

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

December 20, 2023

Boston Retirement Board
Civic Pavilion Room, Boston City Hall
Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael D. O'Reilly, Elected Member; Karen T. Cross, Elected Member; Maureen A. Joyce, *Ex Officio* Member; Thomas V.J. Jackson, Fifth Member.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Christine M. Weir, Deputy Executive Director; John F. Kelly, Investment Analyst; Natacha Thomas, General Counsel; Ellen M. McCarthy, Comptroller; Gregory Molina, Board Secretary

ALSO IN ATTENDANCE: Michael Manning, Kiley Murphy, of NEPC; Timothy Darcey, Meagan Mill, Owen Burns of Hamilton Lane.

Administrative Session Convene

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:01 a.m.

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

Motion accepted (5-0)

Past Minutes

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

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member Cross: Aye; and Chairman Greene: Aye

Motion accepted (5-0)

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

Administrative Update

PERAC Memoranda were provided for educational purposes only:

- PERAC Memo 26-2023 re 2023 Pension Fraud Prevention Campaign;
- PERAC Memo 27-2023 re current members in service who made an election at age 70 to stop contributions;
- PERAC Memo 28-2023 re 2023 Disability Data Changes; and,
- PERAC Memo 29-2023 re Tobacco Company List.

- Waiver Request
 - Margarita J. Pimentel

Motion made, and seconded, to deny the Waiver Request of Margarita J. Pimentel in the amount of \$8,425. 40.

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member Cross: Aye; and Chairman Greene: Aye

Motion accepted (5-0)

Mr. Smyth presented to the Boston Retirement board a number of disclosures for Mr. Smyth's non-Boston Retirement Board work. These disclosures are on file with the City of Boston and in his personnel file.

Disclosures of Appearance of Conflict filed by Executive Officer.

- Disclosure of Appearance of Conflict of Interest re Arlington Contributory Retirement Board with attachment.
- Disclosure of Appearance of Conflict of Interest re Plymouth County Retirement Association.
- Disclosure of Appearance of Conflict of Interest re Revere Contributory Retirement Board with attachment

- Notice of Fifth Member Vacancy (2024-2027)
 - Thomas Jackson resume.
 - Diane Mulcahy resume.
 - Edward Spellman resume

Motion made, and seconded, to retain Thomas V.J. Jackson as fifth member of the Boston Retirement System Board.

Roll Call Vote: Member O'Reilly: Aye; Member Joyce: Aye; Member Cross: Aye; and, Chairman Greene: Aye

Motion accepted (4-0) (Member Jackson, abstained.)

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Private Equity Separate Account Search

Mr. Manning stated that the private equity separate account search was issued in October on behalf of the System. The search was issued in compliance with PERAC guidelines which require a search to be issued every seven years. The System's private equity separate account is currently managed by Hamilton Lane. The manager selected for this mandate will be allocated approximately \$80 million per year for five years (~\$400 million total). At today's meeting NEPC will present the comprehensive respondent list, as well as an analysis on a subset of candidates. The objective of today's discussion is to determine the next steps in the search process.

The minimum requirements for firms responding to the search are; Agree to comply with all PERAC investment guidelines and OCIO requirements. They must propose a flat fee in dollars, per the OCIO requirements. Have at least five years of experience providing separate account private equity management is preferred. At least \$750 million of committed capital in separate accounts is preferred.

11 firms responded to the search. In addition to the respondent list, NEPC has included additional information on a subset of candidates. NEPC has included further detail on a subset of candidates; AlpInvest, Grosvenor, and Hamilton Lane. These firms were included in the review due to: Track record, PE SMA experience, Fee proposal and agreement to comply with PERAC/OCIO requirements. NEPC provided the estimated fees from the three firms.

Hamilton Lane

Mr. Darcy thanked the Board and for the seven years of partnership. Hamilton Lane is a firm that has been doing exclusively Private Market investing for clients for 32 years. Building portfolios to give clients access to areas with the Private Markets that they want to get exposure to. Be able to exceed their expectations.

