

MINUTES OF BOSTON RETIREMENT BOARD

**Administrative Session**

October 21, 2020

Boston Retirement Board, Room 716

Boston, Massachusetts 02201

TRUSTEES IN ATTENDANCE: Daniel J. Greene, Mayoral Appointed Member (Chairman); Maureen A. Joyce, *Ex Officio* Member; Thomas V.J. Jackson, Fifth Member; Michael W. McLaughlin, Elected Member; Michael D. O'Reilly, Elected Member (all Board Members remotely present).

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; John F. Kelly, Investment Analyst; Ellen M. McCarthy, Comptroller; Christine M. Weir, Operations Officer, Gregory Molina, Board Secretary (all Staff remotely present).

ALSO IN ATTENDANCE: Michael Manning and Kiley Fischer of NEPC (all presenters remotely present).

---

**Administrative Session Convene**

*The Board voted unanimously via roll call (5-0) to enter into Administrative Session at approximately 10:05 a.m.*

*Roll call vote: Member Joyce, Aye; Member Mclaughlin, Aye; Member O'Reilly, Aye; Member Jackson, Aye; and, Chairman Greene, Aye.*

**Previous Minutes**

*Motion made, and seconded, to accept the Administrative Session Minutes of the September 16, 2020 meeting as presented.*

*Roll call vote: Member Joyce, Aye; Member Mclaughlin, Aye; Member O'Reilly, Aye; Member Jackson, Aye; and, Chairman Greene, Aye.*

**Motion accepted (5-0)**

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

*Board Election Results*

Mr. Smyth opened by asking the Board to make a motion to accept the 2020 election results as presented. Mr. Smyth pointed out that the 2020 election the system issued 46, 573 ballots, of which, 6,584 were returned due to bad

addresses. The ballot return increased by 14% from 2017 where the system received 5,470 ballots. There were 11 candidates.

Mr. Smyth stated that given the COVID pandemic, he was pleased that there was a good amount of interest in the elections. He would to see the returns increase even more and would welcome any suggestions the Board may have.

At the request of Member O'Reilly, the system has researched the cost of postage and printing of privacy envelopes for future voting. There were concerns that the ballots were exposed. Mr. Smyth noted that the additional cost would be approximately \$2,600.00. If the Board desires to entertain this cost, Mr. Smyth will make a note in the file and ask for returns envelopes be included with the ballots.

Member McLaughlin opined that he did not see the need for a prepaid stamped envelopes and members should pay for postage in order to keep the costs down. Member O'Reilly asked Mr. Smyth if the system had a breakdown from the election company on how many votes were cast via mail compared to online votes. Mr. Smyth replied that the online votes were 2,985 and that the mail votes were 3, 599.

*Motion made, and seconded, to accept the 2020 election results as presented. To re-elect Members Michael W. McLaughlin and Michael D. O'Reilly for a three-year term beginning October 1, 2020.*

*Roll call vote: Member Joyce, Aye; Member Mclaughlin, Aye; Member O'Reilly, Aye; Member Jackson, Aye; and, Chairman Greene, Aye.*

**Motion accepted (5-0)**

*Standard Meeting dates for 2021*

Mr. Smyth stated that the meeting dates were circulated to the Board members. Meeting dates for February and April have been moved to accommodate school vacations. Other than that, every other date is the third Wednesday of the month as traditionally done. Mr. Smyth asked for a motion in order to file the dates with the City Clerk.

*Motion made, and seconded, to accept the standard meeting calendar dates for 2021 as presented.*

*Roll call vote: Member Joyce, Aye; Member Mclaughlin, Aye; Member O'Reilly, Aye; Member Jackson, Aye; and, Chairman Greene, Aye.*

**Motion accepted (5-0)**

Mr. Smyth informed the Board that he has received the majority of the certificates of open meetings materials. He also presented the 2019 PERAC Report for the Boards informational purposes.

**Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst**

*Emerging Market Equity Search*

Mr. Manning opened by telling the Board that NEPC will present the list of candidates that responded to the System's Emerging Markets (EM) Equity search. In compliance with PERAC, an Emerging Markets search was due to be issued by the System as the last search for this asset class occurred seven years ago (2013). The objective of this search is to reaffirm the Board's conviction in their current emerging markets relationships, or to identify strategies as opportunities to replace or add to the current EM program.

