

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

September 20, 2017

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, 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.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; Natacha Thomas, Assistant General Counsel; Ellen M. McCarthy, Comptroller; John F. Kelly, Investment Analyst; Christine M. Weir, Operations Officer.

ALSO IN ATTENDANCE: Michael Manning, Jake Malinson and Neil Scheff of New England Pension Consultants.

Convene

The meeting convened and entered Administrative Session at approximately 10:05 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 August 23, 2017, as presented.

Motion accepted (5-0)

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

At the August 2017 meeting, the Board was provided four IT Policies for potential adoption. This item was tabled as Ms. Pizzarella was unable to attend that meeting. Ms. Pizzarella is in attendance today to answer the Board's questions.

Mr. Jackson explained that, prior to adoption, the Board is primarily concerned with whether or not we are capable of complying with the proposed policies. Additionally, some of the language involved is quite technical and the

Board thought a summary should be provided for employees so that they understand what they are committing to. Mr. Smyth stated that Ms. Pizzarella and her staff will be responsible for the implementation of the policies, and he asked her to speak to these concerns.

Ms. Pizzarella informed the Board that she has been meeting regularly with Gregory McCarthy, DoIT's Security Officer, and both are confident we can adopt and comply with 90% of what is in the proposed policies. It is Ms. Pizzarella's plan to meet with staff in small sessions to go over all the policies in detail.

Both Ms. Glora and Mr. Jackson requested more information from Ms. Pizzarella on what specifically the 10% represents that we cannot comply with. Ms. Pizzarella stated that these issues include the locking of the USB and writeable CD drives on desktops, locking media runs from including social security numbers and the encryption of social security numbers stored on the JOXI server. These issues are actively being worked on with Mr. McCarthy and DoIT staff, but remain outstanding at this time.

Prior to the adoption of these policies, the Board requests Ms. Pizzarella provide a list stating each of the outstanding issues relative to compliance, what needs to happen in order to correct each issue, and a deadline of when we can expect each of the issues to be addressed. Ms. Pizzarella will provide this information to the Board prior to the next Board meeting. Mr. Jackson relayed his opinion that this is definitely a step in the right direction in terms of strengthening our overall IT security.

ABC Project Update, Ms. Luella Wong

Ms. Wong reported that the ABC Team has corrected \$343M to date with an absolute value number of \$384M. This is not a large change from last month's figures, which is attributable to the fact that the Team has a lot of work that is near completion. The ABC Team is now reaching the most complicated portion of the project. There is work cued up and the Team expects to reach over \$400M corrected within a relatively short period of time.

The ABC Team has shrunk. As recently as 6 weeks ago, the Team was made up of 7 data financial analysts, but is now down to 3 (two were hired into full-time positions within the Board, one accepted a position with PHC and one was terminated). We have resumes from almost 100 people to fill one open vacancy and interviews are to be conducted next week. It is anticipated that a fifth data financial analyst for the Team will be on board as early as October. Ms. Wong is comfortable with this smaller level of staffing for the Team and things have been moving along smoothly, with Vitech turning around query requests quickly.

Mr. Jackson inquired as to why we are not writing our own queries. Ms. Wong stated that it was her understanding we did not have access to the SQL query tool required for the more complex queries. She further stated that members of the ABC Team have some query skills and access to query tools would benefit the Project.

It was noted that Vitech had their own relationship with Oracle and they charge us to write the queries we need. This led to a discussion regarding why Oracle is not currently available to us for queries and what type of query tools may be acquired. Ms. Pizzarella will come back at the end of the meeting to speak to this issue further.

The Team has identified the need for a “de-duping tool” that searches for “fuzzy matches.” The tool will match and rank what may be a slightly off name, address, birthdate or social security number. These matches can then be manually reviewed. There is a demonstration of the tool scheduled for this afternoon and the anticipated cost is \$2,000 for a 3 month subscription. The plan is to run the match against all members and beneficiaries in V3.

Changes to active member accounts will be communicated department-wide, starting with knowledge-sharing sessions next week. Member account status will be flipped to “work in progress” by Member Services so the Team does not interfere with their work efforts.

Ms. Wong informed the Board that the Project is on schedule for completion by the end of calendar year 2017. Mr. Smyth inquired as to when Ms. Wong felt member statements could go out, noting that historically, statements had gone out in March. The current plan is to roll the statements out in stages, starting in March, 2018.

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

Hedge Fund Presentations

Coinciding with the recent decision to decrease the System’s hedge fund target allocation from 7% to 5% (~\$225 million) and add a dedicated private debt target of 2%, to take advantage of the more opportunistic strategies. Today’s goal was to shrink our roster of hedge fund of fund managers from 5 down to 3 or 4. The following current managers made presentations to the Board:

- **GAM:** Amir Madden, Portfolio Manager; Arvin Soh, Portfolio Manager; Chris Todisco, Director, Business Development

- **Grosvenor:** David S. Richter, CPA, Managing Director, Chair of the Investment Committee; Andrew T. Preda, Senior Vice President, Investments

- **EntrustPermal:** Gregg Hymowitz, Chairman and CEO; Javier Dyer, Sr. Managing Director, Investment Research; Amar Patel, Managing Director, Investment Research
- **Mesirow:** Tom Macina, CEO; Woo Cha, Senior Managing Director; Tom Hynes, Senior Managing Director

After presentations, questions and discussion, the following motion was made:

Motion made, and seconded, to redeem GAM Diversity Strategy, Entrust Diversified Fund and Mesirow Absolute Return Fund.

