

BPL FINANCE AND AUDIT COMMITTEE

Evelyn Arana Ortiz, Committee Chair

3.5.24

Members of the Public may sign up for Public Comment via the CHAT by 9:00 a.m.
Comments left in the chat will not be acknowledged. written comments may be submitted to the Clerk of the Board, pcarver@bpl.org

BPL OPENING STATEMENT

The Trustees of The Boston Public Library reaffirm our commitment to racial equity and to principles of diversity equity and inclusion, more broadly.

The Library is formally committed to becoming an anti-racist organization in response to systemic racism, inequity, and injustice prevalent in our society.

We acknowledge also that the Boston Public Library's Central Library stands on land that was once a water-based ecosystem providing sustenance for the indigenous Massachusetts people *and is a place which has long served as a site of meeting and exchange among nations*. We are committed to land acknowledgements for all locations at which we operate.

We reaffirm this commitment to set the context for our planning, deliberations, and public engagement so that they take place from the spirit of welcome and respect, found in our motto 'free to all.'

Taken from the Institutional Statement Ratified by the Board of Trustees for the Boston Public Library on September 29, 2020.

F&A COMMITTEE

Evelyn Arana Ortiz, Committee Chair

- Welcome Remarks
- Roll Call of Committee Members
- Approval of the Special Meeting Minutes of 12.19.23

FY25 City Operating Budget

Budget Request Submitted on January 12th

- 2% increase on maintenance budget

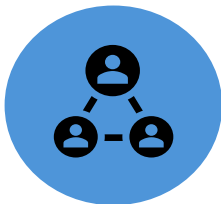
	FY24	FY25 <i>(proposed)</i>
City Operating Budget Request	\$48,379,137	\$49,308,309
External Funding Budget	\$8,576,493	\$9,341,835

FY25 City Budget Submission

INVESTMENT PROPOSALS



SAFETY & SECURITY



SOCIAL WORK



YOUTH SERVICES



FACILITIES

Areas of Need:
Facilities & IT

CAPITAL PROJECTS

ACTIVE:

Fields Corner

Chinatown

Connolly

South End

Uphams Corner

Hyde Park

Egleston Square

West End

PLANNED:

North End

Codman Square

South Boston

OTHERS TO NOTE:

McKim Master Plan

Collections Study

E-RATE CONTRACT VOTES

Emily Tokarczyk, Chief Financial Officer & Keith Gillette, Chief Technology Officer

1. MBLN Internet Access (BPL)

VOTED: “that, the Finance and Audit Committee of the Public Library of the City of Boston approve the one-year contract, with two 1-year renewals, not to exceed Thirty-Nine Thousand Six Hundred Dollars and Zero Cents (39,600.00) with City of Boston Department of Innovation and Technology, City Hall Room 703, Boston, MA 02201”

2. MBLN Layer 2 (BPL Central-Markley)

VOTED: “that, the Finance and Audit Committee of the Public Library of the City of Boston approve the one-year contract, with two 1-year renewals, not to exceed Forty-Two Thousand Dollars and Zero Cents (\$42,000) with City of Boston Department of Innovation and Technology, City Hall Room 703, Boston, MA 02201”

3. MBLN Multi-Site Connectivity (BPL)

VOTED: “that, the Finance and Audit Committee of the Public Library of the City of Boston approve the one-year contract, with two 1-year renewals, not to exceed Two Hundred Forty Thousand Two Hundred Forty Dollars and Zero Cents (\$240,240.00) with City of Boston Department of Innovation and Technology, City Hall Room 703, Boston, MA 02201”

APPROVAL VOTES

A BPL Digital Signage Software

Keith Gillette, Chief Technology Officer

VOTED: “that, the Finance and Audit Committee of the Public Library of the City of Boston approve the five-year contract with Hypersign, LLC of PO Box 877, Drayton, SC 29333 for Fifty-Four Thousand Eight Hundred Ninety-One Dollars and Sixty-Four Cents (\$54,891.64).”

B. Purchase of 1513 Book of Psalms

Beth Prindle, Chief of Research & Special Collections and Jay Moschella, Curator of Rare Books

VOTED: “that, the Finance and Audit Committee of the Public Library of the City of Boston approve the purchase of rare book, *1513 Book of Psalms*, from Michael Graves Johnston Antiquarian & Rare Books, 54 Stockwell Park Road, London SW9 ODA, UK, for seventy thousand pounds (£70,000 or approximately Eighty-Eight Thousand Two Hundred Dollars and Zero Cents (\$88,200).”

