

MINUTES OF BOSTON RETIREMENT BOARD

Administrative Session

September 20, 2023

Boston Retirement Board

Auditing Department Room M-4 Conference Room

Boston, Massachusetts 02201

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

STAFF IN ATTENDANCE: Timothy J. Smyth, Executive Officer; Christine Weir, Deputy Executive Director; John F. Kelly, Investment Analyst; Natacha Thomas, General Counsel; Ellen M. McCarthy, Comptroller; Gregory Molina, Board Secretary.

ALSO IN ATTENDANCE: Michael Sullivan, Kiley Murphy, Shelly Santuli of NEPC; Lee Millstein, Daniel Dejanovic, Thomas Wagner, Nicole Rawald of Cerberus; Andrew Holm, Ted Weld of Ares; Jim Corl, Anthony Corriggio, Marcia Glass, David Driscoll of Cohen & Steers; John Maloof (retired member), Gail Suyemotto (member's spouse).

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 O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; and Chairman Greene: Aye.

Motion accepted (5-0)

Motion made, and seconded, to accept the Administrative Session Minutes of the August 16, 2023 meeting as presented.

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; Chairman Greene: Aye.

Motion accepted (5-0)

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

Annual Unused Vacation buy back supplemental Regulation

Mr. Smyth presented a draft supplemental regulation regarding annual unused vacation Buybacks. He noted that the actuary weighed in on September 15, 2023, stated there will be essentially no cost. The System continued taking deductions, so that blunted any costs to the System.

Mr. Smyth went on to state that Vacation Buyback Regulation draft is meant to define the phrase "consistently." The new statute, GL c. 32, s. 106, requires that the member consistently participate in the program. Unfortunately, it does not define the word consistently nor does the PERAC memo. The proposed draft regulation attempts to do so.

Ms. Suyemotto (on behalf of Sgt. Detective Kevin Witherspoon of BPD) stated that the issue was brought up to the BPD Detectives union. There seems to be draft language to take care of this particular situation. The union has tried to raise this issue for the past couple of years. Mr. Maloof has shown documentation that he has consistently has bought back vacation time. They assumed that you knew what it was like for them going through COVID. He did not buy back 2020 time because the Department did not have a consistent position on if you contracted COVID that you would be considered injured. We would like the Board to recognize their service.

PERAC Memorandum offered for educational purposes only:

- PERAC Memo 19-2023 re tobacco company list

Outstanding/Ongoing Investment Issues: John Kelly, Investment Analyst

Real Estate RFP Search

Mr. Sullivan stated that the real estate search encompasses the targeted commitments for 2022 and 2023, totaling ~\$125 million over the two years. The search focused on three strategy types: opportunistic, debt, and value-add. The System committed \$65 million to value-add in 2022, and \$30 million to real estate debt at the August meeting. There is ~\$30 million left to allocate to opportunistic real estate. The three opportunistic finalists will be presenting today. Ms. Murphy presented the agenda for NEPC's report including the proposed custody search. NEPC would like to issue a custody search on behalf of the System, in compliance with the seven-year search requirement. A draft of the search notice is included.

Motion made, and seconded, to conduct a custody search recommended. Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; and, Chairman Greene: Aye.

Motion accepted (5-0)

Cerberus Institutional Real Estate Partners

Ms. Rawald opened by thanking the Board for the opportunity to present on Cerberus's VI fund. Ms. Rawald gave a short overview of the firm. Mr. Millstein continued by stating that CIREP VI is their flagship real estate fund with a global, opportunistic investment strategy. Cerbus is targeting a \$3 billion global real estate fund with approximately \$60 million to be committed by Cerberus GP / GP Affiliates. Cerberus investment strategy currently focuses on three primary investment profiles: Targeted Opportunistic investments capitalizing on episodic special situations. Strategic Asset Aggregation in sectors with strong underlying fundamentals and » Non-Performing Loan Opportunities leveraging their existing relationships and proprietary servicing platform.

