

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

January 18, 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 D. O'Reilly, Elected Member; Thomas V.J. Jackson, Fifth 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: Kathleen Riley and Bridgette Orr of Segal Associates; Michael Manning, Will Forde, Jake Mallinson and Michael Yang of NEPC.

NOT IN ATTENDANCE: *Michael W. McLaughlin, Elected Member

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.

Actuarial Valuation As of January 1, 2016

Kathleen Riley was present to offer and explain the Actuarial Valuation and Review as of January 1, 2016. The report summarizes the actuarial data used, establishes the funding requirements for FY17, as well as subsequent years. It also analyzes the preceding two year experience. This was prepared at the request of the Board to assist in administering the Boston Retirement System. The census information and financial information used were prepared by Board staff. The AVA funded ratio is 74.96%.

Motion made and seconded to accept the Actuarial Valuation and Review as of January 1, 2016 as presented.

Motion accepted (4-0)

**Mr. McLaughlin was excusably absent due to having to attend contract negotiations with the City of Boston.*

Previous Minutes

Motion made, and seconded, to accept the Administrative Session Minutes of December 21, 2016, as presented.

Motion accepted (4-0)

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

Annuity Balance Correction ("ABC") Project Update, Ms. Luella Wong

Ms. Wong explained that, working with Vitech, the ABC Team has broken the project into segments by identifying common groups within each segment in order to automate the methodology of the fixes. The ABC Team is currently working on deceased and refunded member accounts. There were approximately 8,300 deceased member accounts broken into 28 segments.. It is anticipated that correction of the deceased member accounts will wipe out approximately half of the \$300 million general ledger discrepancy and should be finished by the end of February, 2017. Correction of the refund member accounts will further reduce the discrepancy. However, it was warned that many of the remaining accounts will require case by case review.

Membership Supplementary Regulation

Mr. Smyth informed the Board that the SJC had recently issued a decision, *Retirement Board of Stoneham v. Contributory Retirement Appeal Board & another*, and as a result, PERAC legal staff suggested a small amendment to this regulation.

Motion made, and seconded, to amend the supplemental membership eligibility regulation to add the word "initial" in two particular places as presented.

Motion accepted (4-0)

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Asset allocation and assumptions for 2017

The System's target asset allocation remains appropriately diversified and reflective of current market opportunities. The asset allocation changes made in 2016 added value to the System.

However, NEPC believes there are current market opportunities the Board could consider that may further improve the System's strategic asset allocation in 2017. These include, in order of NEPC preference, consider changing the core fixed income mix to incorporate TIPS based on higher inflation expectation and rising rates; allocate a portion of the existing international developed portfolio to international small cap which offers a stronger alpha opportunity set; and, review BRS's hedge fund program to consider trimming the

allocation to carve out a section for a dedicated private debt target. There will be further discussion on these scenarios at the next Board Meeting.

Real Estate Search Discussion

NEPC provided a list of respondents to the recently issued real estate search to identify managers to deploy the System's \$45 million 2017 commitment amount. NEPC and the Board reviewed and discussed the respondents that were categorized into three groups: value-add opportunistic, debt and co-investments secondaries. The following respondents were chosen as semi-finalists:

Real Estate Value Add/Opportunity Funds

AEW Capital Management, L.P. AEW Partners Real Estate Fund VIII

Carlyle Investment Management L.L.C. Carlyle Realty Partners VIII

Crow Holdings Capital Crow Holdings Real Estate Partners VIII

LaSalle Investment Management, Inc. LaSalle Income & Growth Fund VII

Mesirow Financial Investment Management, Mesirow Financial Real Estate Value Fund III

Rockpoint Group, LLC Rockpoint Growth and Income Real Estate Fund II

TA Realty LLC Realty Associates Fund XI

TerraCap Management, LLC TerraCap Partners IV

Real Estate Debt Funds

Oaktree Capital Management, L.P. Oaktree Real Estate Debt Fund II

DRC Capital LLP DRC European Real Estate Debt Fund III

Co-Investments / Secondaries Funds

Landmark Partners Landmark Real Estate Fund VIII

Siguler Guff & Company, LP Siguler Guff Distressed Real Estate Opportunities Fund

December Flash Report

The Total Plan was up +1.2% in December 2016. December's performance brings the 1 year net performance of the total plan to +6.5%. We are still waiting on some private equity and real estate valuations which should increase this number slightly.

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

Financial Snapshot

Mr. Lucas presented the December 2016 Financial Snapshot to the Board. He noted that the December 2016 payroll went out timely to 14,742 payees and

totaled just over \$48 million. Nearly \$569 million was paid out to retirees and beneficiaries in CY2016. Also, 107 refunds, buybacks and transfers totaling \$2 million were processed in December, 2016. Operational expenses were \$1.4 million for the month of December and approximately \$9.2 million in total for CY2016.

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

Operations Update

Ms. Weir provided an update on the payroll number for December, 2016. There were 53 possible retirees (39 superannuation, 11 disabilities and 3 death of active members) of which 36 were processed (29 superannuation, 6 disabilities and 1 death of an active member). Of the 17 cases that did not make the payroll, 10 were superannuation, 2 were death of active members and 5 were disability retirements. The breakdown of the 17 unprocessed cases is as follows:

- 1=Waiting PERAC approval 10(2)(a);
- 2=Missing information;
- 3=In process of service purchases;
- 1=In process of calculating;
- 3=Missing salary;
- 6=Member did not return final papers in a timely fashion; and
- 1=Worker's compensation offset need additional info.

Buy Backs

Ms. Weir reported that 61 outstanding buybacks are open for the backlog project, 29 are in review, and 193 cases are incomplete and closed. To date 1,401 buybacks have been completed. Ms. Weir reported that, from the new buyback list, 59 are in review and 126 have not been started.

Pods

The physical reconfiguration of Room 816 to the new "Pods" model has occurred. The associated change of processes, knowledge transfer and reconstruction of the QA module has begun.

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

Mr. Lydon presented the following PERAC memos and court cases for discussion and educational purposes:

PERAC Memo #3-2017

This memo serves as a reminder of the binding effect of PERAC's memoranda on all Retirement Boards.

O'Leary vs. Lexington Retirement Board

The decision states that unused vacation buyback payments are not includable as regular compensation. PERAC is a party to this case and a decision at a higher level could apply to BRS as well. This case has been appealed to CRAB.

Stoneham Retirement Board vs. CRAB & another

The SJC has decided that once a member is granted initial membership in a retirement system, he or she will retain that membership status so long as he or she remains employed.

Executive Session

The Board voted unanimously (4-0) to enter into Executive Session at 12:35 p.m.

Adjourn

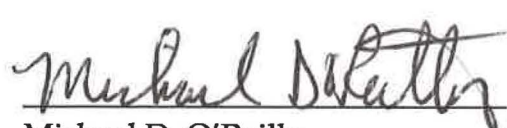
The Board voted unanimously (4-0) to exit Executive Session and adjourn from Administrative Session at approximately 12:40 p.m.


Respectfully submitted,
BOSTON RETIREMENT BOARD


Daniel J. Greene, Esquire
Mayoral Appointed Member, Chairman


Sally D. Glora
Ex Officio Member

In Absentia
Michael W. McLaughlin
Elected Member


Michael D. O'Reilly
Elected Member


Thomas V.J. Jackson
Fifth Member