Mr. Manning stated that the current emerging markets equity search has been conducted in compliance with PERAC guidelines. The search encompasses both EM and EM Small Cap strategies. The System has an 8% target allocation to EM Equity. As of 9/30/20, the Plan has a 7.5% allocation (~\$400M) to Emerging Markets Equity. The objective(s) of this search is to: 1. Reaffirm the Board's comfort and conviction in their existing relationships or 2. Identify strategies as potential replacements/additions for the System's current EM program.

Relative to performance, it has not been a great stretch for EM relative to other asset classes. Based on the results, over the five-year period the strongest performer that the system has had is Polunin and Lozard small cap relative to their performance. The most disappointing performance has been with the SSGA EM strategy. The assets are a little lower compared to the other larger managers.

Mr. Manning stated that as he looks at the search, the manager that deserves the hardest look for replacement would be SSGA in the core space. Then Vontobel and potentially Lozard and or Polunin.

NEPC has broken the search into four segments: Core, Value, Growth and Small Cap. They had over 100 responses for the search and have been broken down based on their primary profile.

The system is a little underweight at 7.5%, we want to get to 8% add \$35-\$40 M to the fund. Its more of a function of underperformance than not being adequately funded. The goal today is to narrow the list in the different categories

and get the Boards feedback in the event that there any manager in particular that the Board would like to add to the list of potential presenters down to six or eight and pick presenters from that. NEPC have graded the 1's and 2's firms for the Board consideration.

In the Core space, they recommend that the current manager be replaced. The tier 1 and 2 managers that responded were; Columbia Threadneedle, FIAM, Neuberger Berman, Schroder, Westwood Global and Aberdeen.

In the Growth space, there was a smaller list of managers that responded. the 1 and 2 tier managers that were responded were; Axiom, RBC Global, Wasatch Global, William Blair and Invesco. The existing manager that the system has had is Vontobel. The system has had them in the program for a really long time. There recent performance within the last five years hasn't been as strong but within the last 10 years they have been ahead of the benchmark by 2%.

In the Equity space, Mr. Manning called attention to the Polunin firm. They are a 1 rated firm at NEPC and they have been the strongest manager in your Emerging Market line up. They have beaten the benchmark since inception by 90 basis points net of fees. Out of all the responders, they would be the firm we recommend not replacing. The other 1 and 2 respondents were Acadian and Pzena.

In the Small Cap Space, Lazard your current firm has more on a Value bias. They have done ok and they are a 2 rated firm from NEPC. The other 1 and 2 tier managers that were responded were; Highclere, Macquarie, William Blair, LSV, Invesco, and Mondrian. Mr. Manning stated that the questions are 1. Which of these Asset classes does the System want to do a search? Core and Growth are the two that there needs to do a search. Not as necessary in the Small Cap and Equity space. 2, are there any managers the Board think NEPC should take a more active look at.

Chairman Greene stated that he thought the Core space never really got their feet under it with State Street. That should be a key search and he agrees on the other class Growth being next. He thought that the Value space has been beat up so much globally that he is hesitant to judge firms too much that are high value products. As far as that core group goes, ABS. He would like to see what is going on there. Member McLaughlin agreed with Chairman Greene.

The Board and NEPC went on to discuss the merits and capabilities of all the search respondents and current investment managers, PERACS rating system used by NEPC that does not allow them to hire a firm rated scale below a three.

Mr. Manning went on to state that the list of respondents will be narrowed down based on Board input. The goal for the next meeting is to present more detailed search analysis for the Core search and the growth search. The decision on the Value and Small Cap can be made at a later date.

#### *International Market Equity Search*

Mr. Manning continued by stating that the International Equity search was issued to identify a replacement for Fisher Investments (growth) and reaffirm the Board's comfort with its other existing managers. The candidates were categorized across three distinct equity styles: Growth, Core, and Value. In July 2020 the System selected Walter Scott to replace Fisher Investments as a Growth oriented strategy. Additionally, NEPC provided an analysis on the Core respondents and the System's existing Core managers, which reaffirmed the Board's conviction in their current managers. At today's meeting, NEPC will provide a similar analysis on the Value respondents.

Finalists were selected from the growth-oriented respondent list. NEPC provided an evaluation of the System's existing core IE managers as part of the search process. It was reaffirmed by the Board's comfort and conviction in their existing core relationships. An evaluation of the value IE managers is included in today's materials as the final step in the search process. A comparison of the System's existing value manager (Todd) versus the value search respondents that are 1-rated by NEPC Research.

The Board discussed and decided to have retain Todd and give it another year then evaluate.