Mr. Dejanovic outlined the firms Fund terms. Target Fund Size \$3 billion; Minimum Commitment \$10 million. The Investment Period is 4 years from initial close. The Liquidation Period 7 years after end of Investment Period, subject to a one-year extension by the General Partner and thereafter for up to two consecutive one-year periods with approval from the Advisory Board. GP Commitment An amount equal to at least 2.0% of CIREP VI Capital Commitments by final closing. Management Fee, during investment period is 1.5% of Commitments. Post Investment Period is 1.5% of Cost of Investments. The Distributions (Preferred Return Carried Interest.) 9% Preferred Return, 80% to LPs / 20% to GP, after a 60%-40% catch-up to the GP.

Ares

Mr. Weld thanked the Board for their continued partnership. Ares Management currently manages approximately \$378 billion in assets under management, Ares Management Corporation is a global alternative investment manager operating an integrated platform across five business groups. They focus on four strategies. Credit, Real Assets, Private Equity and Secondaries.

Ares U.S. Opportunistic Real Estate Track Record. They say they have a demonstrated track record that has met or exceeded target returns across cycles. The AREOF Series achieves a blended gross IRR of 20% (net IRR of 14%) as of June 30, 2023, across \$2.2 billion of invested capital. AREOF III achieves a gross IRR of 22% (net IRR of 15%) at fair values as of June 30, 2023, and is substantially

committed to approximately \$1.6 billion closed and in-closing investments. Predecessor vehicles AREOF II and AREOF have generated ~\$1.3 billion in proceeds, representing 146% of invested equity. Larger fund sizes have unlocked differentiated opportunities that have been accretive to the funds. They have leverage of 62% LTV across the portfolio. AREOF IV will continue the opportunistic series' legacy of dynamically allocating across property types and strategies, specifically, Multifamily, Industrial, Hospitality and NNN.

Mr. Weld broke down the AREOF IV Summary of Terms. Manager; Ares Real Estate Management Holdings, LLC. Target Fund Size; \$3.0 billion. Sponsor Commitment; \$50 million. Minimum Commitment \$10 million from each Limited Partner. The Investment Period is Three years from the final closing. Maximum Leverage; From and after the Final Closing Date, aggregate investment-level debt incurred will be limited to 75% of the portfolio value of the Fund's investments based on the greater of, with respect to each investment, (a) cost of such investment or (b) fair market value of such investment Targeted Return² Gross IRR of 18% to 20% and net IRR of 15% to 17%. Management Fee is 1.00% on uncalled committed capital during the Investment Period; 1.50% on invested capital during and after the Investment Period. Other Fees; An administration fee of 2.5 bps on invested capital during and after the Commitment Period.

Cohen & Steers

Mr. Driscoll opened by introducing himself and his team. Cohen & Steers: Industry-leading listed real estate platform. Demonstrating industry leadership by shaping the modern REIT market. They have a history of outperformance. Mr. Corl reviewed the Cohen & Steers Real Estate Opportunities Fund. The Fund is a \$650 million target fund size. They are targeting a 14-17% net IRR. There has been \$50 million GP capital committed into small/mid cap opportunities. Cohen & Steers feels the opportunity is in Private real estate asset prices correcting 20%. 2024-2025 will likely provide the best entry point since post-GFC. The dynamic, flexible capital is required to capture value windows and fresh capital can be patient and poised to participate in distressed opportunities

Ms. Glass outlined the terms of the Fund. Cohen & Steers Real Estate Opportunities Fund LP seeks attractive total returns by investing in private real estate including direct deals, co-investments, private fund interests (primaries and secondaries), and pre-IPOs/special situations. Portfolio construction themes are Sunbelt "sub-urban" nodes, undersupplied housing markets, debt-to-equity recapitalizations, necessity driven retail and pre-IPOS, PIPES / special situations.

