

## MINUTES OF BOSTON RETIREMENT BOARD

### Administrative Session

May 19, 2021

Boston Retirement Board, Room 716

Boston, Mass. 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Member; Thomas V.J. Jackson, Fifth Member; Michael D. O'Reilly, Elected Member; Maureen A. Joyce, *Ex Officio*; Michael W. McLaughlin, Elected Member (All Members remotely present).

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

ALSO IN ATTENDANCE: Michael Dwyer, IT Consultant; Michael Manning, Kiley Fischer of NEPC; Svein Engh, Warren Tolman and George Fikaris of Entrust; Brendan McDonough, Patrick Dyson and Jon Sachs of Golden Tree (All presenters remotely present).

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#### Convene

*The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:05 a.m.*

#### Previous Minutes

*Motion made, and seconded, to accept the Administrative Session Minutes of the April 28, 2021 meetings as presented. Roll Call Vote: Member Joyce, Member McLaughlin; Aye, Member Jackson; Aye, Chairman Greene; Aye.*

**Motion accepted** (4-0) Member O'Reilly not present at the time of vote.

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

*Vitech upgrade*

Mr. Dwyer informed the Board that the core upgrade activity, i.e. the move from version 8 to the cloud-based version 10 remains on track. Late in June we enter Validation 2, a four-week user test period, which expands converted functionality to all benefit types, accounting, and most reporting,

document generation, batch jobs, etc. Vitech provided a list of over 250 specific tests already completed by them for BRS review and additions.

*COLA & COLA base*

Mr. Smyth read into the record two letters submitted by the City's CFO, Justin Sterritt, one in support of a 3% COLA and one in support of a COLA base increase to \$15,000.

*Motion made, and seconded, to grant a three percent (3%) cost of living adjustment effective July 1, 2021.*

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

**Motion accepted (5-0)**

Chairman Greene went on to address the COLA base itself, currently at \$14,000. Before going to vote Chairman Green recognized Member McLaughlin who advocated for a COLA base increase. Member O'Reilly also spoke and stated that the Board heard from the City's CFO in a letter addressed by Mr. Smyth. In the letter he spoke of Covid 19 and the effect it has had on the City. One disappointing issue that he did not talk about is all the funds that the City has received. To him it is staggering the amount of money that the City has received in COVID-19 relief. Mr. O'Reilly noted that in March 2020, the CARES Act was signed into law in which the City of Boston received \$177 million; in December 2020, the Consolidated Appropriation Act was signed into law in which the City was awarded \$156 million; and in March 2021, the American Rescue Act was signed into law in which the City is due to receive between \$750 million and \$840 million.

The Board received Segal's actuarial review of this and their numbers. Additionally, we received what it would cost if the Board extended the funding schedule out one year. The City through its letter, endorsed an increase to \$15,000. To increase it to \$15,000 without extending the schedule, you're talking about extending the appropriations. This is directly from Segal's report. In 2022 the appropriation increase would be \$5.6 million. In 2023 \$6.1 million, in 2024 \$6.6 million, in 2025 \$7.2 million, in 2026 \$7.9 million, 2027 \$7.6 million. If we increase it more, to \$18,000 and extended the schedule out one more year. The difference in what the City will do, going to \$15,000 and the \$18,000 is zero increase in appropriation each year, zero until the year 2027.

In 2027, there will be an increase of about 8.8%. The difference being the appropriation in 2027 for \$15,000 will be \$543, \$298,891. The appropriation for

2028 would be \$558,890,886. It's a difference of roughly \$14.8 million. Zero increase in appropriation from now until 2028 and a \$14 million difference. There's seven years, seven years in which the City was going to pay to increase to \$15,000, anywhere between \$5.6 and \$7.9 million increases each year. There would be no increase by extending the funding schedule, no increase until the year 2027 and the increase would be \$14 million. When you go to the 2028 appropriation, it's a reduced appropriation and it drops down to \$244 million. To him, this is a no brainer.

Member McLaughlin also spoke on the notion stating that these monies were not a part of the City's report initially. We all know that Cities and towns throughout the nation received these monies. It was a great help to all the cities and towns. It was unfortunate that this information was left out. Member O'Reilly shines a light on this, it is a resource that can be used to fund an increase in the base up to \$18,000. I see no reason to deny this motion or vote in the negative due to the data that Member O'Reilly has shared with us here today. Our retirees deserve this base increase.

