

MINUTES OF BOSTON RETIREMENT BOARD

**Administrative Session**

May 15, 2019

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 D. O'Reilly, Elected Member; Thomas V.J. Jackson, Fifth Member; and, Michael W. McLaughlin Elected 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; Gloria Pizzarella, Chief Technology Officer; and, Greg Molina, Board Secretary.

ALSO IN ATTENDANCE: Kathleen Riley, Segal Consulting; Pamela L. Kocher, Boston Municipal Research Bureau; and, Michael Manning, Will Forde, Kiley Fischer, all of NEPC.

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Administrative Session Convene

The Board voted unanimously (4-0) to enter into Administrative Session at approximately 10:10 a.m. All in attendance were identified for the record and introductions were made.

Previous Minutes

Executive Officer Smyth requested that April 24, 2019, Administrative Session Minutes be presented at the June 2019 Board meeting.

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

*FY20 COLA*

During the April 2019, board meeting, public comment was accepted by the Board relative to the FY20 COLA. The actuarial valuation as of 01/01/2018 was provided to the Board at that meeting as well.

*Motion made, and seconded, to provide eligible retirees and beneficiaries a cost-of-living adjustment of 3%.*

**Motion accepted (5-0)**

*FY20 COLA base*

Chairman Greene stated for the record that Boston City Councilor Edward Flynn and Massachusetts Federation of Teachers sent in letters of support to increase the COLA base. Board Member O'Reilly stated that he stood by his comments of last month in that Boston is a great city to live and work all due to the hard work of our retirees. For that reason, Mr. O'Reilly made a motion increase COLA base to \$16,000.

*Motion made, and seconded, to increase COLA Base to \$16,000 for FY20.*

**Motion denied (3-2) (Messrs. O'Reilly and McLaughlin voted *yea*)**

*Motion made, and seconded, to increase COLA Base to \$15,000 for FY20.*

**Motion denied (3-2) (Messrs. O'Reilly & McLaughlin voted *yea*)**

*Motion made, and seconded, to leave COLA Base at \$14,000 for FY20.*

**Motion accepted (3-2) (Messrs. O'Reilly & McLaughlin voted *nay*)**

Mr. Smyth informed the Board of House Bill 3662, an act authorizing independent retirement systems to divest from fossil fuel companies. If passed, it would be a local option. PERAC's stance and potential options were discussed as well.

Mr. Smyth discussed City Counselor Flaherty's proposal to increase the mandatory retirement age for Police Officers to beyond age 65. Mr. Smyth will be attending future hearings on the matter at City Council.

Mr. Smyth informed the Board that they conducted meetings with Vitech regarding the upgrades to the V3 system. There will be a memorandum presented to the Board next month.

*IT Update – Gloria Pizzarella, Chief Technology Officer*

Ms. Pizzarella informed the Board there will be ongoing meetings with Vitech to identify technology needs and staffing in order for Vitech to develop a proposal to present to the Board.

Ms. Pizzarella noted that following support and help desk support for BRS staff by the IT unit during the past month:

- Download deductions file from Credit Unions
- Run and send reports the Unions

- Manage infrastructure
- Schedule Microsoft Windows updates and test.
- Revisit the workflow users receive.
- Met with Vitech to add steps to existing workflows for instead of creating a new workflow.
- Changed 33 documents (a few of the documents where logic has been changed included, Application for Reinstatement; Option D Beneficiary Nomination Form; Verification of Disabled Dependent; 91A Notification; Member Birth Certificate; Spouse Birth Certificate; Dependent Birth Certificate; Beneficiary Birth Certificate; Marriage Certificate; DD-214 Form).
- IT unit wrote all queries (10) except for the ones requested for the DQ team.
- IT unit scanned 3,400 documents into member's folders.
- IT unit created secure FTP folder on the server to transfer the V3 Interface to HCM (PeopleSoft) also FTP'd a new export test file for BAIS and OHR to test.

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

*Large Cap Equity Search Review*

NEPC distributed the list of 104 manager responses to the Plans Large Cap Equity Search RFP. Specifically, there were 42 Core respondents, 31 Growth and 31 Value respondents. NEPC expressed that there is nothing flawed or broken with the current lineup of the Plan's large cap managers. In fact the present seven large cap managers have outperformed the index over the 3, 5 and 10 year time-periods. The first step of the search will be to benchmark the manager responses performance and fees against our 7 current managers in the space. Mr. Manning asked the Board, if there were any managers on the distributed list the Board was initially interested in. Mr. O'Reilly responded that he was interested in Manulife.

