

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

July 22, 2015

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Michael W. McLaughlin, Elected Member; Michael D. O'Reilly, Elected Member; Sally D. Glora, *Ex Officio* Member.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; Jonathan D. Lucas, Comptroller; John Kelly, Investment Analyst; Christine M. Weir, Operations Officer.

ALSO IN ATTENDANCE: Will Forde and Michael Sullivan of New England Pension Consultants; Kairos Shen, Member; Thomas Gibson, Attorney.

NOT PRESENT: Thomas V.J. Jackson, Board Member.

Convene

The meeting convened and entered Administrative Session at approximately 10:00 a.m. All in attendance were identified for the record and introductions were made.

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of June 17, 2015 as presented.

Motion accepted (4-0)

Kairos Shen, BRA, Application for Termination Retirement Allowance

Mr. Lydon addressed the Board, explaining that Mr. Shen, represented by Attorney Thomas Gibson, was in front of the Board for consideration of a termination allowance under Section 10(2)(a). In order to be considered for a termination allowance, the member must have at least 20 years of service, be removed or discharged from his/her office or position without moral turpitude on his/her part, and, the termination must not be brought on by collusion or conspiracy between the Employee and the Employer.

Mr. Shen was an employee of the Boston Redevelopment Authority, with over 20 years of service, who held the positions of Chief Planner and Director of Planning at the time of his termination.

A hearing was conducted by Hearing Officer Robert Fabino, on June 15, 2015, who recommended that the Board approve the termination retirement allowance. As Mr. Greene noted, Mr. Shen has been ably represented by Attorney Thomas Gibson, who was present to answer any questions.

At the June 15, 2015 hearing, two representatives from the Boston Redevelopment Authority testified that Mr. Shen was terminated without any moral turpitude on his part or any misconduct or moral turpitude on his behalf or collusion as to his termination in order to apply for this termination allowance.

Mr. Greene noted that Mr. Fabino wrote a detailed and well-reasoned recommended, which found that Mr. Shen had a reasonable basis for believing he would be terminated, that it was not voluntary, that he had no control over the terms of his departure, that he was notified he was being terminated. Mr. Fabino recommended that the Board grant the termination allowance and after reviewing the documents and testimonial evidence. Mr. Lydon concurred with his opinion and recommended the same.

Motion made, and seconded, to accept the termination retirement allowance application of Mr. Kairos Shen because Mr. Shen was involuntarily removed or discharged from his position without moral turpitude on his part and his removal or discharge was not born of conspiracy or collusion, and further to adopt Hearing Officer Robert Fabino's recommended decision in its entirety.

Motion accepted (4-0)

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

Section 91(b) Excess Earnings Business Process

Mr. Smyth explained that staff endeavors to have written business processes in place as a manual for Board Staff. The 91(b) Excess Earnings Business Process is the first for consideration by the Board. Over time, all Board Business Processes would be submitted to, and approved by, the Board. Mr. Smyth noted that the Business Processes are not supplementary regulations, which require PERAC approval. Instead, they are "in house" processes so all staff are on the same page; there are no questions about how something is done; and, all members are treated the same.

Motion made, and seconded, to accept the Section 91(b) Excess Earnings Business Process as presented.

Motion accepted (4-0)

Mr. Smyth provided the Board with both the PERAC report on the funded ratios of its systems as of 07-01-2015 and PERAC Pension News 40 for informational purposes only.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

New England Pension Consultants

NEPC discussed the updated work plan that was contained in the materials.

Credit Opportunities Search

The Credit Opportunity Search began in January of 2015. At that time, the Board invested \$25 million with Golden Tree Asset Management in their distressed 2014 fund. Subsequently, it became time to revisit the search and the respondents in direct lending space; the following were chosen to present to the Board:

- Alcentra Limited: Jeb Banks, Vice President (BNY Mellon) and Graeme Delaney-Smith, Head of European Direct Lending
- Monroe Capital: Sean Duff, Managing Director and Za Udden, Managing Director, Portfolio Manager

Following the presentations, discussion between Mr. Forde, Mr. Sullivan and Board Members took place regarding both presenters.

Motion made, and seconded, to allocate \$25 million to the Alcentra Group in the Alcentra European Credit Opportunities Advantage Fund.

Motion accepted (4-0)

Update on US Small Cap Search

NEPC handed out the list of respondents to the Small Cap Equity Search. NEPC received over 100 responses to this search and the list has been separated into core, growth, and value. More detail on these responses will be provided at the next meeting. We currently have roughly \$280 million in small cap equity, spread across two managers, the value manager is the Boston Company and the growth manager is Westfield Capital. Both managers, under their long term performance have out-performed the benchmark.

Update on Real Estate Pacing Plans

Right now we have \$350 million in real estate assets with \$130 million uncalled commitments. The Plan is slightly overweight in Core Real Estate. We are currently conducting a Value Add and Opportunistic Real Estate search.