Member O'Reilly added that last year the City came to the Board asking to lower the system's assumed rate of return, the Board approved that request. By doing so it drove down the appropriation. The City wanted lower the rate of return but not the appropriation. To offset, they asked us to extend the funding schedule two years. Now in return, we're asking to extend the funding rate one year and by doing so we are saving the City all those appropriation increases for the next seven years.

Member Jackson asked the monies that came from the CARE Act and other funds. Was that for the vaccination program? The monies did not go into the general city's coffers, correct? Member Joyce answered by stating that there are very specific regulations on how the money can be spent and each delivery of the past two amounts and the one coming have specific regulations on what it is allowed to be spent on. Member Joyce requested clarification of the motion once again. Member O'Reilly then went on to make the following motion:

*Motion made, and seconded, to raise the COLA base to \$18,000 effective July 1, 2021 with no change to the budget appropriation until fiscal year 2027 and by extending the funding schedule up to one year.*

*Roll Call Vote: Member Joyce: Nay; Member McLaughlin: Aye; Member O'Reilly: Aye; Member Jackson: Nay; Chairman Greene: Nay.*

**Motion denied (3-2)** (Members Jackson, Joyce and Greene voted Nay)

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*Motion made, and seconded, to raising COLA Base from \$14,000 to \$17,000.*

*Roll Call Vote: Member Joyce: Nay; Member McLaughlin: Aye; Member O'Reilly: Aye; Member Jackson: Nay; Chairman Greene: Nay.*

**Motion denied (3-2)** (Members Jackson, Joyce and Greene voted Nay)

*Motion made, and seconded, to raise the COLA base from \$14,000 to \$15,000 with a yearly \$1,000 increase until increase reaches \$18,000.*

*Roll Call Vote: Member Joyce: Nay; Member McLaughlin: Aye; Member O'Reilly: Aye; Member Jackson: Nay; Chairman Greene: Nay.*

**Motion denied (3-2)** (Members Jackson, Joyce and Greene voted Nay)

*Motion made, and seconded, to raise the COLA base from \$14,000 to \$15,000 effective July 1, 2021.*

*Roll Call Vote: Member Joyce: Aye; Member McLaughlin: Aye; Member O'Reilly: Aye; Member Jackson: Aye; Chairman Greene: Aye.*

**Motion accepted (5-0)**

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

*Private Debt Search*

Mr. Manning stated that EnTrust will present today, as rescheduled from April 2021 board meeting. Also, GoldenTree will present as a finalist for the private debt search.

*EnTrust Presentation*

Mr. Tolman opened by introducing Mr. Engh and Mr. Fikaris. Mr. Engh is the Senior Managing Director and Portfolio Manager for the Blue Ocean Fund. He leads a team of nine fully focused maritime individuals who work exclusively on the Blue Ocean Fund. Mr. Engh has over 30 years investment experience in the maritime world. Mr. Fikaris is the managing Director with 14 years of experience.

Mr. Engh mentioned EnTrust has been doing this for five and a half years. The Fund is focused on closing its next fundraising in the 2nd half of 2021 to act on an increased opportunity set resulting from the pullback of liquidity due to the Covid-19 pandemic. The firms focus is on situations currently being underserved by traditional maritime lenders, including debt financing to both privately- and publicly-owned shipping companies. The fund is expected to yield steady, predictable cash flows, inflation protection of real assets, and low historical correlation to equity and bond markets

The specialized nature of maritime finance favors lender teams with deep experience and industry contacts, which creates barriers to entry and should generally limit competition from other lenders that do not have the firm's level of experience. Mr. Engh shared that the firm is implementing a basket approach, investing in a portfolio of loans and other investments across the capital structure, targeting total net returns of 8-13%.

#### *Golden Tree Presentation*

Mr. McDonough opened by introducing himself and stating he is a partner at GoldenTree where he oversees all the public funds relationship nationally. He'll be joined by Pat Dyson, also a partner and John Sachs.

