

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

August 21, 2024

Boston Retirement Board
Room 801, Boston City Plaza
Boston, Massachusetts 02201

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

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Christine M. Weir, Deputy Executive Officer; John F. Kelly, Investment Analyst; Natacha Thomas, General Counsel; Ellen M. McCarthy, Comptroller; Flor Valencia, IT Manager.

ALSO IN ATTENDANCE: Michael Manning, Michael Sullivan, Kiley Murphy of NEPC; Peter Lipson, Fran Peters of HarbourVest; Lee Kruter, Brendan McDonough of GoldenTree; Janey Frank, Thomas Gosnel, Joan Devlin, Christine Buttiglieri, Marylyn Flowers Marion, Maryanne Urban, Denise Berkley, John McInnis, Connie Thibault of Boston Teachers Union/Retired Teacher's Union; Joseph Smith of USW/SENA 9158; Elissa Cadillic of AFSCME 1526; Grant Farrington, Rachel Grupp of BMRB; Brant Duncan of AFT MA; Brieajan, Edward Flynn, Sidney Scanlon of Counselor Flynn's Office; Ana Calderon of Councilor Santana's Office; Shyann Copalandes of Councilor Durkan's Office; Korrelyn Tyler of Counselor Mejia's Office; Anushrse Sahay of Councilor Worrell's Office; Jordan Frias of Councilor Weber's Office; Elizabeth Sanchez of Councilor Zapata's Office; Joseph Foley of Local-718; Jacob DeBlecourt of Clair Anderson; Kathy Riley, Segal.

Administrative Session Convene

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 9:13 a.m.

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Finn: 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 July 17, 2024 meeting as presented.

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

Motion accepted (5-0)

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Private Debt Search

Mr. Manning stated that the private debt search focused on credit opportunities and direct lending strategies to fill \$60 million in total commitments for 2024. As a reminder, the System committed \$30 million to credit opportunities (Siguler Guff) and has ~\$30 million to commit to direct lending. At the July meeting we reviewed the direct lending respondents, and two finalists were selected to present at today's meeting.

HarbourVest

Mr. Peters opened by stating that HarbourVest is a 40+ years firm with \$125.4B total AUM across all strategies. The firm counts on 225+ investment professionals with 25 years average industry experience of managing directors. Private markets specialists in equity, credit, and real assets. HarbourVest seeks private credit opportunities with premier PE sponsors by leveraging its position as a large, experienced allocator in over 2,000 funds to secure allocations. The firm does this with differentiated sourcing; They leverage their position as a large, experienced LP to source credit opportunities across platform. Reviewed opportunities from over 250 PE sponsors over 4 years, committed capital to over 55 unique sponsors.

The firm allocation advantage strategies such as exercising high selectivity, driven by 85% allocation to targeted pipeline and serve as the only co-lender in approx. 25% of their portfolio. They count on an experienced team with 20+ person dedicated credit team, investment committee with 29 years of average experience. 225+ investment professionals across the firm with incentives to source credit opportunities. HarbourVest conducts a 3-step formal due diligence process, supplemented by input from legal, tax and ESG teams. Critically evaluate downside scenarios, conduct routine stress tests and quarterly portfolio reviews. They invest in less than 5% of sourced opportunities to build highly diversified portfolios across issuers, industries, and sponsors.

HarbourVest Direct Lending II; The objectives provide clients with access to a diversified global portfolio of senior credit investments, generally floating rate exposure. Seek current income and stable performance with a focus on downside protection and capital preservation. Their investment focus is to create a Portfolio of direct investments in ~ 75 senior securities. Targeting sponsored, middle market companies, defined as those with \$10 --\$200+ million of EBITDA.

Mr. Lipson continued by stating that the transaction types are First Lien 25-40%, Second Lien 10-20%, Unitranche 45-50%. The geographical areas are US 75-100% and globally 0-25%.

HarbourVest Direct Lending II terms are; Target size, \$1.5 billion. Investment period, 3 years. Term, 6 years, with three one-year extensions at the option of the General Partner. The structure, Delaware LP main fund, with Delaware LP and Luxembourg AIF parallel funds to mitigate UBTI and ECI exposure. A levered and unlevered fund will be offered. Management fees are a levered sleeve: 0.65% on cumulative capital invested/committed for investments. Unlevered sleeve: 0.75% on lesser of the total capital commitments and (ii) the cumulative capital invested/committed for investments. Volume discount, 5 bps reduction in fees for commitments between \$50 and \$100 million. 15 bps reduction in fees for commitments between \$100 and \$200 million. 20 bps reduction in fees for commitments greater than \$200 million. The last cycle discount is available to any LP that also invests \$25 million or more in certain other programs managed by HarbourVest over the last cycle. The carried interest consists of 10.0% carry on net investment profits. Levered sleeve: 7.0% limited partner preferred return with general partner catch up. Unlevered sleeve: 5.0% limited partner preferred return with general partner catchup and European Waterfall