RECOMMENDATION VOTES

A. e-Rate MBLN Core Network Switch Replacement (BPL)

Emily Tokarczyk, Chief Financial Officer and Keith Gillette, Chief Technology Officer

VOTED: “that, the Finance and Audit Committee of the Public Library of the City of Boston recommend the Board of Trustees approve a three-year contract not to exceed Two hundred Twenty-Four Thousand Five Hundred Fifty Dollars and Twenty-Six Cents (\$224,550.26) with ePlus Technology, Inc of 13595 Dulles Technology Drive, Herndon, VA 20171.”

B. Security Guard Contract

Emily Tokarczyk, Chief Financial Officer and Joshua Rosenthal, Director of Operations

VOTED: “that, the Finance and Audit Committee of the Public Library of the City of Boston recommend the Board of Trustees vote to approve a three-year contract in the amount of Five Million Six Hundred Ninety-One Thousand Nine Hundred Eighty-Seven Dollars and Sixty Cents (\$5,691,987.60) with Allied Universal Security Services, 580 Harrison Avenue, Boston, MA 02118, for guard and patrol services for the entire BPL System per the Request for Proposal (“RFP”) specifications.”



MARKET AND PORTFOLIO UPDATE

BOSTON PUBLIC LIBRARY

MARCH 5, 2024

Sebastian Grzejka, CAIA, Partner



PROPRIETARY & CONFIDENTIAL

NEPC'S ANNUAL INVESTMENT CONFERENCE

SAVE THE DATE

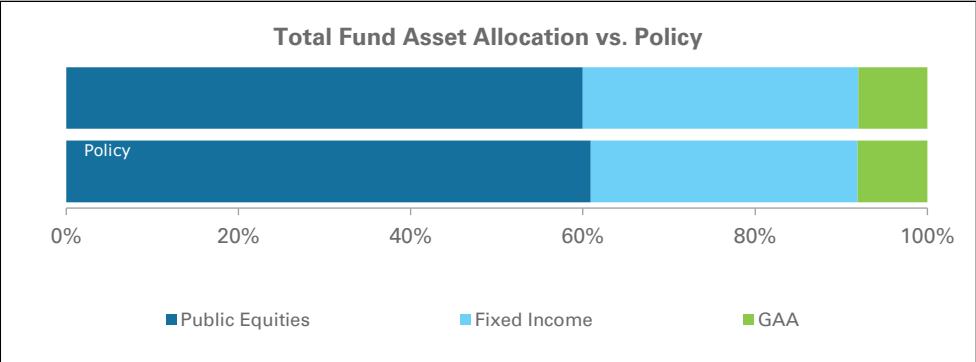
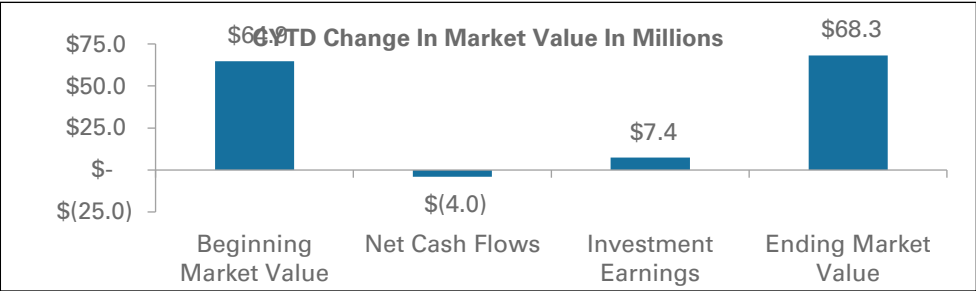
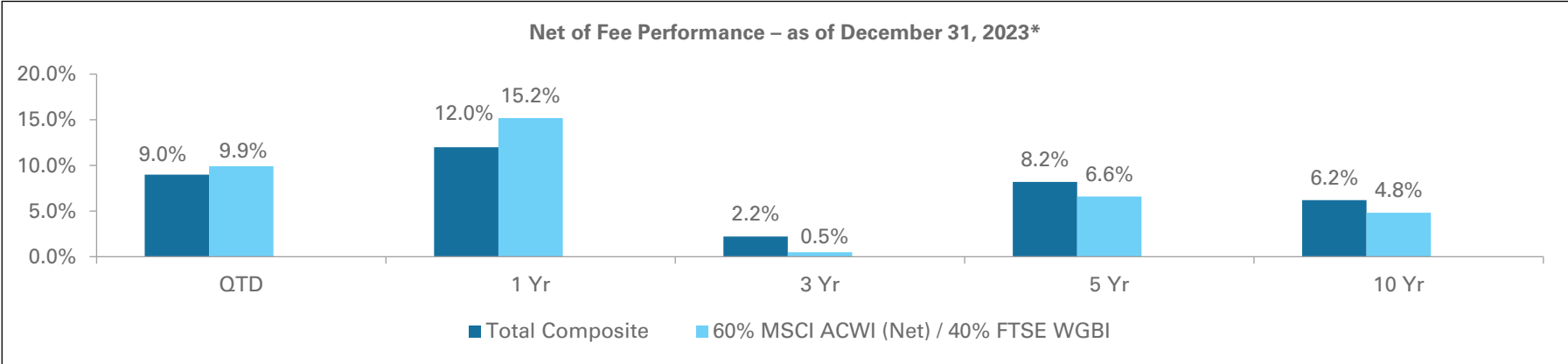
- Please save the date for our Investment Conference on **Monday, September 9** and **Tuesday, September 10**
- We are thrilled to welcome you back to Boston this year at the **Westin Copley Place Hotel**
- In addition to our dynamic speakers and breakout sessions, there will also be plenty of opportunities to network with your peers
- Registration and additional details will follow in the coming months. Please reach out to Sarah Winrow: swinrow@nepc.com with any questions



