

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

September 15, 2021

Boston Retirement Board, Room 716

Boston, Massachusetts 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 (All Members remotely present).

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, John F. Kelly, Investment Analyst; Ellen M. McCarthy, Comptroller; Padraic P. Lydon, General Counsel; Christine M. Weir, Operations Officer, Natacha Thomas, Assistant General Counsel; Gregory Molina, Board Secretary. (All Staff remotely present).

ALSO IN ATTENDANCE: Michael Dwyer and William Oates, Vitech Upgrade Consultants; Michael Manning, Will Forde, Kiley Fischer of NEPC; Jamie Gordon, Ed Ingalls, Scott Pike of Income Research + Management (IR+M); Chang Suh, Ted Chandler, Rosa E. Moreno of AFL – CIO; and, Michael Canty of Labaton (All presenters remotely present).

Administrative Session Convene

*The Board voted unanimously via roll call (3-0) to enter into Administrative Session at approximately 10:03 a.m. *Member McLaughlin not on call during vote. Member Jackson was not present at August Board Meeting.*

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of the August 18, 2021 meeting as presented. Roll Call Vote: Member O'Reilly: Aye; Member Joyce: Aye; Chairman Greene: Aye.

Motion accepted (3-0). *Member McLaughlin not on call during vote. Member Jackson was not present at August Board Meeting.

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

Vitech update

Mr. Smyth introduced Mr. Dwyer for an update on Vitech. Mr. Dwyer opened by stating that we are on track for a mid-November 2021 go-live. With the exception of a few "mop up" issues, the conversion from V8 to V10 is complete. Over the next few weeks a series of final infrastructure changes and additional new functionality will be incorporated into the UAT (User Acceptance Test)

Test of Digital Self Service (DSS) portal begins soon but deployment expected late Q1 2022. The team will conduct September and October testing while developing approach for phased go-live; includes Retirement Estimate and On-Line submission. It eventually will support approximately 50,000 members and recipients: Active 20,000+, Inactive 15,000+ and Recipients 15,000+ (retirees and survivors).

During the project, tactical scope swaps such as check printing functionality instead of a second campaign management have been arranged. There has only been a single instance of issue escalation which was resolved within 5 business days.

Mr. Oates added that the team is in the user acceptance phase. He added that he's been sitting in on the monthly steering committee meetings and wants to give credit to the BRS team, Mr. Dwyer and the whole Vitech team. This move to the tech environment, the Vitech V10 environment presents a different world. They have moved the critical systems and data to the cloud environment on Amazon web service. As they move forward, Mr. Oates thinks that the Board should understand what's involved in this major transition that the BRS is going to be going through. Part of this is that the system is now in this new cloud environment that is a collaborative shared responsibility between BRS and Vitech. Living with a partner like Vitech, who now has such control and AWS under them that have control of so much of the BRS assets. Means that the shared responsibility model is going to be really important going forward.

The financial impacts of being in the cloud is important seeing as there was so much time spent in negotiations with Vitech. Recognizing that the cloud environment has a lot of different capabilities and scalability but some of those things come with a cost impact. Section 1.1 of the Vitech contract talks about incremental scope and volume.

When you are in the cloud environment it's almost a pay as you go model. So, as we get into this in a live operation. The system is going to get all kind of metrics back from Vitech on a regular basis. Mr. Oates thinks its very important to understand what that's going to look like. There is a scope review period for 120 days after the software goes live where you get what the volume implications are, different components of the cloud environment. Its important to look carefully at that. There are no additional charges associated during the base period. But its going to allow the System to set the guidelines for what the System needs from the cloud environment that Vitech will be managing. Sometime will be spent on that to make sure that it is understood.

There is also significant monitoring and reporting capabilities, not only for security but also reporting on usage, transactions, etc. The BRS needs to get comfortable in this environment. Mr. Oates will be working close with Ms. Pizzarella the BRS team to really understand this new environment.