GoldenTree

Mr. McDonough opened by giving a firm overview. The firm was founded in 2000 with current assets under management of nearly \$55 billion. Employee owned with 25 partners, of whom over 40% have been promoted internally. Over 97 investment professionals with on average 16 years' experience and headquartered in New York with a global physical presence for nearly 20 years. Offices in West Palm Beach, Charlotte, Newport Beach, Dallas, London, Dublin, Munich, Dubai, Singapore, Tokyo and Sydney.

The process implemented by Golden Tree is a conservative, value oriented, total return philosophy with disciplined capital base. Proprietary research on over 1,000 issuers. Rigorous relative value approach using proprietary technology and

a sophisticated, dynamic approach to risk management. The firm's track record generated \$32 billion of gross profit cumulatively since inception. Their flagship Master Fund has delivered net returns to investors that are top decile over the last 10 years and since inception. Launched 17 private equity style funds to capture specific dislocations or more concentrated opportunities, delivering net annualized returns of ~18% on average. Fixed income offerings have outperformed their benchmarks across market cycles by ~140bps net on average. Their infrastructure consists of significant investment in infrastructure comprising over 140 employees. The ability to execute dedicated, customized SMAs and Fund of Ones Infrastructure. A Global Business Development Team providing valuable insight.

Mr. Kruter continued by stating that GoldenTree Private Credit Strategy has made \$7 billion in private credit investments, delivering a positive return on 100% of its realized investments - a loss rate of 0%. GoldenTree's borrowers generate on average \$350mm EBITDA. GoldenTree targets these larger borrowers given the significant growth and compelling risk-return that this market segment presents. GoldenTree is a solutions provider that can address complex situations quickly and in size and in doing so creates differentiated value for issuers and its investors. Private Credit Fund I is delivering a net IRR of 20%+ - top decile levels compared to peers - and has already fully realized investments at attractive premiums to par. The Fund has called over 70% of commitments invested in 40 issuers across over 10 different industries in the US and Europe. The Fund's diverse investor base represents corporate and public pensions, sovereign funds, insurance companies, endowments and family offices across the US, Europe, Middle East and Asia. GoldenTree's partners and employees have made substantial commitments to the strategy alongside its investors, illustrating our high conviction in the strategy and strong alignment of interests. Given the attractive opportunity set we see, GoldenTree will be launching Private Credit Fund II in 4Q 2024.

Private Credit Fund II is a fund with committed capital of \$1.36 billion with a first close in November 2022. Investment period duration is 3 Years with a Net Capital Called of 73%. Distribution frequency is quarterly. With a first distribution date of April 2023. The estimated annualized distributions of 10%+.

ITD Net IRR of 21.1% and ITD Net Multiple 1.1x. The fund investments consist of a total number of 45 Issuers, Unrealized 40, Realized 5 and fully realized IRR 16%. A breakdown of asset types is 81% 1st lien, 7% 2nd lien and 12% other debt.

The Board, BRS staff and NEPC discussed the merits of the respondent's firms' presentations, fees, past performances of current managers. They also discussed amounts to be invested and investment strategies.

Motion made, and seconded, to hire GoldenTree Private Credit Fund for \$50 million dollars, HarbourVest Direct Lending II for \$10 million dollars and 400 Capital Asset Based Offshore Term Fund IV for \$10 million dollars. As a part of 2024 overall debt search.

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

Motion accepted (5-0)

Investment Policy Statement

The System's investment policy statement (IPS) serves as the guide to all aspects of the investment program. The IPS is updated from time to time to reflect the System's current investment program. At today's meeting, NEPC will provide an updated IPS for the Board's review. The investment policy statement (IPS) serves as the corner stone for the System's investment program. The statement is meant to guide all aspects of the portfolio including: – Goals and Objectives, Investment Guidelines, Roles and Responsibilities. The IPS is updated from time to time to reflect the System's current investment program. Summary of IPS Revisions: Updated Appendix I to reflect the current asset allocation policy. Updated Appendix II to reflect the current investment managers. Removed the benchmark column from Appendix I and II.

Motion made, and seconded, to accept Investment Policy Statement as presented

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

Motion accepted (5-0)

Q2 2024 Performance Report



Ms. Murphy stated the performance total fund. The market value is \$7,025,192,595; 3 months: +1.0; Year to date: +4.5; 1 year, +9.6%; 3 years: +3.1% and 5 years: +7.2%.