June 2015 Flash Report

The Plan was down -1.4% in June 2015 bringing the Year-to-Date Performance to +2.7%.

Outstanding/Ongoing Financial Issues: Jonathan D. Lucas, Comptroller

Financial Update

Mr. Lucas reviewed the June 2015 financial snapshot report with the Board, noting that the June payroll went out timely to over 14,543 retirees totaling just over \$45 million. There were 113 refunds/transfers for the month of June 2015. Operational warrants totaling a little over \$500,000.00 were paid out as well.

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

Operations Update

Ms. Weir provided an update on the payroll number for the month of June, 2015. There were 49 possible retirees, 37 regular retirees, 9 disabilities & 3 death of an active member, of which 39 were processed (35 superannuation and 2 DOA's and 2 disabilities). There were 10 cases carried over from last month and the breakdown is as follows:

- 2 did not return final papers timely
- 1 awaiting deduction shortage invoice
- 1 legal matter
- 4 waiting salaries
- 1 had outstanding documentation
- 1 still in QA

CBA Update

280 cases remain outstanding, including the 2014 cases. Over 800 cases have been completed to date. Out of the 280 outstanding cases, 146 are from the time frame 2007-2013 and 134 are from 2014. These outstanding cases are on hold for various reasons, including, needs further review, waiting for clarifications, missing documentation, death and disability benefits, questions on original calculations and V3 questions.

The working group is currently completing 30 cases a week. Discussions have been held relative to determining an end-date for the project. Ms. Weir indicates that we may have 200 cases that need to be categorized and then the next steps can be determined. The group will be meeting early next week to determine open items and if we can calculate the 2014 retiree's any easier.

Buy Back Backlog Project

The buyback backlog project has begun and continues to move forward. There are currently 1,402 outstanding buybacks. Ms. Weir noted 282 buybacks have been completed and there are 78 ready for review. The working group is averaging 30 buybacks a week; the time constraint is the review process. Two grids were created to make the review easier so the process flow can be reviewed every month; the numbers will change as new request come in. The backlog grid will decrease in open workflows, but the current backlog graph can go up and down. Current workflows have been slow due to the absence of the employee assigned these cases, that lasted several weeks. Discussions were held regarding the 147 open workflows and clarification was provided that the workflows stem from April to date. We have two new employees (SEIU one year appointments) that started this week to assist on buybacks only.

Additionally, Ms. Weir noted that the FY16 COLA increases will begin this month and Vitech training for employees will be conducted during the end of July into August.

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

Advisory Opinion from PERAC on the repeal of the remarriage penalty and PERAC Memo #8/2015

Clarification from PERAC was sought on two issues relative to the elimination of the remarriage penalty. The first was whether the Board had discretion in awarding COLAs, to which PERAC replied no. The second was how far back should these COLAs be awarded; PERAC replied that the COLAs should be awarded back to the repeal date of the remarriage penalty (07/31/2000).

Stoneham v. CRAB and DeFelice is a Superior Court decision, not involving the Boston Retirement Board, that discussed the "once a member always a member" maxim. It was provided to the Board members for educational purposes only.

PERAC Memos

The following PERAC memos were offered for educational purposes:

- PERAC Memo 12-2015 re inactive member buybacks;
- PERAC Memo 13-2015 re tobacco list;
- PERAC Memo 14-2015 re mandatory retirement board member training; and,
- PERAC Memo 15-2015 re retroactive changes to cash book entries.

Request for Waiver

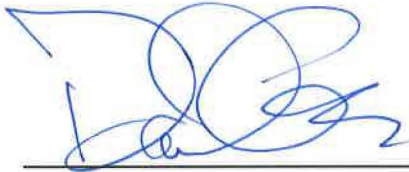
John W. Wilcox of the Parks & Recreation Department requested a waiver of arrears caused by a contribution rate error in the amount of \$7,302.82.

Motion made, and seconded, to deny this request for waiver of repayment in the amount of \$7,302.82, made by John W. Wilcox, as the request was not filed in a timely manner.

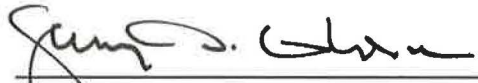
Motion accepted (4-0)

A roll call vote (4-0) was had to enter Executive Session at approximately 12:15 pm.

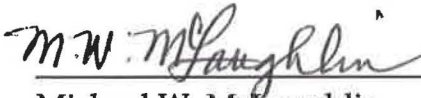
Respectfully submitted,
BOSTON RETIREMENT BOARD



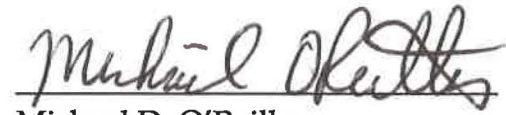
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



Sally D. Glora
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member

In Absentia

Thomas V.J. Jackson
Fifth Member