

**MASSACHUSETTS WATER RESOURCES  
AUTHORITY EMPLOYEES' RETIREMENT  
BOARD MEETING  
JANUARY 29, 2015**

A meeting of the MWRA Employees' Retirement Board was held on January 29, 2015 at 10:00 a.m. at the offices of the MWRA, 2 Griffin Way, Chelsea, MA. The following Board Members were present: Thomas J. Durkin, James M. Fleming, and Kevin McKenna. Frank Zecha arrived while the meeting was in progress. Joseph C. Foti was absent. Sheryl C. Trezise, Executive Director, and Julie McManus, Retirement Coordinator, were also present. Attorney Thomas F. Gibson was present as Board Counsel. Sebastian Grzejka was present from New England Pension Consultants (NEPC) as Investment Consultant. Chairman Fleming called the meeting to order at 10:18 a.m.

- 1) Call the meeting to order
  
- 2) Committee Reports
  - By-Laws Committee: No Report
  - Human Resources Committee: No Report
  - Special Committee, Stipend: No Report
  
  - Increase to COLA Base: No Report
  - Section 101 Survivors: No Report
  - 12(2)(d): No Report
  
- 3) Annual Eligibility Certifications – for Board Members who started after 4/2/2012. It was determined that Mr. McKenna was the only Member required to fill out the Annual Eligibility form.
  
- 4) Board Member Education – discussion. Attorney Gibson stated that Public Employee Retirement Administration Commission (PERAC) sent Board Members a Statement of completion of Education Form listing courses completed for calendar year 2014. Board Members should correct the statement and send it back to PERAC if they believe there are discrepancies. Attorney Gibson that there are a couple of Board Members in the Commonwealth who did not complete the required training hours and will be removed from their Board's at the end of their terms.
  
- 5) a) Approval of the Executive Session Minutes 10/30/14, tabled 12/18/2014– VOTE

On motion by Kevin McKenna and seconded by Thomas J. Durkin:

**VOTED**

to remove the Executive Session Minutes 10/30/14 from the table. 3-0

On motion by Thomas J. Durkin and seconded by Kevin McKenna:  
**VOTED**  
 to approve the Executive Session Minutes 10/30/14. 3-0

b) Approval of the Minutes 11/20/14, tabled 12/18/2014– VOTE

On motion by Thomas J. Durkin and seconded by Kevin McKenna:  
**VOTED**  
 to remove the Minutes 11/20/14 from the table. 3-0

On motion by Thomas J. Durkin and seconded by Kevin McKenna:  
**VOTED**  
 to approve the Minutes 11/20/14. 3-0

c) Approval of the Minutes 12/18/14 – VOTE

On motion by Thomas J. Durkin and seconded by Kevin McKenna:  
**VOTED**  
 to approve the Minutes 12/18/14. 3-0

d) Approval of the Executive Session Minutes 12/18/14 – VOTE

On motion by Thomas J. Durkin and seconded by Kevin McKenna:  
**VOTED**  
 to approve the Executive Session Minutes 12/18/14. 3-0

Discussion regarding the annual review of Executive Session Minutes, which is done in July. Attorney Gibson stated that Executive Session Minutes which contain medical information can never be released but others that contain the discussion of salaries may possibly be able to be released.

6) a) Approval of the 12/2014 Warrant – VOTE

On motion by Thomas J. Durkin and seconded by Kevin McKenna:  
**VOTED**  
 to approve the 12/2014 Warrant as presented. 3 -0

b) Approval of the 1/2015 Warrant – VOTE

On motion by Thomas J. Durkin and seconded by Kevin McKenna:  
**VOTED**  
 to approve the 1/2015 Warrant as presented. 3 -0

## 7) Approval of Monthly Transfers 1/2015 – VOTE

On motion by Thomas J. Durkin and seconded by Kevin McKenna:

**VOTED**

to approve the Monthly Transfers 1/2015 as presented. 3-0

## 8) Approval of Bank Reconciliation 12/2014 – VOTE

On motion by Kevin McKenna and Thomas J. Durkin:

**VOTED**

to approve Bank Reconciliation 12/2014. 3-0

Mr. Zecha entered the meeting at 10:50 a.m.