EXECUTIVE SUMMARY



BOSTON PUBLIC LIBRARY EXECUTIVE SUMMARY



Overview of recent implementation decisions and priorities:

- **Recommendations**
 - Portfolio rebalancing to be discussed at upcoming BPL Board meeting
 - Asset allocation review to be discussed at the upcoming BPL Board meeting

YTD Performance Update:

- **Contributors:**
 - Overall large cap exposure, driven by the S&P 500 helped returns for the year
 - Fixed income managers provided sound absolute returns and yield for the year
- **Detractors:**
 - Impax Global Equity struggled on a relative basis, trailing their benchmark by over 100 bps



* Periods greater than one year are annualized
* New Policy targets approved in 3/2021

TOTAL FUND PERFORMANCE DETAIL (NET)

	Allocation			Performance (%)							
	Market Value (\$)	% of Portfolio	Policy (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Composite	68,344,215	100.0	100.0	9.0	12.0	2.2	8.2	6.8	6.2	9.0	Jan-81
60% MSCI ACWI (Net) / 40% FTSE WGBI				9.9	15.2	0.5	6.6	6.1	4.8	-	
Total Domestic Equity	20,438,318	29.9	29.0								
SSgA SRI S&P 500	7,866,630	11.5		11.7	26.4	9.2	15.3	13.4	12.0	13.9	Jan-09
S&P 500 Index				11.7	26.3	10.0	15.7	13.4	12.0	14.0	
Diamond Hill Large Cap Class Y Shares	7,765,774	11.4		11.5	13.8	7.5	12.4	-	-	-	Mar-17
Russell 1000 Value Index				9.5	11.5	8.9	10.9	-	-	7.9	
Segall Bryant & Hamill Small Cap	4,805,914	7.0		11.9	14.1	7.2	14.1	11.3	-	9.6	Jan-15
Russell 2000 Index				14.0	16.9	2.2	10.0	7.3	-	7.4	
Total Non-US Equity	13,245,601	19.4	19.0								
Total International Equity	8,977,937	13.1	12.0								
Earnest International Equity Investment Trust Fund	8,977,937	13.1		9.7	17.7	4.8	9.8	8.2	-	5.3	May-14
MSCI AC World ex USA (Net)				9.8	15.6	1.5	7.1	6.3	-	3.8	
Total Emerging Markets Equity	4,267,664	6.2	7.0								
UBS EME HALO	4,267,664	6.2		8.8	8.8	-9.6	-	-	-	1.9	Jun-19
MSCI Emerging Markets (Net)				7.9	9.8	-5.1	-	-	-	3.1	
Total Global Equity	7,936,763	11.6	12.0								
Impax Global Resource Optimization Fund	7,936,763	11.6		12.1	10.2	-0.1	-	-	-	15.7	Apr-20
MSCI AC World Index (Net)				11.0	22.2	5.7	-	-	-	16.1	
Total Domestic Fixed Income	21,194,634	31.0	32.0								
IR&M Core Bond Fund II	5,703,289	8.3		6.6	5.6	-3.2	0.5	0.8	1.5	3.1	Mar-07
Blmbg. U.S. Aggregate Index				6.8	5.5	-3.3	1.1	1.3	1.8	3.0	
SSgA Treasury Inflation Protected Securities	4,010,337	5.9		4.5	3.9	-1.1	3.1	-	-	2.3	Jan-18
Blmbg. U.S. TIPS				4.7	3.9	-1.0	3.2	-	-	2.4	
Manulife Strategic Fixed Income	3,796,344	5.6		6.5	7.5	-1.1	2.9	2.3	-	2.3	Jan-17
Blmbg. Global Aggregate				8.1	5.7	-5.5	-0.3	0.6	-	0.6	
State Street U.S. Treasury Index Non-Lending Common Trust Fund	5,804,445	8.5		5.6	4.1	-	-	-	-	-3.3	Jun-21
Blmbg. U.S. Treasury Index				5.7	4.1	-	-	-	-	-3.2	
Vanguard Short-Term Corp Bond	1,880,219	2.8		4.1	-	-	-	-	-	4.3	Jul-23
Blmbg. U.S. Corporate 1-5 Year Index				4.1	-	-	-	-	-	4.4	
Total Balanced - GAA	5,528,899	8.1	8.0								
PIMCO All Asset	5,528,899	8.1		6.7	8.6	3.5	6.0	5.5	4.2	-	Jun-12
PIMCO All Asset Index				6.8	8.4	-0.6	3.6	3.2	3.3	3.3	

