

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

April 26, 2023

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Michael D. O'Reilly, Elected Member; Michael W. McLaughlin, *Ex Officio* Member; Thomas V.J. Jackson, Fifth Member.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Director; Christine M. Weir, Deputy Director; Ellen M. McCarthy, Comptroller; Gregory Molina, Executive Assistant.

ALSO IN ATTENDANCE: Michael Manning, Kiley Fischer, Larissa Davy of NEPC; William Oates, Michael Dwyer, IT Consultants; Doug Goodwillie, Orr Shepherd (Kayne Anderson); Ian Larkin, Demian Kirchner, Theresa Mozzocci (Maranon); Kevin Genda, Gary Manowitz, Meghan Foley (Blue Torch).

EXCUSED ABSENCE: Natacha Thomas, General Counsel; John F. Kelly, Investment Analyst; Daniel J. Greene, Mayoral Appointed Member (Chairman); Maureen Joyce, Ex Officio Member.

Administrative Session Convene

The Board voted unanimously via roll call (3-0) to enter into Administrative Session at approximately 10:07 a.m.

Motion accepted (3-0)

Past Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of the March 15, 2023, meeting as presented.

Motion accepted (3-0)

Outstanding/Ongoing Administrative Issues: Christine Weir, Deputy Director

IT Security Update

Mrs. Weir introduced Mr. Oates for the IT security update. Mr. Oates gave an update on new policy (offerors, pricing, terms, etc.) Application/Renewal process, led by Ms. McCarthy is more challenging each year. The application

process has gotten great support from Mr. Dwyer, Ms. Valencia and DoIT (Greg McCarthy).

The consultants have identified two providers who have provided two offers each. Tokio Marine proposals were improved over our current deal. Cowbell Cyber offers higher coverage levels with lower deductibles, lower premiums (\$127K vs \$218K last years' premium. Although smaller than Tokio Marine, they are positioned for small & medium business. Founded in 2019, by founder Jack Kudale, they are headquartered in California, have strong growth and additionally added \$100M in raised funds in 2022 to build out platform.

The Palomar Agreement to double underwriting capacity in June 2022. The Modern view of cyber risks is data driven and advanced insights. Some potential alignment with the new insurer (new contacts, process, etc.)

The tasks that are in process are development of BRS Incident Response plan & playbooks, early review of new provider resources positive vs. Tokio Marine and consultants just received access with new policy, Update on DoIT and other cybersecurity activities. Consultants met on April 5 which was the initial BRS/DoIT Quarterly Meeting. It was well attended. BRS staff (Ms. Weir, Ms. McCarthy, Ms. Valencia, Mr. Dwyer and Mr. Oates), DoIT (CISO, CTO, Mr. Collins.

They have updated DoIT on BRS Cyber Insurance Renewal efforts, addressed some short-term IT needs and VPN Challenges. Conducted Incident Response Planning Services, CrowdStrike Complete \$1M Breach Prevention, BPD Forensics, Incident Playbooks, Data Breach reporting Requirements, DoIT research and there are additional meetings scheduled.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Private Debt Search

Mr. Manning stated that the private debt search was open to various private debt sub-strategies. The annual private markets pacing plan calls for ~\$50 million in private debt commitments in 2023. The goal of today's presentations is to select a manager(s) for the direct lending mandate.

Kayne Anderson

Mr. Shepherd opened by stating that Anderson is a leading player in the middle markets. The Partners have worked together for three decades; 31 professionals on the team today. The Partners have executed nearly 400

investments (\$13 billion) during their time together and they count on a “Deep bench” behind Managing Partners working together at KAPC for ~10 years.

The firm has a value lending philosophy. They invest in first lien, senior secured loans (i.e., lowest risk in the capital structure) for very stable companies. A proven credit philosophy combined with underwriting discipline and differentiated network of sponsors allow them to invest in only the most compelling risk-reward opportunities.

