

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

June 21, 2023

Boston Retirement Board
Boston City Hall, Room 716
Boston, MA 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chair); Michael D. O'Reilly, Elected Member; Maureen Joyce, *Ex Officio* Member; Thomas V.J. Jackson, Fifth Member.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Christine M. Weir, Deputy Executive Officer; Natacha Thomas, General Counsel; John F. Kelly, Investment Analyst; Ellen M. McCarthy, Comptroller; Andrew Glynn, Board Secretary.

ALSO IN ATTENDANCE: Michael Manning, Kiley Murphy, Larissa Davy of NEPC; David Gluck, Justin Kwan of Carlyle; Danny Weingeist, Orr Shepherd of Kayne Anderson; Chris Carter, Kevin Sirchia of NGP.

REMOTE: Michael W. McLaughlin, Elected Member.

Administrative Session Convene

The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:01 a.m.

Prior Administrative Session Minutes

The Administrative Session Minutes of the May 17, 2023, were tabled until July 19, 2023, meeting.

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

Unused Vacation Buyback supplemental regulation

Mr. Smyth stated that annual unused vacation buyback has had a long and tortured history, actually ultimately being decided by the Supreme Judicial Court. For about 20 years, the Board has treated the annual unused vacation buyback as regular compensation. Unfortunately, another Board appealed its pension eligibility, and it was ultimately determined by the SJC not to be regular compensation. As a result, the legislator added Section 106 to Chapter 32, which

grandfathered a population of members, including retirees and those members who participated in the annual unused vacation buyback program prior to 05/01/2018.

Mr. Smyth recommended to the Board that the BRS draft a supplemental regulation for PERAC approval. That way everyone is aware of the rules. Mr. Smyth also suggested that it be circulated among the unions so they are well aware of the rules. PERAC has approved one of these regulations already from the Framingham Retirement Board. On a business process point of view, it makes a lot of sense because it lends to transparency to the membership.

Member Joyce asked for an example on how this impacts the member? Mr. Smyth answered by stating that it's been the policy at the BRB that you had to have participated in the annual vacation buyback for at least the last five years consecutive service. The reason for this policy was because the last three years of service was never considered pension eligible. Also, using at least the last five years helped members avoid anti-spiking. Unfortunately, our experience is that different Boards are defining the phrase "consistently" differently. This is clearly troublesome as it could lead to disparate results across the State.

PERAC has come out with a memo, which was included in the Board package. The problem is, like the statute, PERAC does not define the word "consistently." Because of the potential for wild interpretations, Mr. Smyth prefers to have something in writing so everyone is treated the same and staff has clear guidance.

Member O'Reilly suggested to the Board that for those members hired prior to April 12, 2012 do five connective years with 10 year of service. After the April 2012 date, 7 consecutive years with 10 years of service.

COLA & COLA base

Chairman Greene welcomed everyone. He stated that today they will be discussing the COLA and COLA base and pointed out that public testimony was received at the last meeting. There were multiple correspondence contained in the Board package supporting an increase in the COLA base. Member O'Reilly stated that he would like the COLA base to be increased to \$18,000 due to it not impacting the City's bond rating.

Motion made, and seconded, to grant a 3% COLA effective July 1, 2023.

Motion accepted (5-0)

Motion made, and seconded, to accept a COLA of three per cent (3%) on a base of \$15,000 effective July 1, 2023.

Roll Call Vote: Member O'Reilly: Nay; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Nay; Chairman Greene: Aye.

Motion accepted (3-2) (Members O'Reilly and McLaughlin voted Nay)

Renovation of Office Space

Mr. Smyth informed the Board that the BRB's seventh floor office space will be vacated by July 17, 2023. This is the first phase of the upcoming renovation of BRB offices. Once the 311 office vacates its space in the adjacent space on the 8th floor, they will be moving to Room 716 and we can begin construction. We anticipate that construction on the 8th floor will begin sometime in the fall months.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Energy/Infrastructure (PE) Search

Mr. Manning stated the infrastructure search was issued as part of private equity search which included infrastructure, diverse fund of funds, and co-investments. The annual pacing plan recommends that the System commits \$40 million to private equity/infrastructure in 2023.

At the May 2023 meeting, NEPC presented additional information on a shortlist of candidates and the Board selected seven finalists to interview: three energy funds and four infrastructure funds. The three energy finalists will present at today's meeting, while the Infrastructure finalists will present in July.