July 2024 Flash Report

Mr. Manning reported that the plan was up + 1.0% through the month of July, 2024 and +4.5% in the one-year period. The plan performance was up + 7.5 since its inception.

Work Plan-2024

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

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY
TOTAL PLAN							
Asset Allocation	Rebalancing	AA Review New Targets: +1% TIPS -1% Core FI					
Other/ Education		NEPC Market Outlook					
TRADITIONAL							
Traditional Commitments							
Traditional Review							Issued Int'l SC Search
HEDGE FUNDS							
HF Review							
HF Commitments							
PRIVATE MARKETS							
PE/PD Program Planning	Pacing Plan	Issued PD Search					
PE/PD Commitments				 Sig Guff - \$30			
REAL ESTATE							
RE Program Planning	Pacing Plan	Issued Search					
RE Commitments							 Mesirow - \$25 TerraCap - \$25

Documents Presented: 1. NEPC 2024 08 Meeting Materials, 2. HarbourVest_BRS.
3. GoldenTree_BRS

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

PERAC Memos, Reports and/or Forms for Board education:

- PERAC Memo 22-2024 re New Standard for Calculating Public Sector Post-Retirement Work Limitations
- PERAC Memo 21-2024 re New Anti-Spiking Exemptions
- PERAC Memo 20-2024 re Cost of Living Increase for Supplemental Dependent Allowance
- PERAC Memo 19-2024 re Reinstatement to Service
- PERAC Funded Ratios report - issued 07.01.2024

Mr. Smyth shared with the Board that there are four PERAC memos in the

Documents Presented 1. Administrative Session Minutes of 8.21.2024. 2. Boston Retirement System. 3. 2nd FY25 COLA base Notice to City Council with preliminary actuarial valuation - 07.25.2024. 4. Email to City Clerk re public comment of COLA base - efiled 07.25.2024. 5. Correspondence from Cheryl Delaney in support of increase of COLA base to \$18,000 - received 04.30.2024. 6. Correspondence from City Councilor Benjamin Weber in support of COLA base increase to \$18,000. 7. Correspondence from City Councilor Edward Flynn in support of COLA base and 3% COLA - received 08.19.2024. 8. Correspondence from City Councilor Erin Murphy in support of COLA base increase to \$18,000. 9. Correspondence from City Councilor Enrique Pepen in support of increasing COLA base to \$18,000. 10. Correspondence from City Councilor Gabriela Coletta in support of COLA base increase to \$18,000. 11. Correspondence from City Councilor Henry Santana in support of COLA base increase. 12. Correspondence from City Councilor Henry Santana in support of COLA base increase. 13. Correspondence from City Councilor Julia Mejia in support of COLA base increase to minimum of \$18,000. 14. Correspondence from City Councilor Ruthzee Louijeune in support of increase to COLA base. 15. Correspondence from Claire OToole in support of increase of COLA base to \$18,000. 16. Correspondence from Constantia Thibaut in support of COLA base increase to \$18,000. 17. Correspondence from Elissa C Cadillac AFSCEME in support of COLA base increase to \$18,000. 19. Correspondence from Janey Frank in support of COLA and COLA base increase. 20. Correspondence from Jason Gagnon in support of COLA. 21. Correspondence from Jessica Tang in support of COLA base increase to \$18,000. 22. Correspondence from John Palladino in support of moving COLA base to \$18,000. 23. Correspondence from John Zuccaro in support of COLA base increase to \$18,000. 24. Correspondence from Kathleen Dunn in support of moving COLA base to \$18,000. 25. Correspondence from Marilyn F Marion of Mass. Alliance for Retired Americans in support of COLA base increase. 26. Correspondence from Mass. AFL-CIO in favor of increasing COLA base to \$18,000. 27. Correspondence from Maureen Gillan in support of increase of COLA base to \$18,000. Correspondence from Richard Cesareo in support of moving COLA base to \$18,000. 28. Correspondence from State Rep. Rob Consalvo and Bill MacGregor in support of increase to COLA base. 29. Correspondence from Susan Gregorio in support of BRB Increase. 30. Correspondence from City CFO Ashley Groffenberger re COLA base and funding schedule. 31. Correspondence from Boston Police Superior Officers Federation re in support of COLA base increase. 32. PERAC Memo 22-2024 re New Standard for Calculating Public Sector Post-Retirement Work Limitations. 33. PERAC Memo 21-2024 re New Anti-Spiking Exemptions. 34. PERAC Memo 20-2024 re Cost of Living Increase for

Supplemental Dependent Allowance. 35. PERAC Memo 19-2024 re Reinstatement to Service. 36. PERAC Funded Ratios report.