-PIMCO All Asset Index consists of 40% Bloomberg Aggregate / 30% Bloomberg US TIPS Index/ 10% S&P 500 / 10% HY / 10% JPM EMBI + TR
 -New Policy % targets as of 4/1/2020; Returns are net of fees.
 -Fiscal year starts 7/1

CAPITAL MARKETS OVERVIEW AND OUTLOOK



PROPRIETARY & CONFIDENTIAL

Q4 2023 IN REVIEW

- **U.S. stocks broadly outperformed during Q4**

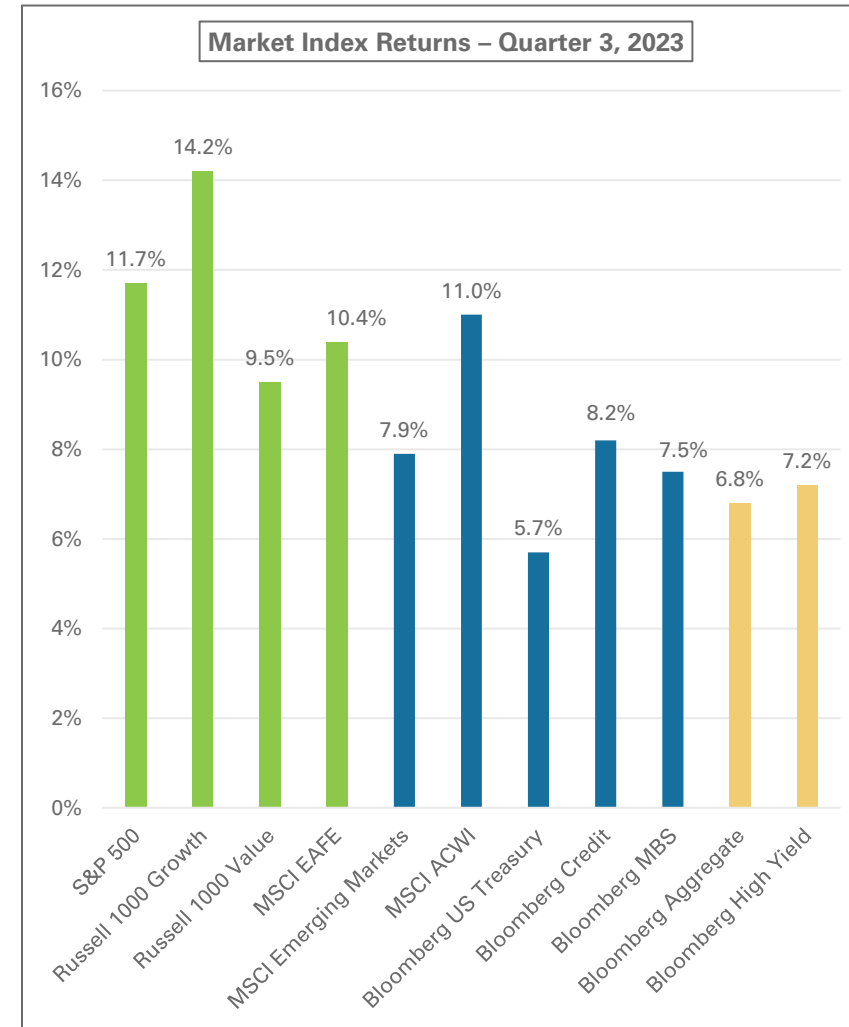
- The fourth quarter witnessed robust performance in U.S. equities, driven by lower inflation figures and strong economic data
- The S&P 500 index surged by nearly 12% during the quarter and concluded the year with an impressive gain of over 26%.