## 9) Refunds: Patricia O'Brien (John O'Brien) &amp; Kevin Danahy – VOTE

Discussion. Ms. Trezise stated that Patricia O'Brien's refund was for deceased active member John O'Brien's contributions. Mr. Durkin asked what was the process for notifying deceased active's member's families regarding their options and Ms. Trezise said that we normally wait a week to ten days after the death because Human Resources reaches out to the family first and Staff contacts the family if family members haven't contacted us. Ms. Trezise said that PBI death auditing will also notify us of a deceased member or retiree. Mr. McKenna congratulated the Staff on the handling of the 12(2)(d) question raised at the seminar in December and their ongoing educating of member's regarding the 12(2)(d) benefit.

On motion by Kevin McKenna and Thomas J. Durkin:

**VOTED**

to approve the refunds for Patricia O'Brien and Kevin Danahy. 4-0

10) Acknowledgment of November 2014 Cash Books – VOTE  
(Trial Balance; Budget; Cash Receipts; Cash Disbursements;  
Adjustments)

On motion by Thomas J. Durkin and seconded by Frank Zecha:

**VOTED**

to Acknowledge November 2014 Cash Books. 4-0

11) Acknowledgement of retirement application under G.L. c 32 § 5 – VOTE  
Retirement Board Staff has verified that the necessary paperwork is in  
order and has determined applicant to be eligible for such benefit.  
Maurice Hall DOR 12/31/2014

On motion by Thomas J. Durkin and seconded by Kevin McKenna:

**VOTED**

to acknowledge Maurice Hall's G.L. c 32 § 5 retirement. 4-0

## 12) Chairman Election – VOTE

Mr. Durkin nominated James M. Fleming as Chairman noting that Mr. Fleming always brings dignity and real effort in his role as Chairman and he looks forward to the same going forward. Mr. McKenna seconded the nomination.

On motion by Thomas J. Durkin and seconded by Kevin McKenna:

**VOTED**

to elect James M. Fleming as Chairman. 3-0-1, with Mr. Fleming voting present. Mr. Fleming thanked the Board Members.

## Vice Chairman Election – VOTE

Mr. Zecha nominated Mr. Durkin as Vice Chairman and Mr. McKenna seconded the nomination.

On motion by Frank Zecha and seconded by Kevin McKenna:

**VOTED**

to elect Thomas J. Durkin as Vice Chairman. 3-0-1, with Mr. Durkin voting present.

## 13) COLA election for 3% for FY2016; SSA CPI is 1.7% - VOTE

On motion by Kevin McKenna and seconded by Frank Zecha:

**VOTED**

to notify the Authority that the Board will be voting on the FY2016 COLA at its March Board meeting. 4-0

## 14) Review of 1/1/2015 Actuarial Assumptions, tabled 12/18/2014

On motion by Thomas J. Durkin and seconded by Frank Zecha:

**VOTED**

to remove 1/1/2015 Actuarial Assumptions from the table. 4-0

Discussion. Mr. Durkin asked that the Board dispense with this item to be dealt with at a later date.

On motion by Thomas J. Durkin and seconded by Frank Zecha:

**VOTED**

to dispense with this item and deal with at a later date. 4-0

## 15) Mr. Zecha congratulated Mr. Durkin on his new position as Director of Finance at the Authority and said he hoped Mr. Durkin will continue on the Retirement Board. Mr. Durkin stated that he will be continuing on as a Retirement Board Member.

## 16) Benefits under G.L. c. 32 § 12(2)(d) – VOTE

- a. Acknowledgement of 12(2)(d) retirement for Yevsey Fabrikant survivor of Natalya Fabrikant, DOD 11/23/2014 – VOTE

On motion by Kevin McKenna and seconded by Thomas J. Durkin:

**VOTED**

to acknowledgement 12(2)(d) benefit for. Yevsey Fabrikant survivor of Natalya Fabrikant, DOD 11/23/2014. 4-0

- b. Approval of 12(2)(d) retirement application for Ellen Burke survivor of John Burke, DOD 11/4/2014 – VOTE

On motion by Thomas J. Durkin and seconded by Kevin McKenna:

