

# TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON

## Meeting of the Trustees Finance and Audit Committee Thursday, January 8, 2019, 8:00 a.m. Central Library, Kirstein Business Library-Exchange

### MINUTES

A meeting of the Boston Public Library Trustees Finance and Audit Committee was held on Thursday, January 8, 2019 at the Central Library in the Kirstein Business Library-Exchange Room.

Present at the meeting: Committee Chair Evelyn Arana-Ortiz and Committee members, Zamawa Arenas, John Hailer, Representative Byron Rushing, and President David Leonard.

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

Ms. Arana-Ortiz presiding, called the meeting of the Trustees Finance and Audit Committee (“Committee”) to order at 8:03 a.m.

Next, Ellen Donaghey was asked to review the two contracts before the Trustees. Laura Imscher, Chief of Collections, was also in attendance to assist with any questions from the Trustees.

The first contract was for Retrospective Conversion (Retrocon). Laura explained that the Library has rethought its previous approach to cataloging and is trying a pilot project. Cataloging standards have changed over the years. In this pilot, Library staff will take item and put it in the catalog, which will then allow it to be linked to the collection. The contract is for 85K for 6 months. Ms. Donaghey explained they will use Library for the Commonwealth state funds for this project.

Laura Imscher explained the traditional way they used to catalog the collection. They would ship their card catalogs out to a vendor who would data entry each individual card to in our online catalog. Standards have changed over the last forty years. This is pilot where you take the actual item, scan it, and it attaches a bar code immediately to the items and it is trackable in our system. This approach is more effective, aligning with inventory. Ms. Imscher explained that this pilot is to see how many items we can catalog in 6 months in order to project an estimated cost to do the entire collection. Mr. Leonard stated the objective is to make item immediately accessible and accurate. This will be for books or periodicals.

Ms. Imscher went on to explain the Donahue Group has been used for other inventory and cataloging projects. Mr. Rushing asked if there has been a determination as to what to do with the old cards. Mr. Leonard answered that they have not made any final determinations with what to do with the cards until we have a clear understanding as to whether there is any additional information pertinent for the collection, but right now that determination is unclear.

Ms. Donaghey continued the second vote is to hire Clark Fine Arts to repack boxes of stained glass at the Archival Center. Several binds have disintegrated and have already been repacked. This contract will allow us to repack the entire collection. The estimate was for a little over 13K but we asked to vote for 15K to be careful on costs. With No questions or comments, Ms. Arana Ortiz called for a motion that was duly made and seconded, and

**VOTED: “that, the Trustees Finance and Audit Committee of the Boston Public Library approve The Donahue Group, Incorporated of 41 Mechanic Street, Windsor Connecticut 06095 for the Retrospective Conversion pilot program contract in the amount of eighty four thousand nine hundred ninety nine dollars and eighty six cents (\$84,999.86) to create and**

**upload MARC records for Boston Public Library books not presently represented in the Library’s online catalog.”**

**VOTED: “that, the Trustees Finance and Audit Committee of the Boston Public Library approve the use of Clark Fine Art Services of Cambridge, MA for up to fifteen thousand dollars (\$15,000) for collection packing and storage.”**

Ms. Arana-Ortiz asked NEPC to introduce the next topic, which was presentations from Emerging Markets Equity Managers. Mr. Sebastian Grzejka explained that this is the next step in a multi-step process to add new asset allocations to the portfolio. The committee will be interviewing three emerging markets equity strategies, with each taking a different focus. Sebastian stated that the plan would move 5% of the portfolio, approximately \$3m dollars, into this allocation. Emerging markets is not currently part of the portfolio and will add additional diversification. These managers look to local economies to decide what where greater growth opportunities exist. Sebastian cautioned that we should expect more short-term volatility in this sector but that over time, but that over time, it should offer a strong return. The recommendation for a relatively small allocation was made with this volatility in mind.

NEPC recommended interviewing three managers (Fidelity, UBS, and Oppenheimer OFI), each offering a slightly different approach, to give a full landscape to consider.

Mr. Grzejka explained that Fidelity is the most “core” of the managers, meaning they invest in value and growth stock with a little bit of a growth tilt. They stay closest to the benchmark (not going to be concentrated in singular stocks, country or sector) they are within certain bounds of perimeters index. Performance for them has been quite strong.

UBS has a little bit of a value tilt to their portfolio, however it is very concentrated. Meaning they hold about thirty stocks and have a manager focusing on stock selection. He explained that if one stock is a hit, they will see significant growth, if one is a miss, there will be a drag on performance. Here is where you will see more volatility relative to the benchmark. They want to fund the best securities they can find and have a total return over long term investments.

Oppenheimer OFI invests in local emerging markets, all cap emerging markets, or small cap emerging markets. Small Cap emerging markets are focused more on the local consumer and the growth of the middle class emerging markets. Over the last ten to fifteen years these markets have benefited in local growth, as they’ve developed a more robust middle class, which in turn is looking for more goods – such as cellphones, televisions, health care etc. So Oppenheimer is looking at economies that are moving towards more consumer spending. As we see in the U.S., small cap markets has more volatility, a little more idiosyncratic, but also poses a great more opportunity for potential on return.