- **International equity markets experienced similar gains due to lower interest rate fears and strong small cap performance**

- International developed and emerging market equities posted positive performance, with the MSCI EAFE Index returning 10% in the fourth quarter and an impressive 18% for the entire year.
- The MSCI EM Index recorded approximately 8% gains in the fourth quarter, contributing to a solid 10% increase for the year 2023, demonstrating resilience in emerging markets.

- **Fixed income markets suffered amidst continued messaging from the Fed of higher interest rates**

- Treasuries experienced a turnaround in the fourth quarter, driven by a more dovish Federal Reserve, resulting in a rally in shorter maturities.
- Credit spreads tightened in fixed-income markets, leading to positive returns, with investment-grade corporate bonds seeing a 22 basis point reduction in spreads and high-yield corporate bonds experiencing a substantial 71 basis point reduction.



CURRENT MARKET OUTLOOK



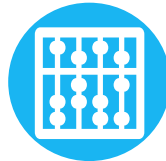
Better-than-expected economic data pushed out market rate cut expectations, even as markets remain biased to lower rates



The Magnificent 7 supported broader index returns as stronger-than-expected earnings bolstered performance



We are concerned about U.S. mega-caps and suggest reducing exposure, while maintaining U.S. large-cap value exposure



We remain comfortable holding greater levels of cash to heighten portfolio liquidity levels



U.S. TIPS remain attractive with normalized real interest rate levels and subdued breakeven inflation expectations