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

July 2024 Financial Snapshot

Ms. McCarthy reported the August 2024 pension payroll as follows: Contributory payroll: \$63,758,675; Contributory Payees: 15,752; Non-contributory payroll: \$567,089; Total Non-contributory payees: 37; Regular Retirees: 21; Survivor/Beneficiary Retirees: 4; Disability Retirees: 4; Option C/Disb Surv 6 Members Refunds: 65 for \$1,468,425; Members Transfers: 101 for \$4,878,484; Option B Refunds: 3 for \$106,217; and, Operational Warrants: \$269,716.

Documents Presented 1. July 2024 Financial Snapshot for calendar year 2024. 2. 06.2024 BRS Cash Projections 2024_JUNE 3. 06.2024 MMDT Reconciliation 06.2024 BRS Cash Projections 2024_4. 4. 06.24_Cash Receipts Summary. 5. 06.24_Cash Disbursements Summary. 6. 06.24_Adjusting Entries Summary. 7. 06.2024 MMDT Reconciliation. 8. Operating Reconciliation. 9. 06.2024 Direct Deposit. 10. TB_06.24. 11. GL_06.24. 12. 06.2024 Operating. 13. 06.2024 Retirement Payments.

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

July 2024 payroll update

Ms. Weir provided an update on the payroll numbers for the month of July 2024:

32	Total possible retirements
23	Superannuation cases
4	Death of active
4	Disability cases
26	Cases made it to payroll
6	Cases did not make it to payroll (1 Death of an active and 5 Superannuation)
1	Death of active
5	Superannuation

Legal Issues: Natacha Thomas, General Counsel

Ms. Thomas stated there were no legal issues to discuss.

Member O'Reilly wanted information on members 91A backlog that he was made aware of. He asked if there was a PERAC audit. Mr. Smyth responded by

stating that there was no PERAC Audit. The backlog has gone back three years. Ms. Thomas interjected that it's really a two-part project. One is members are not reporting their income, so we need to have a hearing. The backlog started at the time of covid. We did not have available hearing officers or space to conduct hearings. We had to prioritize disability cases. We did work on members to comply. We couldn't conduct hearings here so we got a lot of members to comply that did not report their earnings. Some members have been repeated offenders. PERAC will suspend all members that do not comply.

Preliminary evaluation report as of January 1, 2024.

Kathleen A. Riley stated to the Board. The last evaluation was conducted in January 2022, so it's been two years since the last evaluation. This evaluation reflects the two years budget going forward.

It is preliminary due to previous assumptions that they have used. We have to select a funding schedule but all the numbers have been reviewed. Once the funding schedule is chosen we will provide the final evaluation. During the plan years ending December 31, 2022 and December 31, 2023, the rate of return on the market value of assets was -10.44% and 10.45%, respectively, compared to the assumed rate of return of 6.90%. The rate of return on the actuarial value of assets (which gradually recognizes market fluctuations) for the plan years ending December 31, 2022 and December 31, 2023 was 4.39% and 5.51%, respectively.

The actuarial value of assets as of December 31, 2023 was \$7.623 billion, or 105.5% of the market value of assets of \$7.223 billion (as reported in the Annual Statement). As of December 31, 2021, the actuarial value of assets was 94.9% of the market value of assets. With the actuarial value of assets, there was a total unrecognized investment loss as of December 31, 2023 of -\$400.2 million. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. The projected unfunded actuarial accrued liability in the funding schedule does not reflect the recognition of deferred investment losses.

The unfunded liability was expected to decrease by \$530 million from \$1,449 million as of January 1, 2022 to \$919 million as of January 1, 2024 before reflecting the 5% COLA which was approved after the prior valuation was completed. This expected decrease reflects the additional contribution of \$23.5

million made in 2023. The actual unfunded liability (before consideration of assumption changes) of \$1,257 million as of January 1, 2022 is \$309 million higher than expected.


COLA base and funding schedule

Mr. Smyth read into the record a letter written by the City of Boston's Chief Financial Officer & Collector-Treasurer, Ashley Groffenberger into the record. The public, advocates made public comments in support of the COLA base increase schedule. The Board and BRS staff discussed the letter and its content.


Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session and enter into Executive Session at approximately 12:39 p.m.


Respectfully submitted,
BOSTON RETIREMENT BOARD


Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman


Scott Finn
Ex Officio Member


Karen T. Cross
Elected Member


Michael D. O'Reilly
Elected Member


Thomas V.J. Jackson
Fifth Member