Anderson feels that there is an attractive market opportunity at this moment. The supply and demand dynamics favor private credit. This is one of the best lending markets they’ve seen in 30 years and they have a growing pipeline of new opportunities due to the attractive market.

The firm has maintained a successful track record with minimal losses through several downturns. Their experienced work out capabilities combined with their ability to takeover businesses and maximize recovery, have consistently returned strong performance over the last two decades.

Maranon

Ms. Mozzocci opened by sharing that Maranon is a private debt manager established, entrenched and 100% focused on the middle market. The firm has invested \$10.9 billion since 2007, with 432 investments and 230 exits. \$2.5 billion of co-investments have been made for investors and others.

The firm’s attributes are based on the team and culture. Mr. Larkin stated that the firm is lead agent in a majority of their transactions and thus determines terms and conditions. Maranon is systematically calling and conducting city visit programs focused on 1,100 sources in 15 key cities utilizing a highly customized version of Salesforce.com. They see over 1,000 opportunities from approximately 450 sources every year.

Blue Torch

Mr. Manowitz opened by sharing that the Blue Torch team is led by Kevin Genda, who helped build and lead the Cerberus direct lending business from 1995 to 2016. They have 25 dedicated professionals averaging 14 years of experience across multiple credit cycles and periods of volatility. Blue Torch has launched Fund III in order to continue the firm’s strategy of lending to “companies in transition”. These are companies who may require a solutions-oriented lender

with experience underwriting complex situations or require financing in an accelerated time period.

Focusing on primary originations enables Blue Torch to write its own loan documents, which include covenants and target distressed-like returns while primarily taking senior secured, first lien risk. A flexible mandate enables Blue Torch to pivot depending on market conditions.

Sourcing and pipeline management is key to Blue Torch. They draw upon the extensive relationship network from Kevin Genda's 34 years of investing with management teams, restructuring firms, law firms, middle market private equity firms, commercial banks and investment banks, and other middle market lenders. They have an active pipeline. The Blue Torch Platform has deployed \$6.3bn across 106 positions with 48 full realizations as of 12/31/22.

The Boston Retirement System (BRS) Board, staff and NEPC discussed the merits, fees, strategies and performance of each of the responding managers and current BRS managers. After discussion, a motion was made.

Motion made, and seconded, to commit \$35 million to Kayne Anderson's Senior Credit Fund V and \$15 million to Blue Torch's Credit Opportunities Fund III as a part of the Boston Retirement System's Private Debt Search as presented.

Motion accepted (3-0)

Mesirow Small Cap Vehicle

Mesirow was recently hired to replace Bernzott as the System's small cap value equity manager. Mesirow has proposed a separately managed account vehicle for the mandate, and will honor their proposed management fee of 0.45%, consistent with the commingled fund fee. NEPC recommends a vote to approve the separate account vehicle at today's meeting. To note, Bernzott is included on the March flash report and will be replaced by Mesirow on the April report.

Motion made, and seconded, to change the legal structure of the new Mesirow small value investment from a co-mingled fund to a separate account.

Motion accepted (3-0)

Infrastructure Search

Mr. Manning stated that the infrastructure search was issued as part of the private equity search which included infrastructure, diverse fund of funds, and co-investments. The search encompasses the targeted commitments for 2022 and 2023, totaling approximately \$80 million over the two-year period. As a reminder,

the System committed \$40 million to diverse fund of funds as part of this search, which leaves approximately \$40 million to commit to private equity in 2023.

At today's meeting we will review the infrastructure respondents. The goal of the discussion is to select a managers of interest for further analysis, or to choose candidates to present at an upcoming meeting.

Ms. Davey gave an overview of the infrastructure market. She stated that infrastructure is currently headline news. It shows how outdated its and how far behind we are in the advancement in technologies that create this incredible catalyst. Which is why we see such a boom in activity within the infrastructure space. There are really two infrastructure drivers today digital and energy transitions.