Motion accepted (5-0)

Hedge Fund Search

NEPC then reviewed and discussed the hedge fund of fund semi-finalists with the Board. The goal is for the Board to select 3 additional potential managers from the RFP respondents to present at the October 2017 Board meeting.

Motion made, and seconded, to invite Corbin Capital, Morgan Stanley and Blackstone to present at the October 2017 Board Meeting.

Motion accepted (5-0)

August 2017 Flash Report & 2017 Year to Date Performance

The portfolio was up 0.6% in August 2017, primarily led by emerging market equities and debt, which were up 1.9% and 1.7%, respectively. August's positive return brought the 2017 year to date performance up to 11.6% net of fees.

Work Plan

NEPC provided the Board with details on the proposed work plan through the end of 2017:

October

- Interview hedge fund candidates.
- Potentially finalize the hedge fund manager roster and overall structure.
- Initiate private equity search.
- Present private equity pacing plan.

November

- Provide a list and review of private equity candidates to consider.

- Revisit the real estate managers who are still open from the search that was initiated in January 2017.

December

- Conduct private equity manager presentations.
- Prepare for real estate managers to present in January 2018.
- Initiate large cap search.

2017 Investment Policy Statement

Motion made, and seconded, to accept the 2017 Investment Policy Statement as presented.

Motion accepted (5-0)

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

Financial Snapshot

Ms. McCarthy presented the August 2017 Financial Snapshot to the Board. She noted that the August 2017 payroll went out timely to 14,807 payees and totaled \$49.4M. Also, during the month of August 2017, staff issued 94 refunds, buybacks and transfers processed totaling \$2.1M; operational warrants totaled \$420,633.

Operations Issues: Christine M. Weir, Operations Officer

Operations Update

Ms. Weir provided an update on the payroll metrics for August 2017. There were 88 possible retirees (81 superannuation, 4 disabilities and 3 death of active members) of which 68 were processed (65 superannuation, 1 death of active member and 2 disabilities). We note the following explanations for the 20 cases that did not make the payroll: 8 members did not return final papers, 6 were missing salary, 2 were revising DROs, 1 was waiting for paternity result, 1 was waiting for guardianship appointment, 1 requested a waiver and 1 was missing documents.

Buy Backs

Ms. Weir reported that there are only a handful of cases left in the buyback backlog project and new buybacks continue to be worked on as they are filed.

Ms. Weir also reported that staff is gearing up to work on the October payroll, historically the largest payroll of the year.

Outstanding/Ongoing Legal Issues: Padraic Lydon, General Counsel

Pending Board Staff Travel to Hamilton Lane Summit, October 31, 2017

Hamilton Lane is one of the Board's private equity managers and they have invited board members and staff to attend their summit in Philadelphia, PA, which is free for clients. Mr. Kelly will be attending the summit for 1 day (10/31/17). It was noted that any meal provided should fall within the \$50 substantial value limit.

The BRS Travel Regulations deal primarily with meal and travel reimbursement and Mr. Lydon anticipates updating these in accordance with PERAC Regulations. All procedures in the City of Boston Travel Policy will be adhered to as well. PERAC regulations require that any travel be noticed on the Board meeting agenda, discussed, approved by a majority and included in the minutes. PERAC regulations also allow that the Board may authorize the Executive Director to approve staff member travel.

Motion made, and seconded, to have executive staff and any of the Board attend the Hamilton Lane Summit in October, 2017, to be paid or reimbursed by the Board.

Motion accepted (5-0)

Motion made, and seconded, to have the Executive Director, per PERAC Regulations, decide, in place of the Board, whether staff can attend any outside vendor annual meetings.

Motion accepted (5-0)

PERAC Memos

The following PERAC Memos were provided for educational purposes only:

- PERAC Memo 28-2017 re selection of fifth member and board employees; and,
- PERAC Memo 29-2017 re vendor disclosures.

Query Tools

Ms. Pizzarella returned to the meeting in order to address the Oracle contract and query tools. Ms. Pizzarella explained to the Board that within the next 2 weeks, once the current contract with Oracle is executed, we will have access to SQL, the query writer that connects to the Oracle database giving us the ability to query V3 directly. Ms. Pizzarella believes this is the best option for us. Our current staff does not have the skills to write the queries. However, there is currently a one year appointment on the ABC Team with the skills. Ms. Glora stressed the importance of ensuring that these skills are developed and taught to

our full time staff, not just the individuals who are here for one year appointments.

Executive Session

The Board voted unanimously (5-0) to enter into Executive Session at approximately 1:14 p.m.

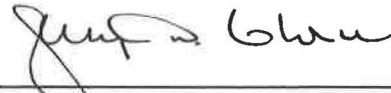
Adjourn

The Board voted unanimously (5-0) to exit Executive Session and adjourn from Administrative Session at approximately 1:24 p.m.

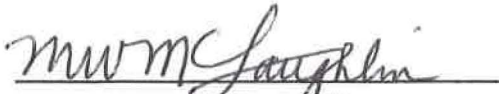
Respectfully submitted,
BOSTON RETIREMENT BOARD



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