The firm is committing capital annually to the primary partner funds. \$40 billion annually. It has 680 employees globally, 203 of them investment people,

sourcing diligently and executing on Privat Market deals exclusively. This investment platform gives the firm access to investment deals, funds, data and information to be able to build specific portfolios.

The Hamilton Lane, Boston Retirement Board started in 2016. They were committing around \$30 million a year into those primary funds. Today, they are committing about \$80 million annually into primary funds. Over that time, the primary markets have certainly evolved in many different ways. Boston's portfolio has grown and has evolved with the Privat Markets as well. Boston is now accessing the leveraging tools that Hamilton Lane has been able to provide to access secondary investments. The Boston performance since inception net today is 19.5%, 1.4 x multiple, Net base. They are proud of the success these funds have had.

Ms. Mill continued by stating that she wanted to give a short update on the state of the market. Generally, across Private Equity. Fund raising has come down over the last 12 months. 2021 was really a record year in terms of Private Equity fund raising across general partners Private Fund. That started to come down in 2022 and 2023 is likely to come down a little further and that is being driven by a lot of the volatility that's being experienced across the broader public market. GP's are still wanting to get deals done.

With fundraising being down, investment activity is down. General Partners are working with less capital to deploy into opportunities. 2023 is on pace to recede to industry norms. Whereas, 2021 and 2022 were record years in terms of deployment across the Privat Markets. Liquidity has also come down. Given the more macro environment. Much is being driven by less exit opportunities. The IPO market has dried up, AMA activity has come down close to 40% per year.

Hamilton Lane see's more opportunities in the Middle Market. Much of the exposure across co-investment Funds are within the Middle Market, much of the Private Funds that they are pursuing are across the Small and Middle and Markets as well. Hamilton Lane sees opportunities across the Middle Market. The BRS has exposure in two of the co-investment funds. Vintage co-investment Fund and the 2021, Vintage Equity Opportunity Fund 5. Deal flow is up 20% per year.

Mr. Burns stated that as of June 30, 2023 Hamilton Lane has committed \$372 million worth of capital. We have a benchmark with the BRS that's a Russell 3000 plus 300 basis points. They are well exceeding that by nearly 600 basis points. They have committed to three very high-quality managers. There are six

commitments that are scheduled to be closed in Q1 of 2024. These six opportunities have been pushed to Q1. If awarded the opportunity with the BRs we will close these deals to Q1 of 2024. All in all, they are very pleased with the performance of the portfolio.

Hamilton Lane has been working with John Galvin and John Parsons of PERAC along with the Systems staff to put procedures in place to adhere to the new PERAC guidelines for reporting. They are instituting these procedures with other public retirement plans.

NEPC staff, the Board and Board staff discussed the reporting procedures, Hamilton Lane relationship, Terms and fees of contract PERAC's new guidelines and the performance of the other respondents in the search.

Motion made, and seconded, to hire Hamilton Lane as the Private Equity separate account Manager for approximately \$400 million over five years.

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member Cross: Aye; and Chairman Greene: Aye

Motion accepted (5-0)

December 2023 Flash Report

Mr. Manning reported that the plan was up +5.0%. during the month of December. The YTD performance is up +7.1% and +5.5% in the one-year period.

Work Plan-2023

Mr. Manning stated that NEPC has included an updated work plan with the including a proposed work plan for 2023

	DEC.	JAN.	FEB.	MAR.	APR.	MAY
TOTAL PLAN						
Asset Allocation			Asset Allocation Review			
Performance			Q4		Q1	
Education / Review			NEPC Market Outlook			
TRADITIONAL						
Search / Presentations				Issue Int'l Small Cap Search	Review Respondents	Analysis/Presentations
HEDGE FUNDS						
Program Planning						
Search / Presentations						
PRIVATE MARKETS						
Program Planning	Hamilton Lane Update	Pacing Plan				
Search / Presentations	PE SMA Search Review	Analysis/Presentations				
Performance			Q3		Q4	
REAL ESTATE						
Program Planning		Pacing Plan				
Search / Presentations						
Performance			Q3		Q4	