MAGNIFICENT SEVEN

DOMINANT PERFORMANCE IN 2023



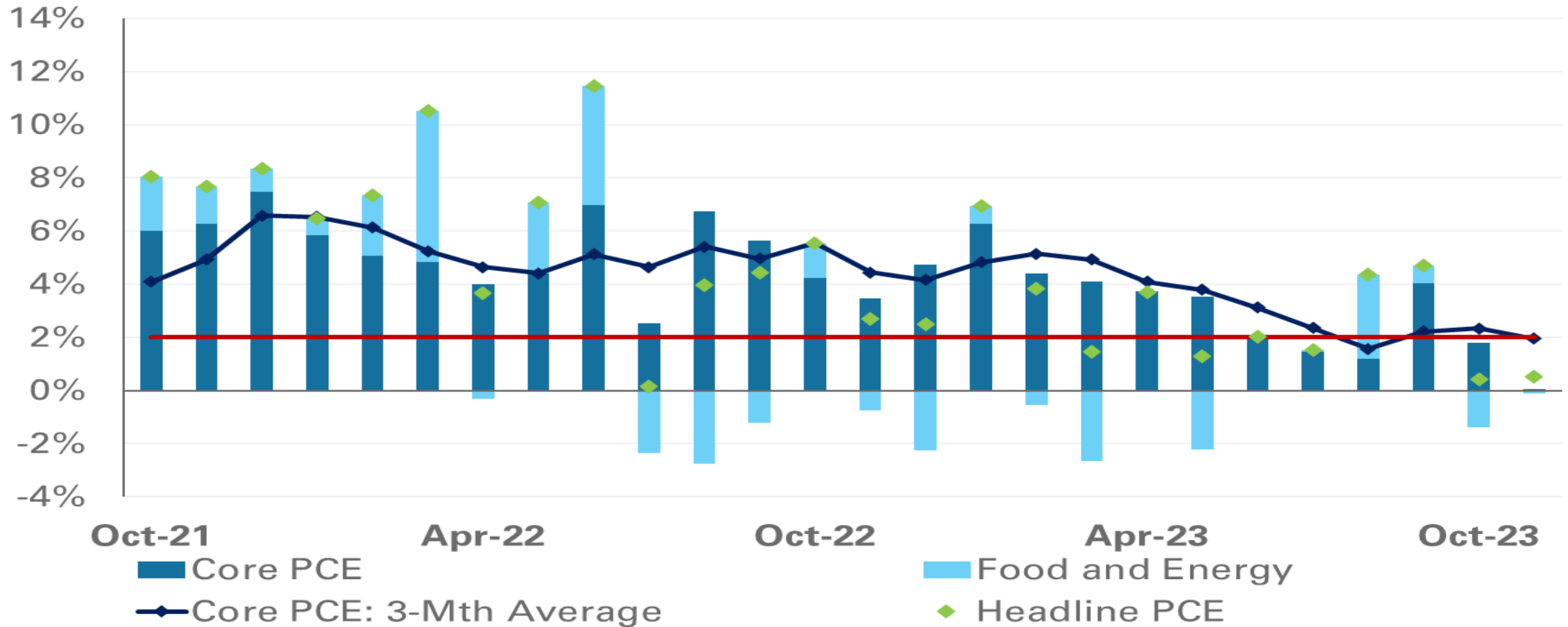
INVESTOR SENTIMENT SURGED IN 2023

INVESTORS INTELLIGENCE BULLISH SENTIMENT INDEX



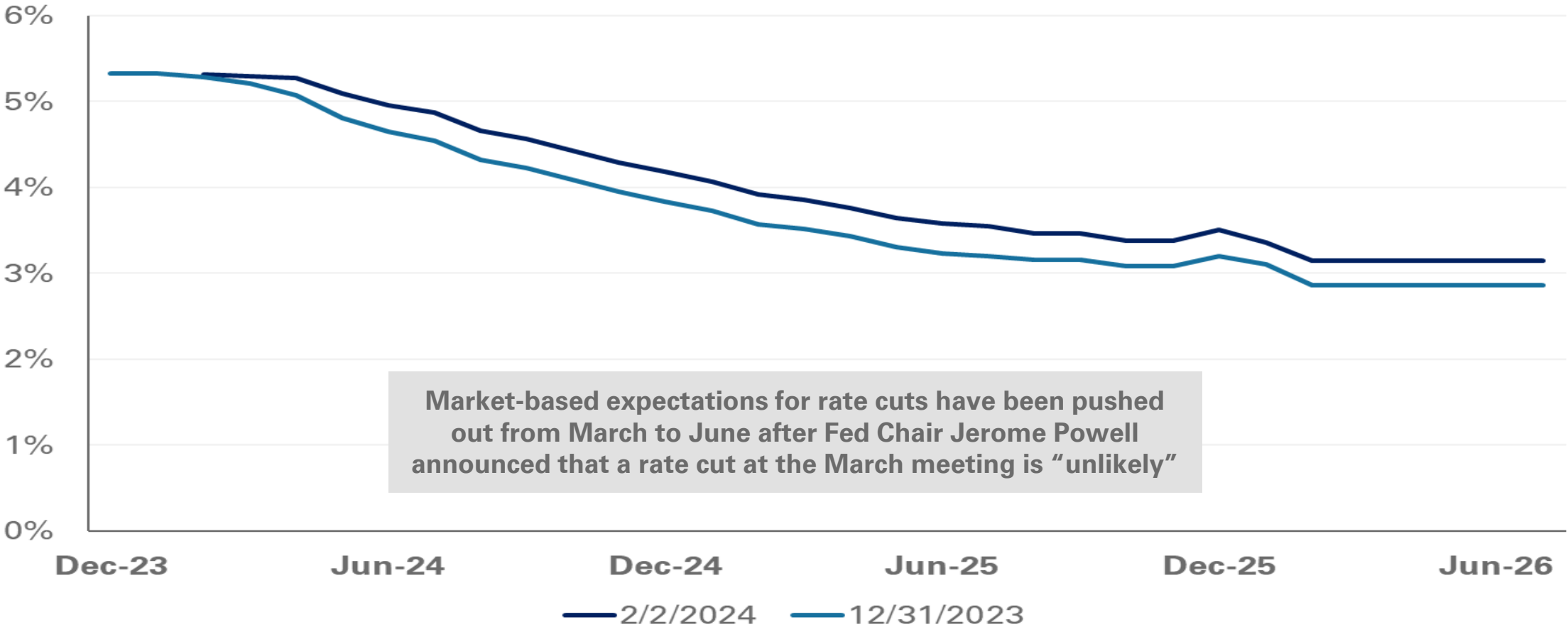
CORE INFLATION TRENDED TO THE FED'S TARGET

ANNUALIZED MONTHLY U.S. PCE PRICE INDEX CHANGES





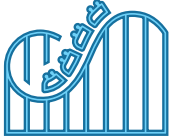

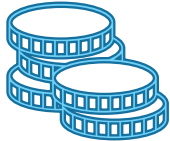



THE MARKET NOW EXPECTS FIVE CUTS IN 2024

FEDERAL FUND FUTURES



MARKET BACKDROP

		2022	2024			2022	2024
	S&P 500	4,766	4,769		Fed Funds	0.25	5.50
	IG OAS	0.92	0.99		US 10 Year	1.51	3.88
	HY OAS	2.93	3.23		CPI	7.19	3.12
	Gold	1,895	2,072				
	Oil	75	72				