Mr. Manning gave an overview of the manager respondents that they are recommending the Board review for presenting. The Board reviewed the list and chose the managers that they would like to pursue further due diligence on.

March 2023 flash report

Mr. Manning went on to state that for the month of March the system was up +0.73%. The three-month and YTD performance is up +3.4% through March.

Work Plan

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

	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
TOTAL PLAN										
Asset Allocation										
Performance			Q1			Q2			Q3	
Education/Review										
TRADITIONAL										
Search/ Presentations						Issue Custody Search	Review Respondents	Analysis/ Presentations		
HEDGE FUNDS										
Program Planning										
Search/ Presentations										
PRIVATE MARKETS										
Program Planning	Search Planning	Issue PE Sep. Account Search								Pacing Plan
Search/ Presentations	Private Debt Search Review	- PD Presentations - PE (Infra) Search Review	- PE (Infra) Presentations - Review PE SA Respondents	PE Separate Account Presentations						
Performance			Q4			Q1			Q2	
REAL ESTATE										
Program Planning										Pacing Plan
Search/ Presentations				Search Review (Opp & Debt)	Analysis/ Presentations	Analysis/ Presentations				
Performance			Q4			Q1			Q2	

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

March 2023 Financial Snapshot

Ms. McCarthy reported the February 2023 pension payroll as follows: Contributory payroll: \$60,903,005; Contributory Payees: 15,718; Non-contributory payroll: \$1,419,117; Total Non-contributory payees: 42; Regular Retirees: 64; Survivor/Beneficiary Retirees: 5; Disability Retirees: 6; Option C Survivors: 7; Members Refunds: 86 for \$1,690,842; Members Transfers: 13 for \$ 742,804; Option B Refunds: 2 for \$64,523; and, Operational Warrants: \$949,614.

2022 PERAC Annual Statement

Ms. McCarthy gave the Board an overview of the 2022 PERAC annual statement.

Motion made, and seconded, to accept the 2022 PERAC Annual Statement to the BRS as presented.

Motion accepted (3-0)

Outstanding/Ongoing Operations Issues: Christine Weir, Deputy Director

March 2023 payroll update

Ms. Weir provided an update on the payroll numbers for the month of March. 72 new retirees scheduled for the April payroll, 62 Superannuation and 7 Disability Cases and 3 pre-retirement death case. Out of the 72 cases, 61 new

benefits were put on payroll for a total of 75 new retirees. 64 superannuation, 7 disability, 4 pre-retirement death) 11 missed the payroll, and 10, no final papers returned and 1 missing salary.

Room 816 renovation project

Ms. Weir updated the Board on the pending office construction. It is scheduled for June or July. Room 816 will be utilized as a backup meeting destination. Mr. Smyth stated that there may be a need to acquire some space at the Boston Teachers Union in the event may be needed. Member McLaughlin answered in the affirmative.

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

Legal update

Mr. Smyth highlighted PERAC Memo #12 regarding Forfeiture of Retirement Allowance for Dereliction of Duty by Members.

Adjourn from Administrative Session

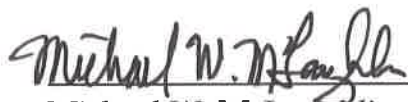
The Board voted unanimously to adjourn from Administrative Session at approximately 12:29 p.m.

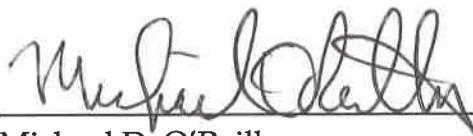
Motion accepted (5-0)


Respectfully submitted,
BOSTON RETIREMENT BOARD

Excusable Absence
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman

Excusable Absence
Maureen A. Joyce
Ex Officio Member


Michael W. McLaughlin
Elected Member


Michael D. O'Reilly
Elected Member


Thomas V.J. Jackson
Fifth Member