

## MINUTES OF BOSTON RETIREMENT BOARD

### **Administrative Session**

May 17, 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; and, Daniel J. Greene, Mayoral appointed Member (Chair).

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

ALSO IN ATTENDANCE: Michael Manning, Larissa Daley, of NEPC; Andrew Luongo, of Segal. Joseph Smith, of SENA; Janey Frank, Sandra Segal, Mary Tubin, James Phillips, Connie Thibaur, Marylyn Marion, Denise Berkley, of BTU/RTC; Jerry Mill, BTU; Elisa Cadalic, Charles Owen, John Killar, Ed Keefe, James Grossman, of AFSCME; Vickey Magaletta, Jane Yessayan, of BASAS; Edward Flynn, City Council President; Kate O'Donovan, Gabriella Guerard, Councilor Erin Murphy.

EXCUSED ABSENCE: Maureen Joyce, *Ex Officio* Member.

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### Administrative Session Convene

The Board voted unanimously via roll call (4-0) to enter into Administrative Session at approximately 10:03 a.m.

**Motion accepted (4-0)**

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

#### *COLA / COLA Base*

Andrew Luongo stated that Segal estimated the cost of increasing the Cost of Living Adjustment (COLA) base from \$15,000 to \$16,000, \$17,000 and \$18,000 for both the BRS Excluding Teachers and the Teachers. We have assumed the base would be increased effective July 1, 2023 and that the additional cost would first be reflected in the fiscal 2024 appropriation. The estimates in this report are based on the January 1, 2022 Actuarial Valuation and Review of the Boston Retirement System and do not reflect any experience gains or losses after that date.

The funding schedule included in the January 1, 2022 actuarial valuation report (which reflected a \$15,000 COLA base) fully funds the actuarial accrued liability of the BRS Excluding Teachers by fiscal 2027 with total payments increasing 8.85% per year through fiscal 2026 and a lower payment in fiscal 2027.

During 2022, the Board adopted an increase in the July 1, 2022 COLA from 3% to 5%. The funding schedule from the 2022 actuarial valuation was revised so that the cost for the 5% COLA was first reflected in the fiscal 2023 appropriation.

We have estimated the additional unfunded liability and employer normal cost if the COLA base is increased for the Non-Teachers effective July 1, 2023 from \$15,000 to \$16,000, \$17,000 and \$18,000.

Additional cost due to COLA base increases as of July 1, 2023	<u>\$16,000</u>	<u>\$17,000</u>	<u>\$18,000</u>
July 1, 2023 Estimated Unfunded Liability	\$31,493,739	\$62,590,298	\$93,290,958
Percent Increase	2.4%	4.8%	7.2%
July 1, 2023 Employer Normal Cost	\$709,703	\$1,406,156	\$2,089,661
Percent Increase	0.7%	1.5%	2.2%

Segal has incorporated the additional cost of increasing the COLA base into the funding schedule with two alternative approaches:

1. Funding begins in FY 2024 - The additional fiscal 2024 appropriation will increase by 8.85% per year through FY 2026 with a lower payment in FY 2027.
2. Funding in fiscal 2027 - Maintain the current funding schedule through FY 2026 and increase the final fiscal 2027 appropriation.

Segal has determined that increasing the COLA base to \$16,000, \$17,000 or \$18,000 would result in the following FY 2024 appropriation.

January 1, 2022 Valuation Revised for 5% COLA

	<u>\$16,000</u>	<u>\$17,000</u>	<u>\$18,000</u>
Fiscal 2024 Appropriation	\$454,794,514	\$463,880,577	\$472,846,771
Percent Increase from	2.20%	4.25%	6.26%

**Funding in FY 2027**

We have determined that an increase in the COLA base to \$16,000, \$17,000 or \$18,000 can be absorbed by increasing the FY 2027 appropriations.

January 1, 2022 Valuation Revised for 5% COLA

	<u>\$16,000</u>	<u>\$17,000</u>	<u>\$18,000</u>
Full funding date	2027	2027	2027
Fiscal 2027 Appropriation	\$361,131	\$402,906	\$444,134
Percent Increase from	11.57%	22.98%	34.25%

The projected appropriations for FY 2024 through FY 2027 for the BRS Excluding Teachers based on the current \$15,000 COLA base, and reflecting the 5% COLA effective as of July 1, 2022, as well as the additional projected appropriations for the three alternative COLA bases for the two alternative funding approaches. They have estimated the additional unfunded liability and employer normal cost if the COLA base is increased for the Teachers effective July 1, 2023 from \$15,000 to \$16,000, \$17,000 and \$18,000.

Mr. Smyth stated to the Board that he had reviewed multiple letters in support of a COLA and COLA Base increase.

Mr. Smyth went on to read into the record two letters dated 5/16/2023 submitted to the Boston Retirement Board from City of Boston, Chief Financial Officer Ashley Groffenberger. Both letters are in the Board package and were presented before the meeting.

The Board and members of the public discussed retirement statistics and retiree issues that effect the members.

Chairman Greene thanked all the public that attended the meeting in support of the COLA and the COLA Base and stated that the Board will take all the comments and take them under advisement. He asked the public to continue to submit support documents until next months vote.

***2023 Memo re Board election and proposed dates***

Mr. Smyth presented to the Board a memo with the upcoming Board elections.

*Motion made, and seconded, to designate Timothy J. Smyth as election officer and adopt the 2023 Board election proposed dates and timeline as presented.*

**Motion accepted (4-0)**

***Unused Vacation Buyback supplemental regulation***

Mr. Smyth stated that he is trying to come up with a supplemental regulation. The issue with the PERAC memo is that they don't define the ??? inconsistency for the systems.

