

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

July 19, 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: Will Forde and Jake Malinson of New England Pension Consultants.

Convene

The meeting convened in Administrative Session at approximately 10:05 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 June 21, 2017, as presented.

Motion accepted (5-0)

Mr. Smyth requested that the Board go out of order, and hear Ms. Weir's update first for scheduling purposes as Ms. Weir had to leave for the day.

Operations Issues: Christine M. Weir, Operations Officer

Operations Update

Ms. Weir provided an update on the payroll metrics for June 2017. There were 51 possible retirees (44 superannuation, 5 disabilities and 2 death of active members) of which 40 were processed; 11 cases did not make the payroll.

Buy Backs

Ms. Weir reported that there are 37 cases left in the buyback backlog project. There are 170 new pending buybacks. A bi-weekly legal review meeting has been added to assist in speeding up the review process and get these buybacks completed and out the door in a timely fashion.

Pods

The ABC team has enhanced system tools, an additional benefit of the project, so the next step is piloting tools that will help both Member Services and Quality Assurance.

Outstanding/Ongoing Administrative Issues: Timothy J Smyth, Executive Officer COLA & COLA base

Mr. Smyth informed the Board that we are all ready to go this month with the 3% COLA.

As to the COLA base increase, Mayor Walsh's transmittal went to the City Council, supporting the base increase and urging the Council to accept it. The matter was on the Council agenda for July 12, 2017, when it was referred to their Ways and Means Committee. We are waiting for the City Council to act.

Board Election

There are 9 individuals certified to be candidates on the ballot. The Board has allowed candidate biographies in past elections. Mr. Smyth was informed that to do so for the current election would increase the printing and mailing costs. However, if the biographies are no greater than 60 words each there is no cost increase. The Board agreed to limit the candidate biographies to 60 words..

ABC Project Update, Ms. Luella Wong

Ms. Wong reported that the ABC Team has corrected \$308 million to date. The target number is \$351 million. Almost 21,000 accounts have had some kind of correction thus far and 27,000 have been reviewed but did not require any correction.

Just as a point of clarification, it was noted that the total number of inactive member accounts is 16,557 totaling \$102 million and, out of those numbers, 1,446 accounts totaling \$4.4 million needed correction.

The team is finishing up their active member account correction methodology and will be implementing same in August 2017. As far as the

overall ABC project schedule, they are on track to have reviewed 65,000 accounts by year's end.

Ms. Glora inquired as to whether these changes are being tracked through our accounting systems. Ms. Wong responded yes. Ms. McCarthy is currently working with PERAC on a census report and the overlap with the project was recognized.

Ms. Glora was specifically interested in documenting the transfer of money from one place to another and building business processes for this going forward. Ms. McCarthy explained that right now there is no actual money being moved in the general ledger. She further explained that it was data inconsistencies on the member services side and that, up to this point, the general ledger had not been impacted. However, it was noted that there will inevitably be some changes made in the ledger.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

International Small Cap Equity Search Analysis

At the June 2017 Board meeting, NEPC assisted in creating a short list of candidates from the broader list of search respondents. Today NEPC provided detailed analysis on the short list of candidates to help further assist the Board in choosing finalists to interview at the August 2017 meeting. The Board had previously approved a 3% allocation (approximately \$135 million) to international small cap to help further diversify the non-US equity portfolio and tilt towards a higher alpha asset class. The five chosen managers included:

- American Century Investments;
- Axiom Investors;
- Fidelity Institutional Asset Management;
- Segall Bryant & Hamill; and,
- Strategic Global Advisors, LLC.

Of these, Fidelity is a core growth strategy, Segall Bryant & Hamill is a quantitative core strategy, and Strategic Global is driven by bottom up stock selection. Axiom is a small cap growth strategy focused on earnings per share. American Century is similar to Axiom in that it is a more concentrated portfolio that will invest in emerging markets. After the review and discussion, it was determined by the Board that Axiom, Fidelity and Segall Bryant & Hamill would be invited to present at the August 2017 Board Meeting as finalists.

Hedge Fund Search Update

NEPC provided an update on the System's Hedge Fund of Fund search, including a proposed framework on how to evaluate the list of respondents and highlight some of the challenges in comparing the respondents. One of which being the performance evaluation of a hypothetical customized solution. Similar to the International Small Cap search, NEPC assisted the Board in developing a short list of candidates to further evaluate at the July and August 2017 meetings. After the more detailed analysis of these managers at the August 2017 meeting, the Board plans to interview finalists at the September and/or October 2017 meetings.

June 2017 Flash Report & 2017 Year to Date Performance

The Total Plan was up +0.5% for the month of June 2017, which brought the Current Year to Date Performance to +8.6% (net of fees). The one year net return was +14.4%.

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

Ms. McCarthy presented the June 2017 Financial Snapshot to the Board. She noted that the June 2017 payroll went out timely to 14,781 payees and totaled \$48.6 million. June 2017 also saw 73 refunds, buybacks and transfers processed totaling \$2.2 million and operational warrants of \$217,000.

Ernst & Young

Ms. McCarthy informed the Board that its outside auditor, Ernst & Young, continues the annual BRS outside audit, albeit now remotely. A new senior auditor has been assigned to us.

Outstanding/Ongoing Legal Issues: Padraic Lydon, General Counsel

Waiver Request

The following waiver request was presented for discussion and vote:

Richard P. Jordan BPD \$790.19

Motion made and seconded to accept this request for a waiver of underdeductions as Mr. Jordan's request was made in a timely manner.

Motion accepted (5-0)

The following case was provided for educational purposes only:

- *Essex Regional Ret. Bd. v. Justices of the Salem Div. of the District Court, 16-P-1158 (MA Appeals Court dec. 07-12-2017).* A forfeiture action, police officer on leave charged with domestic violence and use of a handgun.

The following PERAC memos have been provided for educational purposes only:

- PERAC Memo #20a-2017 re New Public Records Law; and,
- PERAC Memo #21-2017 re Mandatory Retirement Board Training

Executive Session

The Board voted unanimously (5-0) to enter into Executive Session at approximately 11:21 a.m.

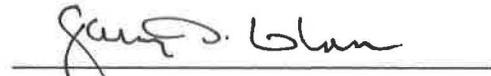
Adjourn

The Board voted unanimously (5-0) to exit Executive Session and adjourn from Administrative Session at approximately 11:55 a.m.

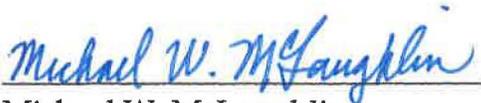
Respectfully submitted,
BOSTON RETIREMENT BOARD



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