In terms of the cyber security, as everybody knows the cyber security incidents continue to increase in complexity and velocity. Ransomware is the lead attack that's existing right now. Ransomware is when hackers come into organizations and breach their security and gain access to vital company information. In the past its been about stealing data and intellectual property. Now ransomware is coming in and encrypting intellectual organizational data and then placing a ransom to restore access. This has become very profitable in the cyber security threat world. Usually its big corporations but now local government, hospitals and firms have become targets become targets. Now they have secondary part of ransom where they do extract your data and after you pay their ransom to get your system back up, they look for another ransom to extort you to not disclose the data that they have stolen from you.

Ransomware is significant. As we think about the BRS in terms of where we sit in our cyber security maturity. There are a lot of things we can do. Going to the cloud and having the effective backup environments that we are going to have in the Vitech AWS environment is an important first step, whether it's a big frame work regarding cyber security, ransomware. There are many things that we can check off the boxes to make sure we are doing everything we need to do to protect ourselves.

The second thing connected to that is cyber insurance. The cyber insurance environment is changing dramatically. When it started all these insurers had their finger in the wind as to what they should be charging for premiums for cyber

security. That market place is absolutely hardening right now in terms of the cost of premiums and the limits of coverage. One of the important things about cyber security is how comfortable are the insurers with the fact that their potential insuree has done all the right things with their cyber security to prevent attacks.

Mr. Smyth asked Mr. Oates if he has been following the testimony at the State House about cyber security? If so, have you determined the impact with Cities and Towns? Mr. Oates answered by stating. He paid attention to the State House activities last week. Folks are paying attention to what needs to be done. Clearly one of the things is, how do, particularly in the public sector. How do organizations equip themselves and have the right staff that can address these kinds of issues? One of the things Mr. Oates would like to look into as the project develops is what is the right level of resources the System has. He teaches cyber security at Boston College and the feed back he gets from the graduates is that they are commanding some pretty big salaries. It's difficult in the public sector to handle those things. Thought has to put into what is the right model.

The good news is that the federal government held a federal summit on cyber security connecting the private and public sectors a couple of weeks ago. There is a recognition that more investment needs to be made. There is recognition that, particularly in the public sector, more funding needs to be available for cyber security. They realize that we are undermanned from a defensive perspective. Everything is trending in the right way.

Member Joyce had a question regarding what would the Systems protocol be if the System was cyber attacked? Mr. Oates stated that when he talks about doing a risk assessment. One of the things that need to be looked at is an incident response plan. If you talk to potential insurers, they are requiring that companies have written information on security policies and incidents response policies plans. BRS has done some work on what that incidents response policy looks like.

Mr. Smyth stated that the System does have a plan and he will share it with Mr. Oates for review. Mr. Dwyer added that this is not a one and done. The System does have an incident response but its two years old. How ever well they did it does identify who does what, who contacts the insurer, who informs the attorney general and the secretary of commerce but its two years old. Part of it is a mind set and an ongoing set of activities that not only achieve us checking the boxes but there is an ongoing reexamination, an update and a refresh.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Mr. Kelly opened by stating that he did speak with TA this week and there are no further developments or issues as far as that ransomware attack that they had. NEPC's Mr. Manning, provided analysis on a short list of 4 Core search candidates, which was reviewed at the August meeting. Strategy differentiators; Fee comparison; Performance and correlation. The Board has selected two respondents to present at today's meeting. IR+M will provide an update on the customized mandate they manage on behalf of BRS. AFL-CIO will present their Housing Investment Trust strategy as a finalist for the search

Core Fixed Income Search

Mr. Manning opened by stating that the Core fixed income search was issued in compliance with PERAC regulations as the last Core search occurred seven years ago. At the August meeting, NEPC presented an analysis on the shortlist of Core managers selected by the Board. While the search analysis broadly reaffirmed the Board's conviction in their current managers, the Board has also selected AFL-CIO to present as a finalist at today's meeting.

Income Research + Management ("IR+M") will also be providing an update at today's meeting. IR+M currently manages a customized fixed income mandate for the System, which is comprised of 60% US TIPs and 40% Core bonds.

Income Research +Management

Mr. Gordon opened with introducing Mr. Ingalls and Mr. Pike. He went on to state that IR+M has grown to \$97 Billion in assets under management. We have seen some growth across a number of different strategies across the curve. The firm has a consistent, team oriented, bottom-up investment approach.

