

MINUTES OF BOSTON RETIREMENT BOARD

**Administrative Session**

October 19, 2016

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.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; Jonathan D. Lucas, Chief Financial Officer; John Kelly, Investment Analyst; Christine M. Weir, Operations Officer.

ALSO IN ATTENDANCE: Michael Manning, Josh Koh and Sean Gill of New England Pension Consultants; Luella Wong.

NOT IN ATTENDANCE: Thomas V.J. Jackson, Fifth Member

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Convene

The meeting convened at approximately 10:06 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 September 21, 2016 as presented.*

***Motion accepted (3-0)***

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

*PERAC Trustee educational administrative report 2016 Q3*

Mr. Smyth asked Board Members to review the report for accuracy and inform him if there is missing information pertaining to their individual education hours.

*Proposed Supplementary Regulation re Membership Eligibility Vote*

*Motion made and seconded to accept the Proposed Supplementary Regulation regarding Membership Eligibility as presented.*

***Motion accepted (3-0)***

*Annuity Balance Correction (ABC) Project*

The Board had previously approved two individuals for one year appointments to work on this project. Mr. Daniel Tan has been hired and is already on board doing excellent work. At this point, however, the project is ready to ramp up. Mr. Smyth requested to increase the number of hires to five, including Mr. Tan. He reported that staff has interviewed a number of excellent candidates and would like to lock them into employment on the project. Additionally, Mr. Smyth requested permission to extend an offer (\$75 an hour, capped at 10 hours a week for 13 months) to retain Jenny Larm as a professional services contractor providing data review. Ms. Larm is a PeopleSoft expert who recently left the City's employment. Mr. Smyth noted that her expertise and institutional knowledge will prove to be invaluable to the project.

Ms. Wong then provided a brief update on the project and approach. The three groups being focused on initially are the deceased, the refunded and the retired. Ms. Wong reported that staff was still reviewing data and that there was a hesitancy to adjust active member data right away. Also, from the research done thus far, active accounts are cleaner than expected. There should be some quick initial progress including be a steep "up curve" up in accounts being cleaned. The approach being used will be articulated to ensure that all parties know and understand it.

*Mr. McLaughlin arrived at 10:17 a.m.*

*Motion made and seconded to retain Jenny Larm for no more than three months through Atlantic Associates and through the Board for no more than ten months at an amount not to exceed \$37,500.00 and subject to PERAC approval.*

***Motion accepted (4-0)***

*Motion made and seconded to hire five contractors to work on the Annuity Balance Project for no more than three months through Atlantic Associates and through the Board for no more than ten months at an amount not to exceed \$45,600.00 each and subject to PERAC approval.*

***Motion accepted (4-0)***

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst  
New England Pension Consultants

*Private Equity Separate Account Search*

This Private Equity search was issued with the goal of identifying a candidate to manage a customized separate account to complement the existing

program. The manager would serve as a satellite position to the core private equity program and tactically take advantage of opportunities as they arise. It is anticipated that NEPC will work with the chosen manager on the implementation of its proposal, including a review of the structure of the existing core private equity program and general partnerships, establish targets/objectives relating to geography and strategy type, confirm annual commitment pace and amount. The expectation is that the candidate would invest roughly \$100 million in aggregate over 3 years. The Board had previously voted to interview the three below as finalists:

HarbourVest

Scott Voss, Managing Director & Portfolio Manager

Aris Hatch, Managing Director, Client Relations

Fran Peters, Vice Present, Client Relations

Mesirow

Marc Sacks, CEO – Private Equity

Bob DeBolt, CIO – Private Equity

Tom Hynes, Sr. Managing Direction – Private Equity

Hamilton Lane

Hartley Rogers, Chairman

Michael Koenig, Managing Director, Client Services

Corina English, Vice President, Client Services

In its materials, NEPC provided analysis focused on each candidate's proposal structures, expected number of investments and commitments, geographic breakout, strategy allocations, and fees, all specific to the Boston Retirement System. After the presentations and discussion, the following motion was made:

*Motion made, and seconded, to invest \$100 million over three years with Hamilton Lane for a discretionary private equity separate account.*

***Motion accepted (3-1) \*Mr. O'Reilly voted nay.***

*GAM CIO Departure*

It was reported to the Board that David Smith, CIO of GAM Alternatives Investment Solutions ("AIS"), has departed the firm. Mr. Smith served as CIO and Chairman of the Investment Committee ("IC") for AIS. IC members collectively set the top-down view for the Institutional Diversity Fund.

Although Mr. Smith was Chairman of the IC, day-to-day management of the Fund was largely overseen by Anthony Lawler and Amir Madden, both of

whom remain at GAM. Mr. Smith's role as Chairman of the IC has been permanently assumed by Larry Hatheway, Chief Economist. Mr. Hatheway joined GAM a year ago from UBS and works closely with AIS and GAM's Multi Asset Class Solutions ("MACS") group. Mr. Hatheway's experience and top-down expertise combined with the continued day to day management of the fund by Mr. Lawler and Mr. Madden lessons the impact of Mr. Smith's departure. While the cause of the departure is in question, Mr. Smith chose to leave after an internal restructuring involving the merger of AIS and MACS.

#### *Custodial Bank Search Update*

NEPC provided a list of respondents to the recently issued custodial search under s for informational purposes only. Additional details on each respondent will be provided at a future date.

#### *September Flash Report*

The total plan up was up +0.5% for the month of September 2016, which brings the total plan up to +5.9% year to date. The September performance was driven by non US equities (+1.3%), emerging market debt (+1.0%) and high yield fixed income (+0.9%).

#### *Work Plan*

NEPC provided an updated proposed work plan and manager search schedule for 2016-2018.

#### Outstanding/Ongoing Financial Issues: Jonathan D. Lucas, Chief Financial Officer

##### *Financial Snapshot*

Mr. Lucas presented the September 2016 financial snapshot to the Board. He noted that the September payroll went out timely to 14,652 payees and totaled \$47,546,659 million and that 105 refunds and transfers totaling \$2,725,330 million were processed. The operational expenses were approximately \$460,319.

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

##### *Operations Update*

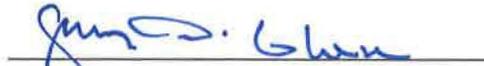
Ms. Weir provided an update on the payroll number for the month of September, 2016. There were 61 possible retirees (43 superannuation, 13 disabilities & 5 DOA's (death of active member), of which 41 were processed. Ms. Weir noted that of the 20 cases that did not make the payroll, 6 were superannuation retirements, 4 were DOA's and 10 were disabilities. The breakdown of the 20 unprocessed cases was as follows:



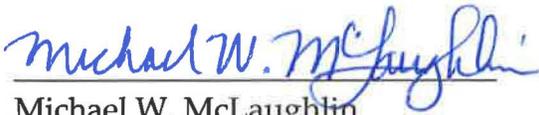
Respectfully submitted,  
BOSTON RETIREMENT BOARD



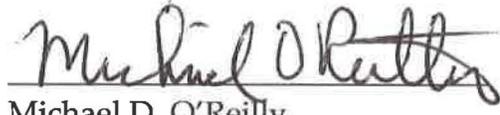
Daniel J. Greene, Esquire  
*Mayoral Appointed Member, Chairman*



Sally D. Glora  
*Ex Officio Member*



Michael W. McLaughlin  
*Elected Member*



Michael D. O'Reilly  
*Elected Member*

*In Absentia*

Thomas V.J. Jackson  
*Fifth Member*