

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

June 21, 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; Natacha Thomas, Assistant General Counsel; Ellen McCarthy, Interim Comptroller; John F. Kelly, Investment Analyst; Christine M. Weir, Operations Officer.

ALSO IN ATTENDANCE: Lawrence Connolly, Janey Frank, Marilyn Berry and Joan Devlin of the BTU Retired Teachers Chapter; Michael Manning, Will Forde and Jeff Markarium of New England Pension Consultants.

Convene

The meeting convened and entered Administrative Session at approximately 10:07 a.m. All in attendance were identified for the record and introductions were made.

Staff Return

Chairman Greene and the entire Board welcomed Mr. Lydon back from his leave of absence.

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of May 17, 2017, as presented.

Motion accepted (5-0)

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

COLA & COLA Base Vote

On May 17, 2017, a public hearing was held on COLA and COLA base increase. At that meeting, testimony was taken and discussion was had relative to COLA and COLA base.

Chairman Greene inquired as to whether there was any further comment prior to taking up these votes. Mr. McLaughlin expressed how helpful he found all the testimony received at the May 17, 2017, hearing. Of particular note, Mr. McLaughlin referenced Mr. Sweeney's (Chief Financial Officer for the City of Boston) memorandum supporting a 3% COLA and \$1,000 increase to the COLA base. Mr. McLaughlin further stated that he hoped his fellow Board Members will take this into consideration. The following Motion(s) were then made:

Motion made, and seconded, to grant a COLA of 3% for FY18, effective July 1, 2017.

Motion accepted (5-0)

Motion made, and seconded, to increase the COLA base to \$14,000, effective July 1, 2017.

Motion accepted (5-0)

Mr. Smyth asked to be heard on the implementation timeline of the COLA base increase. Mr. Smyth cautioned that any COLA base increase must, by statute, be approved by City Council and filed with PERAC prior to implementation. He did review the paperwork from the last base increase and noted that the last increase was not put into effect until months later in August. The COLA base increase is not retroactive. Mr. Smyth assured all attendees that he will do his part to move the process right along.

ABC Project Update, Ms. Luella Wong

Ms. Wong reported that the ABC Team will have corrected \$297 million by the end of June, 2017, with an additional \$41 million on track for early July 2017. The ABC Team has worked its way through deceased, refunded and retired accounts.

A total of over 19,000 accounts have been corrected so far, and an additional 8,000 accounts will soon be completed. After several working sessions focused on reducing manual work, the team was able to come up with a process, using some additional data sources, which reduced the number of refund

accounts needing manual review from 8,000 to 1,000. More than 50 segments have been completed to date.

As an aside, the ABC Team has now begun to also look at active accounts and create tools using Excel that will benefit the entire Department. The first of these is a new and improved creditable service calculator. This tool basically allows you to map out a member's entire service history in a much cleaner, neater way. Mr. Smyth commented that these are the kinds of ancillary benefits of the Project. The ABC Team's numbers are tremendous, the work load is great and the Department is reaping these almost "side" benefits as well. The second tool can do service calculations for members who have very sporadic membership time and is now ready for staff to be trained on its uses. Additionally, the Team has been collaborative with staff during the creation of these tools and there is a good deal of excitement regarding using them.

Discussion of Supplementary Regulation re Board Membership Eligibility

The Board had previously approved a supplementary regulation regarding membership. The regulation required one to be employed for at least 20 hours per week in order to be eligible for membership. When staff began to implement the regulation, Ms. Glora pointed out that we were going to lose big segments of employees whom were not intended to be excluded from membership.

Mr. Smyth would like to table the implementation of this regulation, go to BPS and collaborate with them to include everyone we want and then bring it back to the Board for another vote. The newly drafted regulation likely would not go into effect until July 1, 2018.