Carlyle

Mr. Cote opened their strategy first and foremost is centered around driving returns for our partners. The firm focuses on the renewable energy sector. They operate in the mid-market, which is an area that they see tremendous value today.

Mr. Gluck continued by stating that Carlyle is seeking to raise \$2.0 billion for RSEF II, Carlyle's second dedicated renewable and sustainable energy vehicle focused on deploying capital across the value chain. Risk/Return Profile: Value-Add Opportunities. Sector Focus: Renewables and Energy Transition. Geography: OECD Focus (North America, Western Europe and the rest of world). Equity Investment: \$75M to \$250M target equity investment. They are seeking 10 to 15 investments: RSEF II has closed on over \$535MN of pledged commitments and made 4 investments since its first close in Q3 2022.

Kayne Anderson

Mr. Shepard opened by stating that Kayne Anderson were “first movers” into the strategy and have extensive experience underwriting large-scale, free cash flowing assets in the energy sector. The Income Funds Platform of companies has successfully delivered top quartile returns.

Mr. Weingeist continued by highlighting today’s opportunity. In 2014 and 2015 the firm decided to switch to a new model. This new model took out much of the volatility, by investing in energy companies with a much lower risk profile. They were able to distribute significant capital a lot quicker in the new model.

The Kayne Private Energy Income Fund III, L.P. (the “Fund”) has a target size of \$1,500,000,000. The Fund will focus on making controlling common equity investments in a small number of sizeable, cash flowing private upstream energy companies. The fund has a targeted net returns of 2.0x ROI and 20% IRR.

NGP

Mr. Carter stated that NGP Is raising its 13th North American Energy Fund. NGP XIII is targeting a \$2.5 billion fund to continue NGP’s successful history of investing in the North American energy industry. NGP has a 34-year track record delivering a 20% Net IRR Since Inception.

There is a Global need for stable, responsibly produced oil & gas for decades to come, along with a dramatic capital scarcity across the Energy Industry. As of today, there is also an Attractive Entry Point as Valuation multiples have meaningfully decreased. They believe this is one of the most favorable energy investment environments in decades.

NGP XIII fund target size is \$2.5 billion dollars and will close July 31, 2023. The management fee is 1.50% with a preferred return of 8%. The duration of the fund is 10 years with 2 one-year extensions. The free offset is 100% of advisory, transaction, monitoring and director fees credited against management fee with a GP commitment of 2%.

The Board, BRS staff and NEPC discussed the merits, fees, strategies and performance of each of the presenting managers. After discussion, the following motion was made:

Motion made, and seconded, to invest \$15 million in Kayne Private Energy Income Fund III, L.P. as a part of our Private Equity (PE) search as presented.

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Nay; Chairman Greene: Aye.

Motion accepted (4-1) (Member McLaughlin voted Nay)

May 2023 flash report

Mr. Manning went on to state that for the month of May 2023 the system's performance was -0.8, but the YTD performance was +3.0%.

Work Plan

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

AFL-CIO

A representative of ALF-CIO updated the Board on a positive investment to agency. About a year ago the Board invested in the AFLCIO housing investment trust. One of the things the agency tries to promote is that they are an impact investor. They want the Board to know what the Board has done. Since that investment from the City of Boston Retirement system, they were able to expand their impact to the City. They have over a billion and a half in construction going on in the City as we speak. They have two more investments coming on, Whittier Place and Mildred Haley are coming on board. Old Colony is still being done. They just finished up Saint Alphonsus and they finished Corry Village in Mattapan. These are all outstanding apartment complexes' and they wanted to express that these public investment effects jobs, wages, tax revenue, etc. The agency wanted to thank and congratulate the BRB. The bond portfolio is yielding 5%. The ALFCIO will continue with these types of investments. They encourage the Board to continue with these types of investments.

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

May 2023 Financial Snapshot

Ms. McCarthy reported the May 2023 pension payroll as follows: Contributory payroll: \$60,730,990; Contributory Payees: 15,738; Non-contributory payroll: \$354,162; Total Non-contributory payees: 41; Regular Retirees: 44; Survivor/Beneficiary Retirees: 2; Disability Retirees: 2; Option C/Disb Survivor: 7; Members Refunds: 63 for \$ 1,112,916; Members Transfers: 12 for \$748,512; Option B Refunds: 2 for \$ 76,446; and, Operational Warrants: \$483,199.