*Other Ongoing Investment Issues*

Mr. O'Reilly asked if BRS had any legal options in pursuit of collecting the full par amounts on the Peruvian Bonds purchased by Gramercy in Entrust's Diversified Hedge Fund of Funds. Chairman Greene responded that Entrust did not do anything outside of what they were hired to do. Mr. Manning reminded the Board that they decided to keep these bonds rather than accept pennies on the dollar for them. Mr. Kelly informed the Board negotiations were taking place at the governmental level between the U.S. State Department and the Peruvian Government.

*April 2019 Flash Report*

The Total Plan was up +1.8% in April 2019 bringing the year to date performance return up to +9.3%. April's strong performance was led by Large and Small Cap Equities up +4.5% and +4.1% respectively. NEPC noted that new EM Debt manager Aberdeen was off to a good start beating the benchmark by 40bps YTD due in part to their ability to invest in hard currency. Board member O'Reilly asked NEPC if the Private Equity performance included the Hamilton Lane discretionary fund. Mr. Manning responded that the private equity was valued a quarter in arrears which would now include Hamilton Lane's 4<sup>th</sup> quarter performance.

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

*CY19 investment returns assumption of Commonwealth*

BRS received a letter in May 2019 from PERAC stating the FY20 appropriation of the Commonwealth. The Commonwealth's assumed rate of return decreased from 7.35% to 7.25%.

The next evaluation for Boston will be in 2020. Boston current assumed rate of return is 7.5%. The FY20 allocations are Boston Retirement System \$1,084,000,000; Mass. Teachers Retirement System \$1,557,500,000; Boston Teachers \$157,040,605.

*April 2019 Financial Snapshot*

Ms. McCarthy reported the following: Pension payroll contributions: \$52,366,601; Total Payees: \$15,060; Payroll non-contributors: \$467,474; Total payees: 56; New Regular Retirees: 41; Survivor/Beneficiary Retirees: 1; Disability Retirees: 7; Refunds and transfers: 110 for \$2,335,593; Members Refunds: 75 for \$1,152,256; Members Transfers: 25 for \$704,572; Option B Refunds: 10 for \$478,765; and, Operational Warrants: \$362,672.

Ms. McCarthy also presented a new set of BRS financial statements. The current statement is six weeks behind; going forward monthly statements will reflect the previous month's figures. Expenses and additional line items were discussed.

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

*April 2019 payroll update*

Executive Officer, Smyth presented an update on the payroll number for the month of April, 2019. He stated that there were 68 possible new retirees / beneficiaries (48 Superannuation, 14 Disabilities & 6 Death of Active Member).

Of the 68 cases, 49 were processed. Of the 19 cases that were not processed, Mr. Smyth noted the following explanations:

- 8 failed to return election papers;
- 6 missing salary (1 BFD, 1 BPS, 1 BPD, 1 BHA, 1 BTD, & 1 ISD);
- 2 missing documents;
- 1 widow needs to apply for a Social Security number;
- 1 case we are trying to locate Member's minor children; and,
- 1 legal matter.

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

- PERAC Memos offered for educational purposes only:
  - PERAC Memo # 16-2019 re Cash Book Submissions
- PERAC disclosure for update only:
  - Chimicles revised disclosure

Waiver Request

Guaragna-Herlihy, Linda                      BPS                                      \$6,360.88

*Motion made, and seconded, to postpone Linda Guaragna-Herlihy waiver request until June 2019 meeting in order to gather further information.*

**Motion accepted (5-0)**

Board Member McLaughlin asked about a buy-back update report. There will be a monthly Buy Back Report going forward. He also would like to schedule a Boston Public Schools (BPS) Retirement meeting and would like Executive Officer, Smyth and General Counsel Lydon to attend and present on the TARP issue. Mr. McLaughlin would like to see office hours at BPS.

*Motion made, and seconded, to authorize the cost of Boston Retirement Board staff to attend MACRS Conference.*

**Motion accepted (5-0)**

Adjourn

*Motion made, and seconded, to adjourn from Administrative Session at approximately 11:50 a.m.*

**Motion accepted (5-0)**

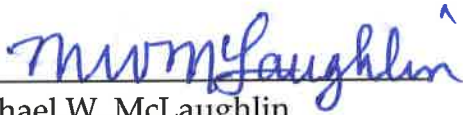
Respectfully submitted,  
BOSTON RETIREMENT BOARD




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*