Mr. Grzejka summarized in closing that the reason they recommended each of these three manager was for their different approach on investing in this market. He explained that the manager team for Fidelity is U.S. based, USB’s is Singapore based, and Oppenheimer is U.S. based. He explained that this market is very volatile and each will offer various levels of risk and it depends on the comfort level of the BPL as to which is the best fit.

Mr. Leonard noted there are two decisions to make, first being to pick a manager and second will be where we take the money from. Mr. Grzejka noted that the, in accordance with the investment strategy, the funds will come from fixed income investments but the specifics will depend upon the market snapshot at the time of the change.

The committee had a brief discussion on the current global affairs that may affect these markets.

The first interview began with Ed Schollmeyer, Vice President/Account Manager for Fidelity Select Emerging Markets Equity and Abhijeet Singh, Institutional Portfolio Manager. Mr. Schollmeyer explained Fidelity has approximately 2.5 Trillion in assets, with over half in institutional markets. He also noted that they have approximately \$6b in non-profit organizations like the BPL. They have 17 analysts that focus on emerging markets, they find and evaluate various companies based in Boston and Hong Kong. He explained they have a broader base of AP analysts. He explained the analysts differentiate by having forensic analysts that point out any red flags, any issues from governmental standpoint to help identify whether to buy more or sell. Fidelity has a political analyst on the team, which gives a perspective on various countries we work with. The team evaluates all the information to determine decisions to build the portfolios.

He introduced his staff and what each manager does on the team. The good thing about product is very modest. Don't deviate too much. Not trying to shoot lights out. Plenty of capacity and no problem taking on new clients. He reviewed his team and their experience. He reviewed their returns and presented the Trustees with a breakdown on their investments. They try to match up to the benchmark and take on a more prudent approach. They explained that Fidelity wants to work with BPL and will work hard every day. They respectfully asked for the business.

Ms. Arana-Ortiz asked if they could talk about the diversity at Fidelity. Mr. Schollmeyer stated they have a variety of cultures and heritages and support all of them across the world. Fidelity takes diversity very seriously and they invited BPL to review their published report.

The next interview was with UBS Emerging Markets Equity HALO with Bill DeSanto, Executive Director who is based in New York, but noted he went to school and worked in Boston. He explained UBS' headquarters are based in Zurich. He explained some may be familiar with UBS Wealth Management Brokerage arm and UBS Investment Bank explaining that both silos have nothing to do with emerging markets, they are strictly asset managers. UBS is one of the top asset managers globally with \$750 Billion under management and they are the first money managers to raise assets inside mainland China (where they have worked for over twenty years). He explained their philosophy on education and philanthropic work they do throughout the world. Next, Mr. Santos reviewed the emerging markets team. Some are based in Singapore, Latin America, Zurich and Hong Kong. He explained their process is intrinsic value; where the value should be 5 years out and where they are today. He explained their portfolio of 25 to 30 stocks to provide diversity and exposure. They focus on a smaller list to allow them to be more selective, noting they tend to be early in stocks. He provided the committee with a breakdown of their investments and performance to review, emphasizing their emerging markets investments need longer term investment and are more concerned with the having the best portfolio than the benchmark. Ms. Arana-Ortiz asked about the diversity at UBS. Mr. DeSanto explained they are different, they believe in diversity and currently have more women in manager positions and mentors. They support LGBT and veterans as well.

Lastly, Oppenheimer OFI was interviewed last. Jeff Sharon, Managing Director/Head of North America Institutional, began with a brief introduction of both he and Brian Landy, International Equity Specialist who manages the emerging assets portfolio. They began by reviewing the firm, explaining they are an international company based in New York. This strategy really believes that the opportunity set is in consumer, healthcare, and technology markets. Explaining that investing in those markets have shown significant growth opportunities long term compared to larger cap companies or index based companies. UBS has been managing global stocks for over fifty years and emerging markets for over 20 years and manage approximately \$45 billion total in the emerging market franchise. He presented the committee with a breakdown of the team that manages emerging markets. They have two strategies, the core strategy is closed; predominantly made up of all cap investments. The team now currently focuses on growing emerging markets in the small cap market. He reviewed Oppenheimers' report on investments. He explained the team is diverse. Comprised of multi-cultures, languages, and backgrounds. Ms. Arana-Ortiz asked if they could share their diversity report with the committee.

NEPC reviewed each of the managers and offered recommendations to the committee's questions, explaining the volatility in investing in Emerging Markets is a long term strategy to see significant growth and therefore suggested committing to five years. After some discussion the committee took a vote and,

**VOTED: “that, the Finance and Audit Committee recommend the Trustees of the Public Library of the City of Boston award management of the Emerging Markets Equity portfolio to UBS Asset Management, in the amount of 5% of the portfolio, in accordance with the asset allocation plan. “**

With no new business or public comment, the meeting was adjourned at 9:50am.

Respectfully submitted,



Pamela R. Carver