Mr. Pike presented on TIPS. allocation has been a good one in the portfolio. It has been one of the top performers in the sectors in Fixed Income over the last year plus. The sector came under some pressure as others did last March and April with the pandemic. Some of the big drivers have been the actions of the Federal Reserve. They came in last year and started buying treasuries, mortgages and TIPS. They purchased about \$225 billion in that sector and currently own about 20%. We are moving closer to the time when the Federal Reserve starts to taper their assets purchases or reduce the number of purchases. As they step away from the market, that is something to watch there. We have seen the inflation numbers move up quite a bit. However, in the last couple of months they have started to come down.

IR+M has talked to NEPC about changing the benchmark and it really jives with what they are doing in the Systems portfolio and across their other Core portfolios where they do own some TIPS but are reducing some of those allocations. It is hard for them, not knowing what the System has away from their portfolio in terms of asset allocation to know what the perfect benchmark is but they concur with what NEPC is proposing to reduce allocation in favor of Core.

The Board its staff and NEPC staff discussed the proposed changes to the allotment of funds for TIPS and Core market space to a 60% - 40% split in favor of Core bonds going forward.

Motion made, and seconded, to amend the IR+M Core mandate to 40% TIPS and 60% Core space. Based on the presentation by IR+M. Roll Call Vote: Member McLaughlin: Aye; Member O'Reilly: Aye; Member Joyce: Aye; and, Chairman Greene: Aye.

Motion accepted (4-0).

AFL - CIO

Ms. Moreno opened by introducing herself and thanking the Board. She went on to introduce Mr. Suh. Mr. Suh opened by stating that Boston is a very important market for the firm. AFL has a long history of investing in the Boston market. Housing Investment Trust (HIT) has had a successful track record of generating competitive Fixed Income returns. While delivering unique diversification benefit for its investors. HIT invests with a greater purpose beyond traditional investment objectives.

The Housing Investment Trust is a \$7.1 billion investment group of Fixed Income. They operate as a Mutual Fund. It has over 363 institutional investors, primarily pension funds. HIT has been in existence since 1984 and has outperformed the benchmark 22 out of 25 years. Its investment strategy focuses on high credit quality multifamily mortgage securities. The portfolio is designed to generate competitive risk adjusted returns versus the benchmark. All of our projects are built 100% with union labor.

Mr. McLaughlin asked about the fee structure. Mr. Suh stated that HIT gets an annual budget approval from their Board. They pass through the cost of operation. So, there is no management fee that they charge but they pass through the cost of operations. Right now, its running at about 30 basis points.

The Board, Board staff and NEPC discussed the presentation and the strategy, returns, Core FI allocation and fee structure of AFL- CIO and impact on Boston housing.

Motion made, and seconded, to hire the AFL-CIO Housing Investment Trust presented today for \$50 million under the Core Fixed Income mandate. Roll Call Vote: Member McLaughlin: Aye; Member O'Reilly: Aye; Member Joyce: Aye; and, Chairman Greene: Aye.

Motion accepted (4-0).

Private Markets Planning

Thus far in 2021, BRS has made approximately \$236 million in private markets commitments (including Hamilton Lane). The remaining commitments to reach the target amount for 2021 are in real estate (opportunistic) and private equity (secondaries). NEPC's recommendation is to do a search for \$30 million in the Opportunistic Real Estate space and \$15 million in the Secondary Private Equity space. NEPC recommends bringing in managers Brookfield, Centerbridge and Kayne Anderson in October. The Board and NEPC discussed the recommendations and gave NEPC the approval to bring in Brookfield, Kayne Anderson and Centerbridge (if they have the capacity) to present at the October Board meeting and to initiate a Secondary search in the Private Equity space.

August 2021 Flash Report

Mr. Manning presented the August Flash Report stating that the System is System is +1.2% in the month of August. This brings the YTD to +10.3% and the One Year to +20.7%.

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

August 2021 Financial Snapshot

Ms. McCarthy reported the August 2021 pension payroll as follows: Total payroll: \$57,414,250; Number of Contributory Payees: 15,317; Non-contributory payroll: \$280,145; Number of Non-Contributory payees: 34; New Regular Retirees: 53; Survivor/Beneficiary Retirees: 2; Disability Retirees: 7; Option C/Disb Surv 7; Members Refunds: 53 totaling \$813,385; Transfers: 7 for \$471,237; Option B Refunds: 0 for \$0; Operational Warrant: \$488,193.