Mr. Manning stated that the other manager in the International area is Seagall Bryant and Hamill. He thinks he would like to create a work plan on the Emerging Markets searches. They will issue the Real Estate and Private Equity mandates in a month or so. That would cover 2020. The manager with the most intense focus if things do not turn around in the next six to nine months, would be to replace Seagall Bryant and Hamill as the International small cap manager. Getting the Emerging Markets done is the next and most important next phase and then they will issue the Real Estate and Private Equity search, then focus on

Seagall Bryant and Hamill issue. They will work on the 2021 plan for next meeting.

*September 2020 Flash Report*

Ms. Fischer reported that the BRS investment portfolio for the month of September the portfolio return was slightly down -0.9% which is in line with what the market was doing. The three-month number was up 5.5% and the one-year performance is up 7.1%. Which is a huge improvement from where we saw the plan at the beginning of the year. The majority of the losses came from Equity which we saw them suffer this month after five months of gains. They saw Value outperform Growth for the first time in a while. This was a long time coming but the portfolio definitely benefited from their Value allocation. Aristotle, who the System hired last year is up 10% versus the bench mark for the YTD period.

Also looking at Zevenbergen, even though Growth under performed Value. You still see their performance is extremely strong. Non-US markets stood a little better than domestic equity this month. In particular Vontobel up 5% with steady growth going back to 2005 which shows consistency outperforming the bench mark. Under CORE Fixed Income she would like to highlight Black Rock. Last year they were not doing as well but now that interest rates have dropped you can see that they are bouncing back. They have outperformed on their three month returns by 2.2%.

*Work Plan*

<u>Search</u>	<u>Date Issued</u>	<u>Candidate</u> <u>Review/Analysis</u>	<u>Finalist</u> <u>Presentations</u>
Niche Lending	October 2019	February	June
Distressed Debt II	April	May	June
Int'l Equity (Growth)	February	May	July
Int'l Equity (Core)	February	July	N/A
Real Estate Debt	September 2019	August	September
Int'l Equity (Value)	February	September	TBD
Emerging Markets Eq. (Nov/Dec)	August	October	TBD

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

*September 2020 Financial Snapshot*

Ms. McCarthy reported Pension payroll contributors: \$54,642,432; Total Contributory Payees: 15,158; Total Payees Payroll (non-contributors): \$294,765; Total Contributory payees: 41; New Regular Retirees: 41; Survivor/Beneficiary Retirees: 0; Disability Retirees: 2; Refunds and transfers: 48 for \$926,029;

Members Refunds: 35 for \$484,808; Members Transfers: 7 for \$276,555; Option B Refunds: 6 for \$164,666; and, Operational Warrants: \$402,440.

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

*September 2020 payroll update*

Ms. Weir reported the September 2020 payroll as such; 42 possible retirees. 39 superannuation's and one death of active and two disability cases. We had eight carry over cases from August. They have all been completed except for one which was completed this month for October. Out of September cases we had 35 superannuation cases and two disability cases processed. Five cases did not make payroll. One pre-retirement death and four superannuation. The four that did not make it, one did not return final papers. One Death of Active had no beneficiary on file.

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

Mr. Lydon offered the following PERAC memoranda for educational purposes only:

- PERAC Memo 27-2020 re regular compensation and creditable service status of certain leaves
- PERAC Memo 28-2020 re tobacco company list
- PERAC Memo 29-2020 re mandatory retirement board member training
- PERAC Memo 31-2020 re Appropriation Data Due Oct 31 2020

Mr. Lydon stated that as for Supplemental Dependent Allowance, the General Court has not passed a new Supplemental Dependent Allowance for 2020. The System is using PERAC's guidance for use of 2019 numbers, \$79.36 monthly until we are directed otherwise.

*Motion made, and seconded, to go into Executive Session at approximately 10:45 p.m.*

*Roll call vote: Member Joyce, Aye; Member Mclaughlin, Aye; Member O'Reilly, Aye; Member Jackson, Aye; and, Chairman Greene, Aye.*

**Motion accepted (5-0)**

Respectfully submitted,  
BOSTON RETIREMENT BOARD



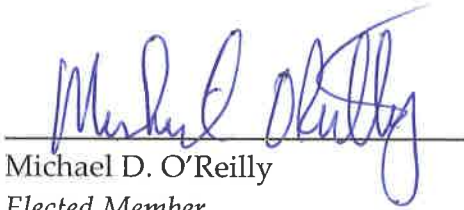
Daniel J. Greene, Esquire  
*Mayoral Appointed Member, Chairman*



Maureen A. Joyce  
*Ex Officio Member*



Michael W. McLaughlin  
*Elected Member*



Michael D. O'Reilly  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*