Mr. Sachs began by stating that the amount of stimulus that's come into the market has caused prices to recover and improved liquidity but if you look across the disrupted industries like media, telecom and retail where you have had structural changes happening, it has not cured the broader balance sheet challenges. If anything, the stimulus has led to more access in credit markets and you see leverage at an all-time high. As this stimulus policy starts to unwind and the economic recovery starts, interest rate volatility and higher rates are created. Some of these industries are no longer able to access the easily available type of credit that they previously had.

GoldenTree is well positioned to capitalize on a broad range of evergreen themes that have historically led to attractive distressed opportunities. Industries in transition, changes in technology, supply/demand dynamics, consumer preferences and policy causing disruptions are all such themes. Industries such as media/telecom retail, financials and energy all have complex, fragmented capital structures presenting distressed opportunities. Forced selling, margin unwind, liquidity miss matches, and regulatory pressure are further examples of factors creating distressed opportunities.

Mr. Dyson went on to speak on Golden Tree's personnel. He stated that the firm has an experienced team of industry specialists with on average 13 years' experience covering their sectors. The firm also has a sizeable and experienced Restructuring and Turnaround team, with a focus on execution, which is critical for realizing value in a Distressed Strategy.

Mr. McDonough closed by stating that the BRS has invested in Distressed Funds I, II, III and also in Co-Invest Fund III. Golden Tree has a couple of goals, one is to deliver Net IRR in the double digits. Two, is to deliver Net multiples of

1.5x to 2.0x and we have pretty much done that across the board consistently. The Distressed III Fund is at 1.4x and that is going to move up dramatically as we get into the later stages of that fund.

Golden Tree did an analysis on the System's exposure to Distressed Funds I, II and III and what they expect to return in capital. There is a strong likelihood they will return approximately \$100M to the System over the next 18 months. With that said, things can happen and he always applies a haircut of 30% - 40% to expectations so at a minimum your looking at a \$60M - \$70M return on capital over the next 18 months. On terms, the management fee is typically 1.5% but because the System is in a position to make the first close, 25 basis points come off. There is an additional management fee discount of 25 basis points, applicable to any subscription of \$50m or greater. So that would bring the System's fee to 1%. This 33% discount on the management fee is compelling.

The Board, BRS staff and NEPC staff discussed the investment timelines, monies uncommitted, returns, prior investments, performance, merits and advantages of the presenters.

*Motion made, and seconded, to hire EnTrust for \$10 million commitment to Blue Ocean Fund. Additionally, hire Golden Tree for \$40 million commitment Roll Call Vote: Member McLaughlin; Aye, Member O'Reilly; Aye, Member Joyce; Nay, Member Jackson; Nay, Chairman Greene; Nay.*

**Motion denied** (3-2) (Members Joyce, Jackson and Greene voted Nay)

*Motion made, and seconded to hire Golden Tree Distressed Fund for \$50 million commitment.*

*Roll Call Vote: Member Joyce; Aye Member O'Reilly; Nay, Member McLaughlin; Aye, Member Jackson; Aye, Chairman Greene; Aye.*

**Motion accepted** (4-1) (Member O'Reilly voted Nay)

#### *Q1 2021 Performance Summary*

Mr. Manning stated that NEPC reviewed the first quarter 2021 Investment Performance Analysis ("IPA") which provides absolute and relative performance for the System along with in-depth manager analysis.

#### *April 2021 Flash Report*

The April 2021 Flash Report indicates that the System is +2.5% in the month of April 2021. This brings the YTD to a +6.3 and the One Year to +29.6%.

### *Work Plan*

Mr. Manning stated that NEPC has included an updated work plan for 2021. As a reminder the EM Equity search was reissued out of concerns that PERAC had around the applicability of ABS to the search that was originally issued and some concerns that there was not enough discussion about the fact that it was a Fund of Funds, the initial NEPC ratings and their willingness to be bound by the PERAC regulations with regard to holdings. ABS do work for another Massachusetts Retirement System. The Board after discussion has asked ABS to come in to the next meeting to address the PERAC issues and concerns with the Board.