2024 MARKET THEMES

NEPC MARKET OUTLOOK



Cost of Capital

Economy is not acclimated to long-term interest rate environment of 4% or higher



Magnificent Seven

Priced for Perfection: Sky-high earnings growth expectations challenge potential valuation upside



U.S. Fiscal Debt

Fundamentals suggest perpetual deficit cycle requires higher interest rates



Artificial Intelligence

AI Proof Statement: Novel products and successful adoption will test valuations in 2024



Geopolitics

The speed of information amplifies tail risks; look to rebalance opportunities amid volatility

ASSET ALLOCATION UPDATE



PROPRIETARY & CONFIDENTIAL

INVESTMENT REGIME SHIFTS TAKE TIME

2024 MARKET OUTLOOK



Economic Resilience

Robust labor market reinforces a “no recession” outcome for the U.S.



Long and Variable Monetary Policy Lag

Access to capital and liquidity slowly adjusting to the investment landscape



Higher for Longer Interest Rates

Market participants have not accepted long-term interest rates above 4%



Inflation Expectations Are Awry

Market expectations are anchored to the low inflation levels of the past decade



Geopolitical Dynamics

Geopolitical trends are straining supply chains and macroeconomic conditions

NEPC STRATEGIC ASSET ALLOCATION VIEWS

The current efficient frontier curve has flattened - a flat risk curve reduces the marginal benefit of adding risk to the portfolio

The market environment offers a challenging path for several years and will be difficult to repeat the last decade of strong returns

Be mindful of long-term wealth objectives as shifts to fixed income from equity limit the potential return upside for portfolios

Equity exposure over the long-term offers a wider range of outcomes and can provide returns well-above median expectations

ASSET ALLOCATION OVERVIEW

The current allocation is structured to utilize a balanced, total return approach. We recommend minor adjustments, while maintaining risk and return objectives.

	Current Policy	Recommended Target	Recommended Policy Ranges
Large Cap	22%	22%	20%-40%
SMID Cap	7%	7%	
Global Equity	12%	15%	10%-18%
Non US Equity	12%	10%	8%-15%
Emerging Equity	7%	6%	3%-10%
Total Equity	60%	60%	
US Aggregate Bonds	10%	10%	25%-35%
Multi Sector Credit	8%	12%	
TIPS	7%	4%	
US Treasury Bonds	7%	8%	
Total Debt	32%	34%	
Multi Asset	8%	6%	4%-10%
Total Multi Asset	8%	6%	
<i>Measure*</i>			
<i>Expected Return (10 Years)</i>	5.5%	5.5%	
<i>Standard Deviation</i>	12.3%	12.3%	
<i>Sharpe Ratio (10 Years)</i>	0.13	0.13	

The recommended target looks to adjust exposure towards areas of market opportunities, much of which can be achieved through rebalancing.

In equity, increase in global equity looks to focus on flexibility and an area of strong active management.
Given the size of the allocation, we recommend adding a complementary manager to Impax.

In fixed income, focus on balancing defensiveness, liquidity and yield. Diversified credit offers access to higher yielding assets in today's market.