The target return is 14-17% Net IRR. Leverage expectations 50-55% of original cost basis Standard fees. (mgmt. + carried interest) Direct Investments; 1.5% on Invested Capital with 15% carried interest after 8% preferred return, 50/50 catch-up. The Fund Investments: 0.75% on Invested Capital. (no carried interest) The Target asset raise \$650 million, Capital committed \$150 million. GP co-investment \$50 million. (Plus, additional employee investment) First Close Q2 2023 with a Final Close Anticipated Q2 2024. Expected fund term 10 years plus two optional 1-year extensions.

The Board, BRS Staff and NEPC staff discussed the presentations. Their merit, returns, strategies, past performance and fees.

Motion made, and seconded, to allocate \$20 Million to Cohen Steers Real Estate Opportunities Fund LP. Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: Aye; and, Chairman Greene: Aye.

Motion accepted (5-0)

Motion made, and seconded, to allocate \$20 Million to Ares US Real Estate Opportunity Fund IV. Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; and Chairman Greene: Aye.

Motion accepted (4-0) (Member McLaughlin abstained due to his affiliation with the BTU, which has a holding in the property being developed as part of this fund)

August 2023 Flash Report

Mr. Sullivan went on to state that the month of August, the system was down -1.8%. The YTD performance is up +6.4% through August.

Work Plan-2023

Mr. Sullivan stated that NEPC has included an updated work plan with the including a proposed work plan for 2023:

	SEPT.	OCT.	NOV.	DEC.
TOTAL PLAN				
Asset Allocation				
Performance			Q3	
Education / Review				
TRADITIONAL				
Search / Presentations		Issue Custody Search	Review Respondents	Analysis/ Presentations
HEDGE FUNDS				
Program Planning				
Search / Presentations				
PRIVATE MARKETS				
Program Planning				Pacing Plan
Search / Presentations				
Performance			Q2	
REAL ESTATE				
Program Planning				Pacing Plan
Search / Presentations	Opportunistic Presentations			
Performance			Q2	

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

August 2023 Financial Snapshot

Ms. McCarthy reported the August 2023 pension payroll as follows: Contributory payroll: \$63,341,869; Contributory Payees: 15,732; Non-contributory payroll: \$354,488; Total Non-contributory payees: 41; Regular Retirees: 54; Survivor/Beneficiary Retirees: 3; Disability Retirees: 13; Option C/Disb Surv: 10; Members Refunds: 64 for \$1,485,280; Members Transfers: 16 for \$1,112,372 Option B Refunds: 2 for \$78,258; and Operational Warrants: \$539,387.

Ms. McCarthy submitted the following documents to the Board for their review:

- Jan through July 2023 Trial Balance Report.pdf
- July 2023 Adjusting Journal.pdf
- July 2023 Cash Disbursement Summary.pdf

- July 2023 Cash Receipt Summary.pdf
- July 2023 Citizens Operating.pdf
- July 2023 Mass. Municipal Depository Trust Statement.pdf
- July 2023 MMDT Cash Reconciliation.pdf
- July 2023 Operating Cash Reconciliation.pdf

Outstanding/Ongoing Operations Issues: Christine Weir, Deputy Executive Director

August 2023 payroll update

Ms. Weir provided an update on the payroll numbers for the month of August 2023. There were 61 new superannuation retirees, of which 49 were placed on payroll.

Cyber Security

Mrs. Weir stated that Mr. Oates continues to getting retained services. In addition, Mr. Oates had a very productive call with Vitech where we are positioned for security.

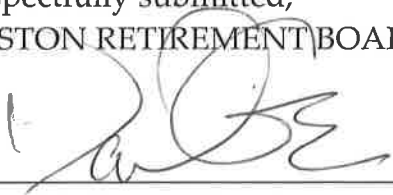
Adjourn from Administrative Session

The Board voted unanimously to adjourn from Administrative Session at approximately 12:20p.m.

Roll Call Vote: Member O'Reilly: Aye; Member Jackson: Aye; Member Joyce: Aye; Member McLaughlin: 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 D. O'Reilly
Elected Member

Michael W. McLaughlin
Elected Member



Thomas V.J. Jackson
Fifth Member