

MINUTES OF BOSTON RETIREMENT BOARD

**Administrative Session**

April 24, 2019

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; and, Michael W. McLaughlin Elected Member.

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Padraic P. Lydon, General Counsel; Ellen M. McCarthy, Comptroller; John F. Kelly, Investment Analyst; Christine M. Weir, Operations Officer; Gloria Pizzarella, Chief Technology Officer; and, Greg Molina, Board Secretary.

ALSO IN ATTENDANCE: Kathleen Riley, Segal Consulting; Pamela L. Kocher, Boston Municipal Research Bureau; Michael Sullivan, Andrew Brett, Kiley Fischer, Elizabeth Fenton, NEPC; as well as multiple seven members of the BTU's Retired Teachers Chapter.

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Administrative Session Convene

The Board voted unanimously (4-0) to enter into Administrative Session at approximately 10:10 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 March 27, 2019, as presented.*

**Motion accepted (4-0) (Mr. McLaughlin tardy)**

*Motion made, and seconded, to proceed out of order as Board waited for the arrival of Board Member Michael W. McLaughlin (arrived at 10:17 a.m.)*

**Motion accepted (4-0) (Mr. McLaughlin tardy)**

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

February 2019 Financial Snapshot

Ms. McCarthy reported the following: Pension payroll contributions: \$52,091,721; Total Payees: 15,053; Payroll non-contributors: \$310,904; Total payees: 54; New Regular Retirees: 68; Survivor/Beneficiary Retirees: 1; Disability Retirees: 2; Total Refunds and transfers: 125 for \$2,979,384; Member Refunds: 103 for \$1,784,051; Member Transfers: 21 for \$1,160,695; Option B Refunds: 1 for \$34,638; Operations Warrants: \$654,218.

*2018 PERAC annual statement*

Ms. McCarthy noted that the 2018 PERAC Annual Statement was completed on April 3, 2019, having been submitted to PERAC before the May 1, 2019, deadline. She noted the total fund (net assets) market value decreased almost \$364M or -5.3%. As a result of the weak investment performance, the investment income decreased \$284M for the year or -128% decline over 2017 earnings. The positive takeaway on the income side is that the interest and dividend income increased slightly up 3% to \$3.9M but realized and unrealized gains and losses were down considerably. The most significant loss was the unrealized loss of \$759M. The upside is that it was not a cash loss it was an adjustment on our books, yet it does hit our financials. Our realized earnings were down \$23M and our realized loss was up 1300%. Total receipts were down 79% from 2017 to \$328M however the bulk of that was due to the investment results stated earlier. The most significant improvement in non-investment receipts was an increase in pension fund appropriation for \$47M at 12% we also saw some growth in Member deductions growing by \$13M. Total disbursements for the year were \$692M, much of it due to pension annuities payments increase of \$15M and \$5.4M respectfully. Increases in transfers out of \$4M and management fees \$11M increase for the year. In comparison to last year the bulk of the decline in funds have been due to alternative investment funds down over 40% for \$198M with another \$215M and \$148M decline in pooled equities and non-pooled equities respectfully. A signature page is added for Board Members to sign to submit report.

*Motion made, and seconded, to adopt and submit the PERAC 2018 Annual Statement, as submitted.*

**Motion accepted (4-0)**

Ms. McCarthy informed the Board that the EY Auditors have started the BRS 2018 audit. We will have the GASB 67-68 report in three weeks to complete the financial statements along with a few items from NEPC.

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

*March 2019 payroll update*

Ms. Weir presented an update on the payroll number for the month of March, 2019. She stated that there were 93 possible new retirees / beneficiaries (80 superannuation, 8 disabilities & 5 death of active members). Of the 93 possible cases, 71 cases were processed. Of the 22 cases that did not make the payroll, Ms. Weir noted the following explanations:

- 3 waiting on signed DRO;
- 1 was missing salary;
- 9 did not return final papers on time;
- 1 trying to locate minor child;
- 2 needed waivers;
- 3 missing documents;
- 1 waiting transfers funds; and,
- 2 process of calculating.

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

*COLA & COLA base*

Executive Officer Smyth introduced Pamela L. Kocher, President of Boston Municipal Research Bureau who replaced long time President Sam Tyler. The Board proceeded to discuss FY 2020 COLA and COLA Base increase.

Kathy Riley of Segal Consulting opened referring to a COLA Base memo dated March 1, 2019. Ms. Riley conducted an evaluation of increasing the COLA base from the current \$14,000 to \$15,000 and \$16,000 and taking effect July 1, 2019. She extensively reviewed the memorandum with the Board and explained the impact any COLA base increase would have on the system.

Mr. Smyth read into the record two letters, one from the City's CFO Emme Handy regarding COLA, and the second, again from Ms. Handy, regarding the COLA Base. The City was in favor of the 3% COLA, but not in favor of any COLA base change at this time.

Pamela L. Kocher stated for the record that as President of Boston Municipal Research Bureau and City resident that she concurred with the recommendations by CFO. Research Bureau supports an annual cost of living adjustment for fiscal 2020, but opposed any increase in the COLA Base because it would increase pension liability.

Mr. Lawrence J. Connolly, Co-Chair of the BTU's Retired Teachers' Chapter legislative committee stated the he was there along with several members of RTC who like him are City of Boston residents. Mr. Connolly argued in favor of a COLA base increase.

Janie Frank, also a member of the BTU's Retired Teachers' Chapter and Boston resident thanked the Board for allowing her to testify. Like Mr. Connolly, Ms. Frank argued in favor of a COLA base increase.

Maryann Urban, a retired teacher and City resident testified on the affect the COLA had on her and asked that the COLA Base be raised now.