BRS GASB 67 & 68 Accounting Valuation Report as of 12.31.2022

Ms. McCarthy informed the Board that Our audit scope is consistent with what was planned. After completing our remaining procedures, we expect to issue unmodified opinions on the financial statements and required supplementary information and schedules of employer allocations and pension amounts by employer. Overall, the Plan's analysis for significant accounting matters is appropriate. Reasonable judgments and consistency have been used by management to account for significant accounting estimates. Ms. McCarthy would like the Board to vote to accept the findings.

Motion made, and seconded, to accept the BRS GASB 67 and 68 Accounting Valuation Report as of December 31, 2022, as presented.

Motion accepted (5-0)

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

City of Lowell cyber attack

As noted last month, City of Lowell was hit on April 24, 2023, by a ransomware attack attributed to cybercriminal group Play. On May 11, 2023, Play released 5 gigabytes of data from that theft and posted it to the dark web. According to press reports, the allegedly stolen data included personal and personnel data such as medical billing records and employee disciplinary cases. Investigation into the incident continues, assisted by state and federal law enforcement.

Systems mostly restored, although the city budget process has been delayed and some backup manual processes are still being used. On May 25, the City and School Department announced that a LifeLock credit monitoring service had been procured for all employees. Lowell allocated \$1M to purchase the protection for a two-year period. An additional \$350K was moved into a newly created cybersecurity account.

MS-ISAC Membership

BRS has joined MS-ISAC (Multi-State Information Sharing and Analysis Center), which has been designated as the key resource for cyber threat prevention, protection, response and recovery for all U.S. government and related entities. MS-ISAC offers timely cyber intelligence to its members, as well as a variety of other incident response and remediation services.

Digital Forensics and Incident Response Retainer Services

Evaluation continues regarding appropriate services required for BRS in the event of a cyber incident. Services include managed detection & response,

outside legal counsel (with extensive law enforcement/tech expertise), digital forensics, and communications.

Tech Updates

BRS and DoIT reviewing data backup strategies considering increased ransomware activity. Provided list from National Conference of State Legislatures - state by state statutes for breach notifications. <https://www.ncsl.org/technology-and-communication/security-breach-notification-laws>. DoIT codifying for 47 states, Puerto Rico, Washington D.C. (BRS recipients). BRS/DoIT Forum scheduled for July 5. May 2023 payroll update.

Critical Incident Scenario Planning

Working on Critical Incident Simulation for BRS organization. Tabletop exercise tentatively scheduled for September. Testing staff understanding of roles in incident response plan. Utilizing context of BRS organization and assets – technical and operational.

May 2023 Pension Payroll

Ms. Weir provided an update on the payroll numbers for the month of May 2023: 48 new retirees (consisting of 43 Superannuation, 4 disability cases and 1 pre-retirement death case).

Outstanding/Ongoing Legal Issues: Natacha Thomas, General Counsel

PERAC Memo

Attorney Thomas provided PERAC Memo 13-2023 re 2022 Salary Verification Request for educational purposes only.

Draft RFP for Collection Legal Services

Attorney Thomas stated that she would like to issue an RFP for a collection firm. There are a number of unpaid delinquent accounts that originate from an overpayment of benefits. The examples she has seen is where an estate fails to report the death of a member and the estate is unjustly enriched. BRS has requested reimbursement of overpayment, but the estate fails to submit payment. Attorney Thomas provided a draft RFP for the Board to review and vote.

Motion made, and seconded, to issue an RFP to legal services (collections).

Motion accepted (5-0)

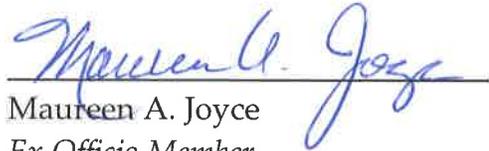
Adjourn from Administrative Session & Enter Executive Session

The Board voted unanimously to adjourn Administrative Session at approximately 11:58 a.m. and enter Executive Session.

Respectfully submitted,
BOSTON RETIREMENT BOARD



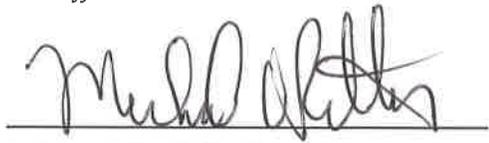
Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman



Maureen A. Joyce
Ex Officio Member



Michael W. McLaughlin
Elected Member



Michael D. O'Reilly
Elected Member



Thomas V.J. Jackson
Fifth Member