

TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON

Meeting of the Trustees Finance and Audit Committee
Friday, November 10, 2017
Orientation Room, Central Library
700 Boylston Street, Boston, MA 02116

MINUTES

A meeting of the Boston Public Library Trustees Finance and Audit Committee was held on Friday, November 10, 2017, 8:00 a.m., Boston Public Library, Central Library, Orientation Room, 700 Boylston Street, Boston, MA 02116.

Present at the meeting were: Finance and Audit Committee Chair Evelyn Arana-Ortiz and Committee members Zamawa Arenas, and President David Leonard. Representative Rushing was not present due to the meeting being rescheduled to a time with a prior commitment. Mr. Hailer had a conflict and was not able to attend.

Also present were Boston Public Library staff including Chief Financial Officer Ellen Donaghey, and Clerk of the Board Pamela Carver along with other library staff and members of the public.

Ms. Arana-Ortiz, Chair of the Trustees Finance and Audit Committee (“Committee”) presiding, called the meeting to order at 8:10 a.m.

Ms. Arana-Ortiz asked if the Trustees had any edits to the Draft Minutes of the September 14, 2017 meeting. Upon motion duly made and seconded, the Minutes of the Finance and Audit Committee meeting held on September 14, 2017 were approved.

Ms. Arana-Ortiz moved to the first item on the agenda which was the request to delegate approval of specific contracts to Finance and Audit Committee. Ellen Donaghey explained that the vote would recommend to the Board to delegate approval of all contracts valued at less than \$100,000 to the Finance and Audit Committee. She noted that this would allow more time for larger discussions of other topics at the Board of Trustees meetings, as had been requested. Ms. Donaghey noted that the maintenance and larger contracts will continue to be reviewed by the full board for approval. With no questions the Chair called for a vote. A motion was duly made and seconded,

VOTED: that, the Trustees Finance and Audit Committee recommend the Trustees of the Public Library of the City of Boston delegate approval for award of all contracts valued at less than \$100,000 to the Trustees Finance and Audit Committee.

Next, Mr. Sebastian Grzejka, Senior Consultant from NEPC reviewed the vote to reallocate 10% of the Core Bond portfolio. He recommended to select SSGA upon review of State Street Global Advisors’ (SSGA) US Treasury Inflation Protected Security (TIPS) Index strategy. Ms. Arana-Ortiz made a motion, duly made and seconded,

VOTED: that, the Trustees Finance and Audit Committee approve the reallocation of ten percent of the Core Bond portfolio to the SSGA TIPS index fund.

Mr. Grzejka reviewed the September Flash report which reflected good performance overall.

Next Mr. Grzejka recapped the decision of the last meeting to review a slate of diversified fixed income managers, he had narrowed the final selection down to three managers to present to the Committee.

Payden & Rygel represented by Jeff Murphy and Elizabeth Westvold presented first. They gave a brief history of the company which started thirty four years ago in Los Angeles, but expanded to include Milan, Boston, and London. They are an independent firm that is owned by “principals”. Their portfolio includes firms such as Facebook and Apple along with other smaller firms. They explained that their strategy focuses on the following key elements: produce positive returns, protect downside risk, and capture reliable returns with two-thirds in fixed income. The committee asked a couple questions and thanked them for coming.

The second firm to present was Loomis, Sayles, & Company represented by Fred Sweeney and John Meyer. They explained it was an older company that was established and stable. They manage 260 billion dollars in investments out of Boston, San Francisco, and London (but noted the bulk is done in Boston). Mr. Sweeney explained that one of the flagship strategies of the firm is a multi-sector approach. They have a fixed portfolio with a flexible opportunistic approach with both US and non-US positions and a track record of delivering high returns. The committee asked a few questions regarding trust overview and performance and thanked them for coming.

Last, Manulife Asset Management, represented by Dan Janis, Dave Zielinski and Nancy Irving, gave their presentation. They explained they have \$370 Billion in assets diversified internationally with a controlled risk strategy and highlighted that they were risk managers first. Mr. Grzejka asked a question regarding their credit heavy portfolio and then the committee thanked them for coming.

The Committee briefly reviewed the three presentations, noting they were three strong firms with great histories. In summary, the Committee agreed that Payden & Rygel had a smaller portfolio with less volatility but yielded smaller returns in aggregate. This manager was good if the BPL wanted to keep to a strictly conservative position. Loomis had more downside risk but more upside achievement possibilities, however the question would be if the potential for the upside return would be worth the additional risk. They would take on higher risk with higher returns, but the chance of adverse market changes in the future could be significant. Manulife had a bigger portfolio and had well established metrics but did not yield as high of returns but performs well when markets are down. They would also be the most affordable.

Mr. Grzejka stated he would put a “cheat sheet” together with a side by side comparison to show performance risk and a three year average draw for the Board to review and for the Committee to have in order to deliberate before a vote.

The committee also agreed to reserve their vote until Representative Rushing and Mr. Hailer could weigh in and postponed their vote until after the Board of Trustees meeting on November 16, 2017.

Ms. Arana-Ortiz asked for Public Comment to which there was none.

With no further business, upon a motion duly made and seconded the Trustees voted to adjourn the meeting at 10:00 a.m.

Respectfully submitted,

A handwritten signature in blue ink that reads "Pamela R. Carver".

Pamela R. Carver, Clerk of the Board