Chairman Greene requested to go out of order again to review PERAC memos.

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

*PERAC Memos*

The following PERAC Memos were offered for educational purposes only:

- PERAC Memo #12-2019 re Tobacco Company List
- PERAC Memo #13-2019 re Mandatory Retirement Board Member Training - 2ndQ 2019
- PERAC Memo #14-2019 re Forfeiture of Retirement Allowance for Dereliction of Duty by Members
- PERAC Memo #15-2019 re Application for a Waiver of Education Restrictions

*Outside Litigation*

The following outside litigation was offered for educational purposes only:

*PERAC v. CRAB, Lexington Ret. Bd. and O'Leary, Suffolk Superior Court*

Mr. Lydon reported that two briefs were filed by petitioners Mr. O'leary and PERAC have been filed in superior court and are awaiting response by May 1<sup>st</sup>. Then both responses will be filed with the court. The vacation buyback issue may take some to be worked out through the court system.

Outstanding/Ongoing Technology Issues: Gloria Pizzarella - IT Update

*Vitech upgrade to V10*

Ms. Pizzarella referred to the numerous materials she sent to the board in anticipation to the meeting. She was not aware that the Board would be taking up a vote or she would have excluded the IT report and talked more to the Vitech upgrade. She asked the board if they would like to discuss the upgrade further or postpone the vote. The Board stated they would not be prepared to vote at this session but would like to hear more information presented.

Mr. Jackson asked if the Vitech upgrade would be an annual subscription fee. Ms. Pizzarella responded by stating that it would be the same licensing fee of \$500K per year and \$30K maintenance with many new upgrades, \$726K in total. Ms. Pizzarella does not anticipate the fee going down with the exception of the licensing fee depending on what upgrades the BRS elects to go with. The new software does not use Oracle so that would be a small savings.

Mr. Jackson asked where the \$8M expense comes from. Ms. Pizzarella stated that would be for the V10 upgrade and does not include costs tied to moving to V3locity (if SBRB opts to make that move). Cost will depend on who we contract with. Her recommendation is we go full package. Everything is web based, mobile app, consultants, etc. It was suggested that we reach out to other retirement boards to see what their upgrade costs were. Staff and management have reached out and they asking what type of staffing and resources are needed. Board members would like to see a detailed proposal before they vote on an upgrade.

Executive Officer Smyth stated he has reached out to MTRS and see where there are commonalities between systems to see where both systems can share costs due to common procedures.

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

*Infrastructure & Renewables Overview*

In accordance with the Board's plan to conduct a manager search in the Infrastructure and Renewable space NEPC's Andrew Brett and Elizabeth Fenn presented the Board with an overview of that space. The goals of making an allocation to infrastructure include generating a return through income, inflation protection, diversification and downside protection. Investments can be made across the asset lifecycle during the Greenfield, Brownfield or Operating stages.

In the Renewable space there has been enormous growth recently and that is expected to continue. Over \$1 trillion has been invested globally over the last three years to renewables, which now represent 60% of all new energy installations around the world. In the U.S., the fastest growth in the energy sector has been seen in solar. Despite the growing demand for renewables there is a degree of uncertainty around their potential investment returns and tax credits play an important role in the sector's future growth.

*March 2019 Flash Report*

The total plan was up +0.6% in March 2019, bringing YTD up to +7.2%. The plan's strong first quarter was driven by the growth in total equities which were up +11.9% for the time period.

Discussion relative to Mr. Smyth doing outside legal work

Mr. Smyth requested permission from the Board to venture into providing legal services to the Plymouth County Retirement System on his own hours. Mr. Smyth stated that he had an Ethics Opinion allowing such engagement, which he would obviously make available to the Board. This item was discussed by the Board and Executive Officer Smyth. The Board did not see an issue and proceeded.

*Motion made, and seconded, to allow Executive Officer Smyth to conduct outside legal work for Boards and outside parties as long as it complies with regulatory issues and Ethics laws.*

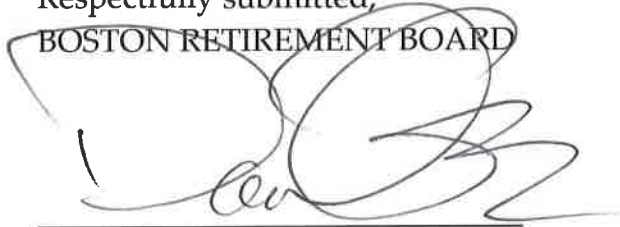
**Motion accepted (5-0)**

Adjourn

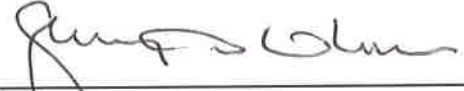
*Motion made, and seconded, to adjourn from Administrative Session at approximately 1:06 p.m.*

**Motion accepted (5-0)**

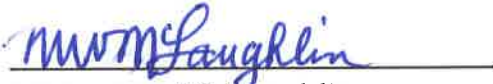
Respectfully submitted,  
BOSTON RETIREMENT BOARD



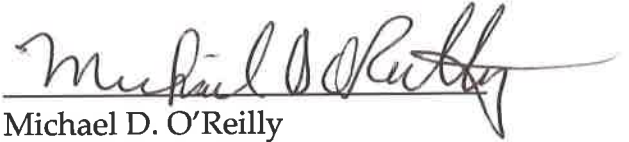
Daniel J. Greene, Esquire  
*Mayoral Appointed Member, Chairman*



Sally D. Glora  
*Ex Officio Member*



Michael W. McLaughlin  
*Elected Member*



Michael D. O'Reilly  
*Elected Member*



Thomas V.J. Jackson  
*Fifth Member*