

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

May 17, 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 Board Member.

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

ALSO IN ATTENDANCE: Kathleen Riley of Segal & Associates, Samuel Tyler of the Boston Municipal Research Bureau; Lawrence Connolly, Janey Frank, Marilyn Berry and Joan Devlin of the BTU Retired Teachers Chapter; Michael Manning, Jake Malinson and Will Forde of New England Pension Consultants.

Convene

The meeting convened and entered Administrative Session at approximately 10:10 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 April 27, 2017, as presented.

Motion accepted (5-0)

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

Public Discussion re COLA and COLA base

On April 10, 2017, Mr. Smyth gave statutory notice to the City Council, the Commonwealth's Administration and Finance Office, City of Boston and all the autonomous agencies relative to this public hearing on COLA and COLA base.

A memorandum from our actuary relative to the additional costs associated with the possibility of increasing the COLA base was submitted. Ms.

Riley of Segal Associates was in attendance to speak on the impact an increase in the COLA base would represent fiscally. The COLA base is currently set at \$13,000. The costs associated with the following COLA base increases were discussed:

- Increasing the COLA base to \$14,000, would increase the pension liability by \$25.4 million and increase the FY18 pension appropriation by \$3.5 million.
- Increasing the COLA base to \$15,000, would increase the pension liability by \$50.5 million and increase the FY18 pension appropriation by \$7.0 million.
- Increasing the COLA base to \$16,000, would increase the pension liability by \$75.1 million and the FY18 pension appropriation by \$10.4 million.

These estimates are based on data contained in our latest actuarial valuation as of January 1, 2016.

Mr. Lawrence Connolly and Angela Christiari of the BTU Retired Teachers Chapter spoke in favor of raising the COLA base.

Mr. Tyler was in attendance and went on the record to state that the Boston Municipal Research Bureau supports a 3% COLA, but is opposed to any increase in the COLA base. This recommendation is based upon the importance of maintaining the 2025 funding schedule, concern about recent BRS investment returns, the trend of negative net Cherry Sheet state aid for Boston and the uncertainty of Federal funding.

David A. Sweeney, Chief Financial Officer for the City of Boston was unable to attend today's meeting, but did submit a memorandum on behalf of the City explaining to the Board five factors reviewed by the City when considering whether or not to support an annual COLA increase. Given the expectation that three of five of these criteria will be met, Administration & Finance supports a 3% COLA adjustment.

In addition, Mr. Sweeney's memo addressed the City's ability to support an increase to the COLA base effective July 1, 2017. While the City's FY18 pension contribution is projected to increase by \$19 million, or 9.5%, double the percentage increase of the overall City budget and fixed cost increases, without an increase to the COLA base, will consume nearly a quarter of City revenue growth in FY18, Administration & Finance believes that a \$1,000 increase to the COLA base, to \$14,000, is warranted at this time. The City now estimates it will have the ability to absorb the added associated costs in future years.

Finally, Mr. Sweeney expressed concern that future base adjustments may not be feasible under the existing statutory framework that restricts base adjustments to increments of \$1,000. He noted that the statute requires identical treatment of all pensions, regardless of amount. It is the City's recommendation that advocates for cost-of-living adjustments should seek statutory flexibility for local boards through state legislation.

IT Security

Ms. Pizzarella spoke regarding the recent global cyber-attack. She stated that it did not impact the City of Boston. Ms. Pizzarella noted that the City's Chief Security Officer, Gregory McCarthy, implements nightly security scans. She further noted that our pension software, V3, is fully backed-up nightly.

ABC Project Update

Ms. Wong reported that the ABC Project expects to hit \$300 million in corrections by the end of May, 2017. The Team is still reviewing refunded accounts and has begun to take a look at inactive accounts.

The original staffing plan for the ABC Project called for two resources starting in July 2016 and four more starting in Oct 2016 for a total of 84 FTE months. Current staffing plan represents 76 FTE months and 3 contractor months. Ms. Wong is seeking approval from the Board to extend David Sauviac's contract (90 day contractor) by six months to mitigate risk of ABC team member(s) possibly moving into other role(s) internally. She may also request 3 or 4 hours per week of ongoing ABC project time from those people who shift roles internally to further mitigate risk.

Motion made, and seconded, to extend David Sauviac's contract for 6 months at its current rate in connection with the ABC Project.

Motion accepted (5-0)

Mr. Smyth presented PERAC Pension Newsflash #46/2017 for educational purposes.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

2017 Year to Date Performance

Will Forde of NEPC stated that the portfolio was +6.7% through April, 2017.

Private Debt Search Review

The Board had previously voted to interview the three private debt finalists (Orchard Park, Permira, Alcentra) at today's meeting, with the goal of identifying and selecting one of these investment managers for the System's \$15 million commitment to the private debt asset class portion of the portfolio.

Motion made and seconded to invest \$15 million with Alcentra's Clareant Strategic Credit Fund.

Motion accepted (5-0)

Hedge Fund Search

As part of the initial phase of the System's hedge fund review, NEPC has provided performance analysis on the BRS hedge fund program and its individual managers. NEPC has provided this analysis to help guide the System's evaluation of its hedge fund program and future steps related to its manager roster. Mr. Manning noted that reducing the portfolio's hedge fund allocation from 7% to 5% is a very real possibility.

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

Ms. McCarthy presented the April, 2017 Financial Snapshot to the Board. She noted that the April, 2017 payroll went out timely to 14,700 payees and totaled \$48.6 million. April, 2017 also saw 51 refunds, buybacks and transfers processed totaling \$1.9 million and operational warrants of \$421,000.

PERAC Annual Statement

Ms. McCarthy informed the Board that a draft version of Annual Statement had been submitted to PERAC for review.

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

Ms. Weir provided an update on the payroll number for April, 2017. There were 60 possible retirees, 49 of which were processed. Of the 11 cases did not make the payroll, 6 were superannuation and 5 were disabilities.

Outstanding/Ongoing Legal Issues: Timothy Smyth, Executive Officer
Waiver Request

The following waiver request was presented for discussion and vote:

Marisela Perez	BPD	\$57,046.78
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Motion made and seconded to deny this request for a waiver of under-deductions as the member did not respond to the 2012 mass mailing regarding waivers.

Motion accepted (5-0)

Executive Session

The Board voted unanimously (5-0) to enter into Executive Session at 12:37 p.m.

The Board voted unanimously (5-0) to exit Executive Session and adjourn from Administrative Session at approximately 12:48 p.m.

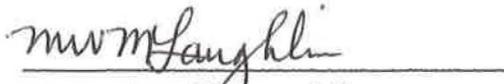
Respectfully submitted,
BOSTON RETIREMENT BOARD



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