

MINUTES OF BOSTON RETIREMENT BOARD

**Administrative Session**

June 20, 2018

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; Ellen M. McCarthy, Comptroller; John F. Kelly, Investment Analyst; Christine M. Weir, Operations Officer.

ALSO IN ATTENDANCE: Michael Manning of NEPC; Walter Wood, Sandra Bager Segal, James A. Phillips, Mary Ann Urban, Joan Devlin and Sandy Carle all of the BTU/RTC.

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Convene

The meeting convened and entered Administrative Session at approximately 10:17 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 May 18, 2018, as presented.*

**Motion accepted (3-0).** Ms. Glora was tardy and Mr. O'Reilly abstained due to his excusable absence at the May 18, 2018, meeting.

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

*ABC Project Update, Luella Wong*

Ms. Wong provided an update of work in progress as they work to wrap up the ABC project. The team has identified a population of approximately 12,000 refunded members and 2,000 deceased members. The team performed an analysis based on risk factors and based on that analysis, the Executive Officer and other members of the senior management team recommended that some

accounts be zeroed and the balance moved to a tailings (account or ledger) similar to the one used for checks issued, but not cashed. All actions shall be documented and may be reversed if necessary. The Board agreed with this approach.

In July 2018, the focus will shift to the active member population as the Data Quality (DQ) project kicks off. The goal is to issue at least some statements by the end of the calendar year and statements to all active members by next year. Statements to inactive members are a lower priority, but must also be done at some point. Mr. Smyth estimated that work may start next year and it could be two years before inactive statements are issued.

*COLA and COLA base*

Public comment was received by the Board at the May 2018 board meeting. The cost for granting the COLA and increased COLA base was presented.

*Motion to grant 3% COLA for FY19*

**Motion accepted (4-0)**

*Motion to increase COLA base to \$16,000*

**Motion failed (2-2)** Messrs. O'Reilly and McLaughlin voted yea; Messrs. Greene and Jackson voted nay.

*Motion to increase COLA base to \$15,000*

**Motion failed (2-2)** Messrs. O'Reilly and McLaughlin voted yea; Messrs. Greene and Jackson voted nay.

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

*Financial Snapshot*

Ms. McCarthy reviewed the May 2018 financial snapshot with the Board noting that the monthly payroll issued timely to 14,918 payees in the amount of \$50,109,016. The payroll of 62 non-contributing retirees totaled \$323,099. There were 42 new superannuation retirees, 2 survivor beneficiaries and 1 new disability retiree. Ms. McCarthy noted that 35 members refunded for a total of \$418,627, there were 17 transfers in the amount of \$1,006,012 and there were 5 option B refunds in the amount of \$86,191. She stated that operations warrants for May 2018 were \$233,952.

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

### *Operations Update*

Ms. Weir provided an update on the payroll metrics for May 2018. There were 60 possible retirees (47 superannuation, 10 disabilities and 3 death of an active member) of which 44 were processed (42 superannuation, 1 death of an active member and 1 disability). There were 16 cases that did not make the payroll, of which 4 did not return final papers, 1 is a paternity case, 1 is a recoupment, 1 needs a revised DRO, 4 are missing salary, 1 has a legal issue, 1 needs a TARP refund, 2 are in the process of being calculated and 1 was rejected by Payroll due to a data error.

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

#### *Action Items*

#### *2018 Real Estate Search (Closed End) Presentations*

At the April meeting, the Board voted on three finalists of real estate (closed-end) respondents to interview. The following real estate managers made their presentations to the Board:

Lowell Baron, Chief Information Officer and Chase Fitzsimmons, Vice President from Brookfield Asset Management presented the Brookfield Strategic Real Estate Partners III Fund to the Board. The opportunistic, global fund seeks to acquire positions in direct properties, real estate companies, and distressed loans and securities. The Fund selectively targets investments in North America, Europe, Brazil and Australia with a target net IRR of 16% and a management fee of 1.5% on committed capital.