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

November Financial Snapshot

Ms. McCarthy reported the November 2023 pension payroll as follows: Contributory payroll: \$62,690,950; Contributory Payees: 15,794; Non-contributory payroll: \$357,948; Total Non-contributory payees: 42; Regular Retirees: 22; Survivor/Beneficiary Retirees: 2; Disability Retirees: 4; Option C/Disb Surv: 5; Members Refunds: 53 for \$952,452; Members Transfers: 12 for \$825,186; Option B Refunds: 0 for \$0.00; and, Operational Warrants: \$428,772.

Ms. McCarthy informed the Board that in their package is an appropriation letter for 2025 with the totals for each individual unit. She sent letters to each unit letting them know what their portion of the appropriation would be for 2025. The City was pleased that their percentage went down just under 1% for their share of the appropriation. She went on to present the cash totals for 2023. Everything is going along as normal. The System did get \$12 million for health benefits which is

the reimbursement for the Medicare. During the July payroll the System paid the Medicare refunds and HBI reimbursed the System in October. You'll see that in the cash projections for October. Aside from that, she does not see any big receipts or expenses for the month.

Retiree indemnifications payments

Mr. Smyth informed the Board that there is an outstanding issue regarding indemnifications. Disability retirees are entitled to either a reimbursement or direct bills for medical, hospital, prescriptions expenses that are a direct causal relationship to the reason they retired. Historically, the Boston Board has administered these indemnifications payments on behalf of the retirees.

When you're an active Member you can get injured on the job and the department would do that work. They become a retiree and traditionally this how the System has done it.

Since the passing of the employee that was performing this task, we have had several employees filling that role. They were good but moved on to other City positions. The position lingered and Mr. Smyth had a conversation with Ms. McCarthy on her view and we were hoping the departments would take it on. Mr. Smyth went to the City to see if each department to see if they would agree. The short answer was, no. We own it.

We have since posted the position we have several applicants and an inside candidate who is doing a good job. What Mr. Smyth would like to do is charge the City for expenses. For example, the System currently has two temps at the front desk because this individual was a front desk person so it freed him up to do these indemnifications. Facilitating the need to have people cover the phones. There is also the expense of our vendor Sargent that reviews the documentation to approve or deny them.

The Board and BRS staff discussed the City's former role, Boston Police and Fire departments roles and the parameters of these indemnifications.

Outstanding/Ongoing Operations Issues: Christine M. Weir, Deputy Executive Director

November 2023 payroll update

Ms. Weir provided an update on the payroll numbers for the month of November 2023.

- 3 Pre-retirement Deaths
- 43 Superannuation
- 11 Carried over from previous month
- 5 Pre-retirement Death
- 56 Superannuation
- 9 Disability cases

Legal Issues: Natacha Thomas, General Counsel

Ms. Thomas wanted to inform the Board of O'Keefe vs BRS. This is an older case where the teacher who sued the System was challenging the transferring of her funds to the Dedham Retirement Board. She taught at the Town of Dedham. As a paraprofessional. The case went to trial at the Norfolk County Superior Court. She lost and she appealed it. The appeals court dismissed it because she did not follow through filing her briefs to the appeals court.

Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 11:28 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)


Respectfully submitted,
BOSTON RETIREMENT BOARD



Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



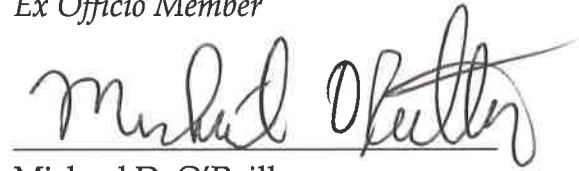
Karen T. Cross
Elected Member



Thomas V.J. Jackson
Fifth Member



Maureen A. Joyce
Ex Officio Member



Michael D. O'Reilly
Elected Member