

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

March 16, 2016

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; Thomas V.J. Jackson, Board 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: Michael Manning, Will Forde and Michael Sullivan of New England Pension Consultants.

Convene

The meeting convened and entered Administrative Session at approximately 10:08 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 February 25, 2016 as presented.

Motion accepted (5-0)

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Update on current Credit Markets

As previously discussed NEPC believes pockets of dislocation have emerged within credit markets. As such, NEPC and Mr. Kelly invited two of the System's existing fixed income managers, GoldenTree and BlackRock, to opine on current market conditions and pockets of opportunities for investors as returns become more and more difficult to achieve in the fixed income space.

Brendan McDonough, Partner and Lee Kruter, Sr. Portfolio Manager at GoldenTree shared that they are currently creating customized opportunistic credit accounts for Public Plans in their fixed income bucket. These specialized

accounts are targeting 7.75%-10% Net IRR and have weekly liquidity. These accounts are an opportunity to achieve higher fixed income returns without taking on too much risk or leverage.

Donald Perault, Managing Director and Erik Moss, CFA, Fixed Income Strategist at BlackRock informed the Board that the Strategic Income Opportunities fund was down -0.53% for the month of March. The major detractors from performance included their U.S. investment grade, European credit and securitized asset exposure. It was also noted that there were positive contributions from U.S. duration, mortgage relative value strategies and U.S. high yield. Mr. Moss did express a more positive outlook for non U.S. debt ahead and that they will maintain their barbell approach to portfolio risk by maintaining ample liquidity and deploying capital where opportunity presents itself.

Value Add Real Estate Search Update

Contractual terms could not be reached with the Davis Company. NEPC informed the Board the other finalist, Invesco's Value Add Fund is now closed. Invesco does have a Mortgage Recovery Fund open, which is a combination of debt and equity in the U.S. and Europe. However this fund has a target return of 14-15% and is a global opportunistic fund not a Value Add Fund. The Plan already made commitments this year to 2 Global Opportunistic funds managed by AXA and Brookfield Properties.

A motion was made and seconded to not commit \$15 million to the Davis Investment Ventures Fund III and to simply roll that \$15 million into the Real Estate search and commitments to be made in the 2nd half of 2016 into 2017.

Motion accepted (4-1*) *Mr. O'Reilly voted nay

Vontobel Update

NEPC informed the Board that Rajiv Jain the CIO of Vontobel had submitted his resignation. The Plan has about \$75m invested in an EM Equity fund there. NEPC is monitoring the situation closely and will be conducting a call shortly with Mr. Kelly and Vontobel to discuss the succession plan. NEPC informed the Board no action is required at this time.

2016 Asset Allocation Update

NEPC introduced 3 asset allocation mixes for the Board's consideration at the February Board meeting. Each mix is consistent with their 2016 Client Actions and is supported by their 2016 asset class assumptions.

After some discussion a motion was made and seconded to implement the below target asset allocation:

Large Cap Equities	19%
Small/Mid Cap Equities	06%
Int'l Equities (Unhedged)	19%
Emerging Int'l Equities	08%
Total Equity	52%
Core Bonds	11%
High Yield & Bank Loans	09%
Global Bonds (Unhedged)	0%
EMD (Blended)*	04%
Total Fixed Income	24%
Private Equity	07%
Real Estate (Core)	10%
Hedge Funds	07%
Risk Parity	0%
Total Alternatives	24%

Motion accepted (5-0)

Private Equity Search Respondents

NEPC provided a list of respondents to the System's Private Equity search. The scope of this search is to identify a buyout, growth, multi-strategy, and/or special situation fund(s) to deploy the System's \$60 million 2016 commitment. Specifically, NEPC recommended committing \$30-60 million to buyouts, \$0-\$15 million to special situations, and \$0-\$15 million to multi-strategy. NEPC will distribute a more detailed summary of a short list of candidates at a future meeting.

February Flash Report

In February of 2016 the total Plan was down -0.5% driven primarily by -1.5% return in non U.S. equities and -1.7% in the Plan's Hedge Fund of Fund's portfolio. February's negative return brought the total Plan's YTD performance to a negative -4.2% as of 02/29/16.

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

Financial Snapshot

Mr. Lucas reviewed the February, 2016 financial snapshot with the Board, noting that the February payroll went out timely to over 14,659 retirees totaling over \$46.5 million. There were 62 refunds/transfers paid out, a number higher

than average. Mr. Lucas explained that refunds are a 2 step process wherein one staffer completes the work in V3 and another staffer checks it for accuracy. One of these staff members was on vacation in December, and this is the reason for the elevated amount of refunds in February. Mr. Smyth also stated that, by statute, the System has a 60 day window in which to process a refund and these refunds were completed in a timely manner. Operational warrants totaling \$439,215 were paid out.

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

Operations Update

There were 67 possible retiree applications in February, 2016; 50 regular retirees, 15 disabilities and 2 death of active member). Of these, 45 were processed (superannuation, disabilities and death of an active member) and 22 cases that did not make the payroll. Of the 22 unprocessed cases, 1 had an outstanding legal issue; 1 didn't complete the paperwork; 1 was a v3 issue; 1 was waiting Board approval; 1 was a buyback rollover; 4 were missing salary (bps); 2 were missing documentation; 7 did not return final papers; 4 disability cases are still being processed.

CBA Update

Ms. Weir reported that the CBA project continues. The team has met with legal to determine next steps for death benefits and testing has begun in V3 to ensure proper calculations on benefits.

Buy Back

The buyback project continues to move forward. Ms. Weir reported that 399 outstanding buybacks are open for the backlog project, 193 cases were incomplete and closed. 1,023 buybacks have been completed and 69 are ready in review. In regards to the new buyback list, 214 are completed and 69 are waiting review. Currently there are 98 outstanding buybacks that need to be completed.

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

The following PERAC memo was offered for educational purposes only:
PERAC Memo 10-2016 RE: Retirement Guide Mailing

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

Option D Forms

Mr. Smyth informed the Board that option D forms are being mailed out to all active members. These mass mailings will be staggered over the next several months starting with public safety. If asked, Board Members were asked to impress upon our members the importance of having a completed option D in their BRS file.

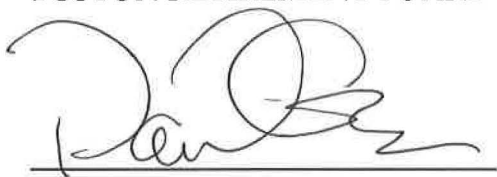
Sub-committee for RFP Search for Investment Consultant(s)

The sub-committee consists of Timothy Smyth, Danny Greene, Sally Glora and John Kelly, plans on meeting at least once a week to look at all responses.

Adjourn

Board voted (4-0) to exit Executive Session and adjourn from Administrative Session at approximately 12:24 pm. *Ms. Glora left the meeting at the conclusion of the Administrative Session.*

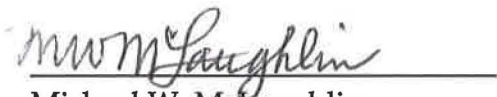
Respectfully submitted,
BOSTON RETIREMENT BOARD



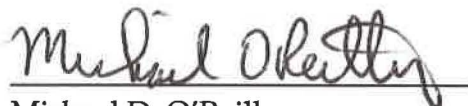
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



Sally D. Glora
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member



Thomas V.J. Jackson
Fifth Member