

Boston Retirement Board
Administrative Session Minutes
April 25, 2018
Boston Retirement Board, Room 716
Boston, Massachusetts 02201

IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael W. McLaughlin, Elected Member; Thomas V.J. Jackson, Board Member; Sally D. Glora, *Ex Officio* Member; Timothy J. Smyth, Executive Officer; Ellen McCarthy, Comptroller; John F. Kelly, Investment Analyst; Christine M. Weir, Operations Officer.

ALSO IN ATTENDANCE: Michael Manning, Jake Malinson, Matt Ritter, NEPC; Luella Wong.

EXCUSABLE ABSENCE: Michael D. O'Reilly, Elected Member (Norfolk County Grand Jury obligation).

Convene

Administrative session convened at 10:12 a.m., introductions were made.

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of the March 21, 2018, meeting as presented.

Motion accepted (3-0) (Mr. McLaughlin abstained and Mr. O'Reilly was excusably absent)

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

ABC Update; Luella Wong

Ms. Wong reported that to date we are at \$371M, still on target for \$400M, off by about \$50M. We have offered two positions on the ABC team. Ms. Glora requested an absolute number of cases that have been closed.

Administrative update; Timothy J. Smyth

Mr. Smyth noted that the Board will receive public comment at the May meeting, and vote in June, relative to the FY19 COLA and COLA base. The statutory notices have been sent out to all necessary parties.

Mr. Smyth noted that PERAC voted to change the assumed rate of return for the Commonwealth to 7.35%, which impacts Boston school teachers.

Outstanding/Ongoing Investment Issues: John F. Kelly, Investment Analyst

NEPC Discussion Items

As to the 2018 Closed-End Real Estate search (\$45M investment this year and \$50M next year), it was noted that seven fund managers were identified from the respondents. The first four managers are Value -Added, the other three managers are Opportunistic managers. These managers are Angelo Gordon, Blue Vista, Prudential Senior Housing, Terracap, Brookfield, Dune and Invesco. Brookfield, Prudential Senior Housing and Terracap were selected by the Board to present at the June 2018 meeting.

Loomis EMD Strategy, discussion about local currency versus hard currency. Emerging Market Debt funds in local currency have been hit hard since 2011. Loomis EMD mandate was updated in January of 2016 to include not only local but also hard currency to give them more flexibility and opportunity. Through 3/31/18 the Loomis EMD fund had 3 and 5yr returns of +3.5% and -2.0% respectively and has trailed many of its peers. They are rated a 3 in NEPC's new rating scale of 1-5. The Board instructed NEPC to initiate a blended currency Emerging Market Debt search.

The total plan was down -1% in March. This brought the year to date performance to 0% through March, a flat first quarter. There will be a deeper analysis at the May 2018 meeting including the 4th quarter performance of alternatives. For the Board's Reference a 2017 historical work plan was distributed. This is something NEPC will provide going forward in addition to the proposed work plan.

Outstanding/Ongoing Financial Issues: Ellen McCarthy, Comptroller

Prepaid Hours with Vitech

Ms. McCarthy noted that in 2014, we purchased 7,500 prepaid hours, a few hundred of those rolled over to 2016 when we purchased an additional 10,000 hours. As of the end of March 2018, we only have 444, hours remaining. With many items on schedule through the next few years we will need more hours. The ABC project has used about 30% of the hours. There are at least 1,500 hours needed to complete projects in process now. Through negotiations and discussion, Vitech has offered for us to buy 12,000 pre-paid hours at the rate of \$187. This is the same rate as we purchased in 2016, but will give us more hours. The proposal would cost just over \$2.2M. The Board suggested that we train someone in-house by Vitech to lessen the need for queries. Mr. Smyth noted that Vitech is willing to train.

Motion made, and seconded, to accept Staff's proposal to pre-purchase 12,000 hours at \$187 per hour as presented in the amount of \$2,224,000.

Motion approved (4-0)

March 2018 Financial Snapshot

Ms. McCarthy reviewed the March 2018 financial snapshot with the Board noting that the monthly payroll was issued timely to 14,898 payees; in the amount of \$50,314,420. The payroll of 63 non-contributing retirees totaled \$323,829. There were 62 new superannuation retirees, 2 survivor beneficiaries and 7 new disability retirees. Ms. McCarthy noted that 72 members refunded for a total of \$1,217,405, there were 10 transfers in the amount of \$522,090 and there were 2 Option B refunds in the amount of \$11,454. She stated that operations warrants for March 2018 were \$198,337.

Ms. McCarthy also noted the auditors from Ernst and Young have been here since the beginning of March, are off this week, but we have given everything they have needed. They will be back in beginning of May, when they will begin some field testing. We are hoping to get statements out soon, as the audit does seem to be going well.

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

April Payroll

Ms. Weir provided an update on the payroll number for the month of March 2018. There were 83 possible retirees, (66 superannuation, 13 disabilities, 4 DOA) of which, 71 were processed (62 superannuation, 2 DOA and 7 disabilities). The breakdown of the 12 unprocessed cases was as follows:

- 1 waiting for guardianship appointment
- 3 failed to return final papers timely;
- 1 looking for paternity test;
- 1 legal review;
- 1 revising DRO;
- 3 salary needed;
- 1 process of calculating; and,
- 1 workers comp/recoupment.

CBA Update

Ms. Weir reported that CBAs are being processed timely and the BTU retroactive payments are being calculated.

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

The following PERAC memos were discussed for educational purposes only:

- PERAC Memo #15-2018 re: Tobacco Company List;
- PERAC Memo #16-2018 re: mandatory training; and,
- PERAC Memo #17-2018 re: implantation of the *Vernava* decision

Adjourn

The Board voted unanimously (4-0) to adjourn at approximately 11.46 a.m.

Respectfully submitted,
BOSTON RETIREMENT BOARD



Daniel J. Greene
Mayoral Appointed Member, Chairman



Sally D. Glora
Ex Officio Member



Michael W. McLaughlin
Elected Member

Excusably Absent

Michael D. O'Reilly
Elected Member



Thomas V.J. Jackson
Fifth Member