Biannual Affidavits

Ms. McCarthy reported that in the end of April 2021 there were 14,647 Biannual Affidavits sent out to BRS members. As of yesterday, there were 1,348-member affidavits that are still outstanding. A second mailing was done yesterday afternoon to this population. Any member that does not comply with a filled-out affidavit by September 30th will have their October payment withheld.

Transfer to EFT Letter

The System has a draft email that staff expects to send to members. The expectation is that Vitech will be able to run the population. Its just about 500 members. The letter is expected to go out September 16, 2021.

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

August 2021 payroll update

Ms. Weir provided an update on the payroll numbers for the month of August. There were 77 new retirees (2 Death of Actives, 69 Superannuations, 6 Disabilities). Of the 77 new cases, 63 made payroll.

Of the 14 cases that did not make payroll, Ms. Weir reported: 2 had legal issues, 2 members had previous employment questions, the rest did not return final papers in time.

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

PERAC Memorandum

Mr. Lydon presented one PERAC memorandum for Board review:

- PERAC Memo 24-2021 re amendment to GL c. 32, § 100 as to police officer eligibility.

Group Classification of BPD Building Systems Engineer II

Mr. Lydon presented a legal memorandum to the Board and requested that they consider classifying BPD Building Systems Engineer II positions as Group 2 due largely to the fact that an electrician's license is required to perform this job duty.

Motion made, and seconded, to classify the BPD Building Systems Engineer II position from Group One to Group Two. Roll Call Vote: Member McLaughlin: Aye; Member O'Reilly: Aye; Member Joyce: Aye; and, Chairman Greene: Aye.

Motion accepted (4-0).

Sheila Miller – Waiver request - \$1,596.49

Motion made, and seconded, to deny the waiver request of Sheila Miller in the amount of \$1,596.49 because request was not made in a timely manner. Roll Call Vote: Member McLaughlin: Aye; Member O'Reilly: Aye; Member Joyce: Aye; and, Chairman Greene: Aye.

Motion accepted (4-0).

Joan E. Wilson – Waiver request - \$1,418.65

Motion made, and seconded, to deny the waiver request for Joan E. Wilson in the amount of \$1,418.65 because member request was not made in a timely manner. Roll Call Vote: Member McLaughlin: Aye; Member O'Reilly: Aye; Member Joyce: Aye; and, Chairman Greene: Aye.

Motion accepted (4-0).

Labaton & State Street matter

Mr. Lydon noted that in the Board materials there is a letter from Attorney Michael Canty from the firm of Labaton Sucharow. Attorney Canty presented to answer any questions the Board may have.

Mr. Canty stated that shortly after joining Labaton he placed in charge of litigation for the firm in the State Street matter. In respect to the court order, they have fully complied with courts order. The firm paid back the adjusted fee order to the class. Despite the fact that the firm disagreed with the Court on some substantive and procedural findings in its order, they have not appealed that order and from their perspective that matter is now closed. With respect to some of the concerns the court had, Labaton has implemented a number of changes including the disclosure all matters relative to fee sharing agreements. Over the last 12 years, all litigation cases were investigated and found that the State Street matter was an anomaly. Labaton would like to humbly request that the board place the firm back on active status.

Motion made, and seconded, to reinstitute and return to active status the firm of Labaton Sucharow to the BRS securities litigations roster. Roll Call Vote: Member McLaughlin: Aye; Member O'Reilly: Aye; Member Joyce: Aye; and, Chairman Greene: Aye.

Motion accepted (4-0).

Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 12:30 p.m. Roll Call Vote: Member McLaughlin: Aye; Member O'Reilly: Aye; Member Joyce: Aye; and, Chairman Greene: Aye.

Motion accepted (4-0).

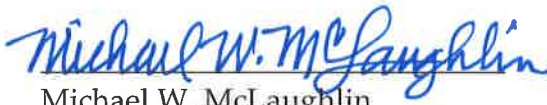
Respectfully submitted,
BOSTON RETIREMENT BOARD



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