REBALANCING RECOMMENDATION

Asset Allocation Rebalance Summary

January 31, 2024

	Market Value	Current Weight in Fund	Target Weight	Over/Under%	Recommendation	New Market Value	New Weight
Composite	\$66,188,643	100.0%	100.0%	-1.3%	-\$3,808,000	\$62,380,643	100.0%
Total US Equity	\$20,600,993	31.1%	29.0%	2.1%	-\$1,708,000	\$18,892,993	30.3%
SSgA SRI S&P 500	\$8,086,208	12.2%	11.0%	1.2%	-\$308,000	\$7,778,208	12.5%
Diamond Hill Large Cap	\$7,777,977	11.8%	11.0%	0.8%	-\$1,400,000	\$6,377,977	10.2%
Segall Bryant Small Cap	\$4,736,808	7.2%	7.0%	0.2%	\$0	\$4,736,808	7.6%
Total Non US Equity	\$12,738,847	19.2%	19.0%	-1.1%	-\$2,600,000	\$10,138,847	16.3%
Earnest International Equity	\$8,632,544	13.0%	12.0%	1.0%	-\$2,000,000	\$6,632,544	10.6%
UBS Emerging Markets HALO	\$4,106,303	6.2%	7.0%	-0.8%	-\$600,000	\$3,506,303	5.6%
Total Global Equity	\$7,505,102	11.3%	12.0%	-0.7%	\$2,000,000	\$9,505,102	15.2%
Impax	\$7,505,102	11.3%	12.0%	-0.7%	-\$1,000,000	\$6,505,102	10.4%
New Global Equity Manager	\$0	0.0%	0.0%	0.0%	\$3,000,000	\$3,000,000	4.8%
Total Fixed Income	\$20,231,831	30.6%	32.0%	-1.4%	-\$200,000	\$20,031,831	32.1%
IRM Core Bond	\$5,503,132	8.3%	10.0%	-1.7%	\$0	\$5,503,132	8.8%
SSgA TIPS	\$3,951,922	6.0%	7.0%	-1.0%	-\$1,200,000	\$2,751,922	4.4%
SSgA Treasury	\$3,666,466	5.5%	7.0%	-1.5%	\$0	\$3,666,466	5.9%
Manulife	\$5,288,049	8.0%	8.0%	0.0%	\$0	\$5,288,049	8.5%
Vanguard Short Corporate (VSTBX)	\$1,822,262	2.8%	0.0%	2.8%	\$1,000,000	\$2,822,262	4.5%
Total Multi Asset	\$5,111,870	7.7%	8.0%	-0.3%	-\$1,300,000	\$3,811,870	6.1%
PIMCO All Asset	\$5,111,870	7.7%	8.0%	-0.3%	-\$1,300,000	\$3,811,870	6.1%

CORE ASSET CLASS RETURN ASSUMPTIONS

	Asset Class	12/31/23 10-Year Return	12/31/22 10-Year Return	Delta
	Cash	3.9%	4.0%	-0.1%
	U.S. Inflation	2.6%	2.5%	+0.1%
Equity	U.S. Large-Cap Equity	4.4%	5.4%	-1.0%
	Non-U.S. Developed Equity	4.6%	5.6%	-1.0%
	Emerging Market Equity	8.6%	9.6%	-1.0%
	Global Equity*	5.4%	6.3%	-0.9%
	Private Equity*	9.0%	9.2%	-0.2%
Fixed Income	U.S. Treasury Bond	4.2%	4.2%	-
	U.S. Municipal Bond	3.5%	4.4%	-0.9%
	U.S. Aggregate Bond*	4.6%	4.8%	-0.2%
	U.S. TIPS	4.6%	4.4%	+0.2%
	U.S. High Yield Corporate Bond	6.1%	7.1%	-1.0%
	Private Debt*	8.3%	8.8%	-0.5%
Real Assets	Commodity Futures	4.6%	4.2%	+0.4%
	REIT	6.0%	6.2%	-0.2%
	Gold	4.9%	5.1%	-0.2%
	Real Estate - Core	5.4%	4.0%	+1.4%
	Private Real Assets - Infrastructure	6.8%	6.6%	+0.2%
Multi-Asset	60% S&P 500 & 40% U.S. Aggregate	4.8%	5.3%	-0.5%
	60% MSCI ACWI & 40% U.S. Agg.	5.4%	6.0%	-0.6%
	Hedge Fund*	6.1%	6.5%	-0.4%

*Calculated as a blend of other asset classes



APPENDIX



U.S. INFLATION ASSUMPTIONS

OVERVIEW

- Inflation is a key building block to develop asset class assumptions
- Inflation assumptions are model-driven and informed by multiple inputs for both the U.S. and global assets
- NEPC's inflation assumption forecasts near-term paths for major Consumer Price Index (CPI) components including food, energy, core services, and shelter costs
 - CPI is expected to converge with breakeven inflation rates over the long-term
- A composite inflation assumption reflects a blend of NEPC's inflation forecast and market-implied breakeven inflation rates

Region	10-Year Inflation Assumption	12-Month Change	30-Year Inflation Assumption	12-Month Change
United States	2.6%	+0.1%	2.6%	-

INFORMATION DISCLAIMER

Past performance is no guarantee of future results.

The goal of this report is to provide a basis for substantiating asset allocation recommendations. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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New Business

**BOSTON
PUBLIC
LIBRARY**



Evelyn Arana Ortiz, Committee Chair

Public Comment

**BOSTON
PUBLIC
LIBRARY**



- People will be chosen in the order they were received and allowed 2 minutes to speak.
- The Moderator will unmute your mic when you are called on.
- Comments made in chat during meeting will not be acknowledged.
- If follow up is required, please send your contact email or phone number to the Clerk of the Board at pcarver@bpl.org

Adjournment

**BOSTON
PUBLIC
LIBRARY**



- **Next Committee meeting is scheduled for 5.14.24*

Please check the BPL website for details/changes