Teachers Accelerated Retirement Program ("TARP")

Mr. Smyth is bringing the following TARP issue to the Board's attention for guidance. Every once in a great while we will have a member come to us and claims they were on a documented leave of absence when TARP was rolled out in 2000, and they never received notice or an opportunity to join. Mr. Smyth, unfortunately, does not have the institutional knowledge of what occurred back in 2000 when TARP was rolled out. He is, however, in the process of seeking and acquiring this knowledge and will be writing a memo. Mr. Smyth would like the Board's input on how to proceed with these cases going forward. He wants to ensure there is a written policy for staff to follow so that everyone is treated the same. Mr. Smyth will seek information from all the resources he can find.

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

Hedge Fund Search

As a follow up to the Hedge Fund of Funds performance review, NEPC provided the Board with a preliminary list of the approximately 52 submissions from 31 firms to the Hedge Fund of Funds Search. Several firms submitted both their flagship product, as well as a customized solution. The Board intends to begin discussing the respondents at the July 2017 meeting followed by manager presentations in August and/or September, 2017.

2017 Year to Date Performance

The Total Plan was up +1.3% for the month of May. That brought the Current Year to Date Performance to a +8.0% (net of fees) through May of 2017.

Real Estate Search

The Board had previously voted to interview the following three finalists with the goal of identifying a real estate fund(s) to deploy the System's \$45 million commitment to the asset class. As previously detailed in the Real Estate pacing plan, NEPC recommended a \$30 million commitment to Value-add/Opportunistic and a \$15 million commitment to Debt.

AEW: Jeff Furber, CEO; Marc Davidson, Managing Director, Portfolio Manager; Mike Acton, Managing Director, Head of Research; Jay Struzziery, Director, Investor Relations

DRC: Dale Lattanzio, Managing Partner

Oaktree: Keith Gollenberg, CFA, Managing Director; Jason Oberg, Vice President Marketing and Client Relations

Motion made and seconded to invest \$15 million in AEW Real Estate Fund VIII (an opportunistic strategy) and \$15 million in Oaktree Real Estate Debt Fund II (a debt strategy).

Motion accepted (5-0)

Executive Session

The Board voted unanimously (5-0) to enter into Executive Session at 12:21 p.m. to hear an IT Security presentation as Mr. Jackson needs to leave the meeting at 12:30 p.m.

The Board voted unanimously (4-0) to reenter into Administrative Session at 1:18 p.m.

International Small Cap Search Analysis

The Board began reviewing the 44 submissions to the search. Specifically, 27 of these were Core strategy, 12 were Growth strategy and 5 were Value strategy. NEPC had recommended refining the list of respondents and will be providing further detailed analysis at the July Meeting. The search is intended to allocate a 3% target (\$135 million) to International Small Cap Equities, a new asset strategy for the Plan.

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

Financial Snapshot

Ms. McCarthy presented the May 2017, Financial Snapshot to the Board. She noted that the May 2017 payroll went out timely to 14,876 payees and totaled \$48.6 million. May 2017 also saw 70 refunds, buybacks and transfers processed totaling \$224,000 and operational warrants of \$356,000.

Ernst & Young

Ms. McCarthy informed the Board that the Board's outside Auditor, Ernst & Young will be back next week to continue the annual BRS outside audit.

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

Operations Update

Ms. Weir provided an update on the payroll number for May, 2017. There were 59 possible retirees (47 superannuation, 10 disabilities and 2 death of active members) of which 46 were processed (40 superannuation 1 death of active members and 5 disabilities; and, 13 cases did not make the payroll.

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

Waiver Request

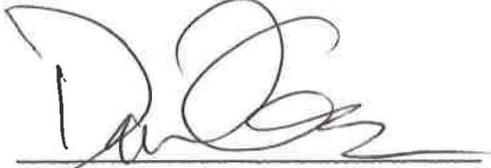
The following waiver request was presented for discussion and vote:

James Kelley	BPS	\$8,154.66
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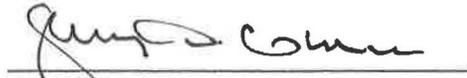
Motion made and seconded to accept this request for a waiver of underdeductions as Mr. Kelley's request was made in a timely manner.

Motion accepted (4-0)

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