Mr. Smyth stated that whatever they adopt must be consistent, fair and everyone needs to be treated the same. During the course of the month, Mr. Smyth will draft some proposed language and bring it to the Board in June.

***Certificate of Authority for Timothy J Smyth as Executive Officer - executed 05.17.2023***

A Certificate of Authority was presented to the Board for ??? He concluded by stating that the fund managers needed his authoritative signature for contracts and would like the vote to assign him authoritative signature privileges.

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

***Infrastructure Search***

Mr. Manning stated that the infrastructure search was issued as part of the 2022/2023 private equity search which included infrastructure, diverse fund of funds, and co-investments. The annual pacing plan recommends that the System commits \$40 million to private equity/infrastructure in 2023.

At the April 2023 meeting, NEPC presented an overview of the infrastructure market and reviewed the search respondent list. After review, thirteen respondents were chosen for further analysis. At today's meeting NEPC will provide additional information on the shortlist of candidates. The objective of today's discussion is to select finalists for the infrastructure mandate.

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

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.

Ms. Davey gave an overview of fund manager *Macquarie* and its *Infrastructure Partners VI fund*.

The Board and NEPC discussed the respondents and their strong performances. The Board decided to have the *Carlyle Group* and *Kayne Anderson* to come to June 2023 meeting and present on the infrastructure space.

They also decided to have the fund managers *Kayne Anderson* and *NGP* for the energy space for July 2023 Board meeting

#### *Q1 2023 Performance Summary*

NEPC reviewed the Q1 2023 investment performance, which provides a high-level review of the program's performance through March 31, 2023. The full quarterly report was provided separately.

#### *April 2023 flash report*

Mr. Manning went on to state that for the month of April 2023 the system was up +0.5%. The three-month and YTD performance is up +4.0% through April.

#### *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.
<b>TOTAL PLAN</b>										
Asset Allocation										
Performance			Q1			Q2			Q3	
Education/Review										
<b>TRADITIONAL</b>										
Search/ Presentations						Issue Custody Search	Review Respondents	Analysis/ Presentations		
<b>HEDGE FUNDS</b>										
Program Planning										
Search/ Presentations										
<b>PRIVATE MARKETS</b>										
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	
<b>REAL ESTATE</b>										
Program Planning										Pacing Plan
Search/ Presentations				Search Review (Opp & Debt)	Analysis/ Presentations	Analysis/ Presentations				
Performance			Q4			Q1			Q2	

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

**Motion accepted (4-0)**

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

***March 2023 Financial Snapshot***

Ms. McCarthy reported the April 2023 pension payroll as follows: Contributory payroll: \$60,602,660; Contributory Payees: 15,729; Non-contributory payroll: \$361.055; Total Non-contributory payees: 42; Regular Retirees: 40; Survivor/Beneficiary Retirees 4; Disability Retirees: 5; Option C/Disb Surv: 3; Members Refunds: 50 for \$754,036; Members Transfers: 9 for \$ 638,156; Option B Refunds: 3 for \$ 69,574; and Operational Warrants: \$975,482.

Ms. McCarthy informed the Board that the audit with E&Y is going as planned and staff has presented all documents to move forward.

**Outstanding/Ongoing Operations Issues: Christine Weir, Deputy Executive Officer**  
***BRS IT Update May 2023 from Mr. Dwyer and Mr. Oates***

Ms. Weir updated the Board on IT activities. She stated that City of Lowell cyber-attack. Early am on Monday, April 24, Lowell responded to system security alarms and shut systems down to contain attack. Numerous city systems were impacted – 911, Police and Fire systems continued to operate.

Ransomware attack attributed to cybercriminal group Play. The Play ransomware (also known as PlayCrypt) emerged in June 2022. The cybercriminals are deploying file-encrypting malware on compromised systems and stealing data from victims to increase their chances of getting paid.

Lowell services impacted by the attack have been restored. Networks are being rebuilt – and will only be accessed using multifactor authentication (MFA). Play released 5 gigabytes of data from that theft and posted it to the dark web last week. This is “double extortion” ransomware.

Double extortion ransomware is a type of cyberattack in which cyber threat actors steal the victim’s sensitive data in addition to disabling information systems, giving the criminal additional leverage to collect ransom payments. Investigation into the incident continues, assisted by state and federal law enforcement. Phishing emails and unpatched system vulnerabilities are often the starting point for these attacks.

Ms. Weir informed the Board that Cowbell Cyber is our new insurance provider. The firm was founded in 2019, focused on SMB market, has addressed strong growth with strategic reinsurance partnerships.

***April 2023 payroll update***

Ms. Weir provided an update on the payroll numbers for the month of April. 45 new retirees scheduled for the April payroll, 62 Superannuation and 5 Disability Cases and 3 pre-retirement death case. Out of the 45 cases, 40 new benefits were put on payroll. 33 superannuation, 7 disability, 4 pre-retirement death) 5 missed the payroll, 1 missing salary, 1, missing documents and 2, no final papers returned.

**Outstanding/Ongoing Legal Issues: Natacha Thomas, General Council**

***Legal update***

Ms. Thomas stated that there were no legal issues on the agenda for this month.

Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 11:51 a.m.

**Motion accepted (4-0)**

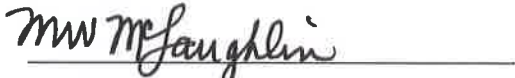
Respectfully submitted,  
BOSTON RETIREMENT BOARD




Daniel J. Greene, Esquire  
*Mayoral Appointed Member, Chairman*



Maireen A. Joyce  
*Ex Officio Member*



Michael W. McLaughlin  
*Elected Member*



Michael D. O'Reilly  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*