic and diversified approach provides downside protection in times of market volatility, resulting in outperformance relative to other Public DB plans as demonstrated in the first quarter. The Q1 performance summary and preliminary April 2022 flash report can be found under Tab 3.

Work Plan

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

	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
TOTAL PLAN								
Asset Allocation								
Performance	Q1			Q2			Q3	
Education/Review								
TRADITIONAL								
Search Presentations	HY Manager Presentations					Issue Small Cap Search	Review Respondents	Analysis/ Presentations
HEDGE FUNDS								
Program Planning								
Search Presentations		Issue HF Search	Review Respondents	Analysis/ Presentations				
PRIVATE MARKETS								
Program Planning								Pacing Plan
Search Presentations	Review Debt Respondents	Search Analysis	Debt Finalists Issue PE Search	Review PE Respondents	Analysis/ Presentations			
Performance	Q4			Q1			Q2	
REAL ESTATE								
Program Planning		Real Estate Program Review						Pacing Plan
Search Presentations		Issue Search	Review Respondents	Analysis/ Presentations	Issue RE Debt Search	Analysis/ Presentations		
Performance	Q4			Q1			Q2	

The Board and staff discussed the relationship with NEPC and their past performance and pricing.

Motion made, and seconded, the retain NEPC as investment the system's consultant.

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

Motion accepted (5-0)

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

April 2022 Financial Snapshot

Ms. McCarthy reported the April 2022 pension payroll as follows: Contributory payroll: \$58,386,697; Contributory Payees: 15,574; Non-contributory payroll: \$278,114; Total Non-contributory payees: 32; Regular Retirees: 39; Survivor/Beneficiary Retirees: 1; Disability Retirees: 4; Option C/Disb Survivor: 2; Members Refunds: 68 for \$1,383,697; Members Transfers: 9 for \$ 268,277; Option B Refunds: 1 for \$63,363; and, Operational Warrants: \$3671,650.

2021 Boston Retirement System Annual Audit

Ms. McCarthy also informed the Board that the system annual audit is going well under the direction of Segal. The system should be wrapping up the audit in a couple of weeks.

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

April 2022 payroll update

Ms. Weir provided an update on the payroll numbers for the month of April 2022. There were 46 possible cases, (41 Superannuation's, 5 Disabilities). Of the total cases, 36 Superannuation and 5 Disabilities made it to payroll. Of the five cases that did not make it to payroll, Ms. Weir noted the following reasons: 3 members failed to return final option selection papers and 2 members changed retirement dates.

Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 1:22 p.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