Steve Blazejewski, Managing Director/Portfolio Manager, Tim Robeson, Vice President and Kevin Smith, Executive Director/Client Relations from Prudential Global Investment Management presented PGIM's Senior Housing Partners VI Fund to the Board. The value-add fund will invest in senior housing and active adult communities through direct real estate, mezzanine financing and other opportunities. Senior housing demand is supported by powerful demographic trends and supply is somewhat constrained. Senior housing offers opportunities for higher returns with lower correlation to the general real estate cycle. Senior housing can perform well even in an economic downturn. The fund has a target net IRR between 9-13% and a management fee of 0.75% on committed capital and 1.5% on funded capital.

Steve Hagenbuckle, Co-Founder, Managing Partner and Joseph Connolly, Senior Managing Director presented Terra Cap Management's TerraCap Partners IV Fund to the Board. TerraCap distinguishes itself as a thematic, event-oriented

operator that sources properties, repositions, and stabilizes them to create value. They focus on the Southeastern United States and point to rising employment and population growth as well as the low costs of living in the region. TerraCap targets 18 hour cities where more value can be found as opposed to the inflated values found in 24 hour cities. TerraCap has a target net IRR of 14% and a management fee of 1.5% on committed capital.

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

*Motion made, and seconded, to hire and invest \$15 million each with Brookfield Strategic Real Estate Partners Fund III, Prudential Senior Housing Partners Fund VI and TerraCap Partners Fund IV.*

**Motion accepted (5-0)**

*NEPC Discussion Items*

*May 2018 Plan Performance*

The preliminary May 2018 performance report was presented. The total plan was up +0.2% in May. This brought the year to date performance up to +0.7% through May 2018.

*EntrustPermal Fixed Income Fund*

NEPC expressed concern with general outflows and recent underperformance. NEPC will continue to monitor the situation and update the Board accordingly.

*Emerging Market Debt search*

NEPC informed the Board there were 31 responses to the EM Debt search. The respondents will be discussed at the July 2018 meeting.

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

*PERAC Advisory Opinions*

The following PERAC advisory opinions were provided for educational purposes:

- PERAC advisory opinion re impact on contributions when member makes less than \$5,000 in regular compensation in one year
- PERAC advisory opinion re pension eligibility of BPS performance based compensation for Principals and Headmasters

The following PERAC memorandum was provided for educational purposes:

- PERAC # 18-2018 re *Vernava* follow up and compliance with PERAC Memos.

*Waiver Request*

Paul Hayward.....BPD.....\$4,037.90

*Motion made and seconded to accept the Needham Waiver request of Mr. Hayward in the amount of \$4,037.90 because the request was made in a timely manner.*

**Motion accepted (4-0). Ms. Glora was tardy.**

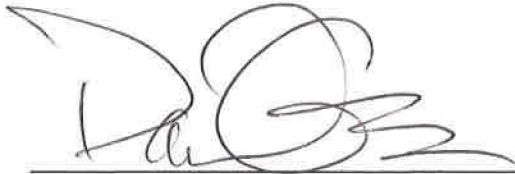
Executive Session

The Board voted unanimously (5-0) to enter into Executive Session at approximately 12:41 p.m.


Adjourn

The Board voted unanimously (5-0) to exit Executive Session and adjourn from Administrative Session at approximately 1:25 p.m.

Respectfully submitted,  
BOSTON RETIREMENT BOARD

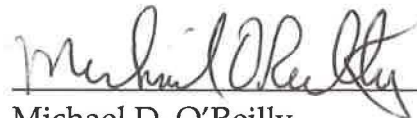


Daniel J. Greene, Esquire  
*Mayoral Appointed Member, Chairman*



Sally D. Glora  
*Ex Officio Member*

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Michael W. McLaughlin  
*Elected Member*



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Michael D. O'Reilly  
*Elected Member*



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Thomas V.J. Jackson  
*Fifth Member*