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

#### *April 2021 Financial Snapshot*

Ms. McCarthy reported Pension payroll contributors: \$56,429,859 Total Contributory Payees: 15,263 Total Payees; Payroll (non-contributors:) \$283,501; Total Contributory payees: 38; New Regular Retirees: 58; Survivor/Beneficiary Retirees: 1; Disability Retirees: 7; Option C/Disb Surv 4; Members Refunds 52 for \$1,085,167; Members Transfers: 14 for \$581,945; Option B Refunds: 0 for \$0; Refunds and transfers: 66 for \$1,667,111; Operational Warrants: \$539,604.

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

#### *April 2021 payroll update*

Ms. Weir provided an update on the payroll number for the month of April 2021. There were 65 possible new cases (67 Superannuation retirements, 3 Death of Active members, 5 Disability cases), of which 10 did not make the April 2021 payroll. The reasons for the 10 missing cases include: 1 working on DRO; 2 missing documentation; 2 missing salary; and 5 did not return final papers.

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

#### *Waiver Request – Jill A. Connolly*

Mr. Lydon informed the Board that he had one Needham waiver for the Board to consider. The Board and staff discussed the request.

*Motion made, and seconded, to deny the waiver request of Jill A. Connolly for failure to respond in a timely manner.*

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

**Motion accepted (5-0)**

### *Hearing Officers*

At the request of Member McLaughlin, the issue of hearings officers was placed on the agenda. Member McLaughlin inquired how hearing officers are hired and how they are assigned cases. Also, is there any documentation on the process.

Mr. Lydon stated that most of the hearing officers have predated the current management at the BRS. Mr. Lydon was not sure how the initial officers were hired previously. Current management looks for officers that have experience in Chapter 32. The System has a stable to choose from that has been pretty much the same for 10 years. Between Robert Fabino, Dan Sheehan, Judith Cohen, James Mulhern and Shawn Murphy.

The System has not had to hire anymore. The last one hired was to take the place of Edward McGrath who then became the DALA Chief Magistrate. Before we had a hearing officer procedure, PERAC had weighed in that it's not subject to the RFP process under GL c. 32, §23B. The System has not needed to hire any for several years.

In terms on how they are assigned, it's based on availability. Disability will find out when the claimant is available for a hearing. Sometimes it is cross referenced with the availability of the member, the member's attorney and hearing officer. One issue recently was with COVID. Only two of the officers had the tech capability to do hearings through Zoom. Another hearing officer did not feel safe in the building. That cut the system down to two hearing officers for the last 15 months, Robert Fabino and Shawn Murphy.

Otherwise we check availability of claimant, availability from BRS counsel, check availability of hearing officer and try to see if we can fit in several cases in one day. Staff usually do three or four cases in a day per hearing officer per day of hearing. In that case the hearing officer doesn't have to come in for just one hearing.

In terms of appointing a specific one if the issue is very complicated, sometimes we would go with Robert Fabino who has 25 years of experience. Judith Cohen is also very good with the sophisticated cases.

Member McLaughlin inquired if there were any PERAC guidelines. Mr. Lydon answered, only through the Code of Mass Regulations. 840 CMR. That



give the requirement for the hearing itself and certain requirements that the System has to take to make sure the hearing conforms to Chapter 32 and its regulations. The Board and staff discussed PERAC Chapter 32 section 23B, Mass General law Chapter 30B, exemption.

**Enter Executive Session**

*Motion was made to enter executive session at approximately 12:15 p.m.*

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

**Motion accepted (5-0)**

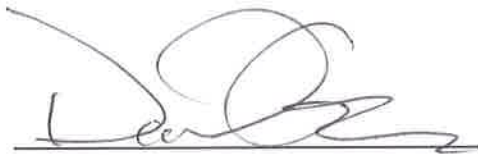
**Adjourn from Administrative Session**

*After re-entering from Executive Session, the Board voted unanimously to adjourn from Administrative Session at approximately 12:25 p.m.*

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

**Motion accepted (5-0)**

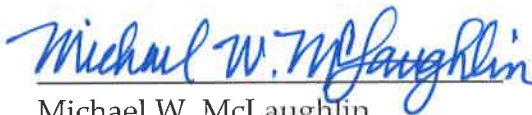
Respectfully submitted,  
BOSTON RETIREMENT BOARD



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*