**VOTED**

to approve 12(2)(d) retirement application for Ellen Burke survivor of John Burke, DOD 11/4/2014. 4-0

## 17) Travel Approval – VOTE

2015 NCPERS Annual Conference & Trustee Educational Seminar, May 2-7, 2015, New Orleans – VOTE

On motion by Frank Zecha and seconded by Kevin McKenna:

**VOTED**

to send up to two Board Members to 2015 NCPERS Annual Conference & Trustee Educational Seminar, May 2-7, 2015, New Orleans 3-1, with Mr. Durkin voting in the minority

## 18) Attorney Thomas F. Gibson/Legal Update –

- a) Alcentra new side letter – Attorney Gibson stated that we have the provisions we need in our current side letter and there is no need to amend it.
- b) Disability Status Update – Attorney Gibson stated that he has been in contact with Robin Koukias' worker's compensation attorney and her attorney for the third party action she has brought against the elevator company. Attorney Gibson cautioned the Board to expect little to no portion of the third party lawsuit as there is no precedent for a board being entitled to receive a portion of the settlement. Leo Douville's worker's compensation case is being settled and the System should be receiving its 20% soon.
- c) Invesco Bad Actor Provision – Attorney Gibson stated that this provision does not apply to us but stated there is no harm in signing

the form.

- d) PERAC Statement of Financial Interest – Attorney Gibson reminded the Board that each Member must file a Statement of Financial Interest with PERAC by May 1, 2015.
- e) PIMCO, Wellington & William Blair – side letters update/applications – Attorney Gibson stated that Wellington and William Blair contracts can be signed but that we are awaiting a response from PERAC regarding further clarification on PIMCO.
- f) DALA Hearing – George Vezina, January 13, 2015. Attorney Gibson stated that DALA Magistrate Mark Silverstein asked the General Counsel for the Commonwealth’s Department of Veterans’ Service (DVS), who was present at a separate “veteran” issue, if the DVS would like to opine in Mr. Vezina’s appeal and continued the hearing for sixty days, pending a determination by DVS as to whether they would wish to be heard.
- g) Military Leave – Attorney Gibson is still awaiting a response from the letter he sent to PERAC on the Board’s behalf.
- h) Robert Ponder DALA Update – Attorney Gibson reminded the Board that a hearing was held at the Division of Administrative Law Appeals for Mr. Ponder on December 9, 2014. Attorney Gibson stated that post-hearing briefs are due on February 13, 2015. The issue to be decided is whether Mr. Ponder’s injury was caused prior to Mr. Ponder’s employment or on the job at the Authority.
- i) Application Disability Retirement Medical Records – Attorney Gibson stated that a law written 30 years ago states that an accidental disability retirement should come before the board 180 days after the application is filed but that due to problems with the Staff obtaining medical records, it often takes much longer and members sometimes run out of worker’s compensation benefits. Attorney Gibson stated that the State Retirement Board puts the onus on the member to supply the medical and to certify that the medical records are complete. Attorney Gibson stated that this runs the risk that the medical records may not be complete.
- j) Attorney Gibson made the Board aware of a Contributory Retirement Appeals Board (CRAB) decision regarding worker’s compensation which is supplemented with sick leave not counting as regular compensation. PERAC needs approval from the Attorney General’s office to appeal. Attorney Gibson will keep the Board updated.

## 19) Stephen McDonough Section 7 Retirement Hearing

Mr. McDonough attended with his attorney Paul Nugent and opted to enter into Executive Session for the purpose of discussing the physical health of the applicant.

On motion by Frank Zecha and seconded by Kevin McKenna:

**VOTED**

to enter into Executive Session at 12:00 p.m. for the purpose of discussing the physical health of the applicant. 4-0, roll call with Mr. Durkin voting yes, Mr. McKenna voting yes, Mr. Zecha voting yes, and Mr. Fleming voting yes.

On motion by Thomas J. Durkin and seconded by Frank Zecha:

**VOTED**

to return to Open Session 12:28 p.m. 4-0, roll call with Mr. Durkin voting yes, Mr. McKenna voting yes, Mr. Zecha voting yes, and Mr. Fleming voting yes.

It was noted that a vote was taken in Executive Session to take the matter of Stephen McDonough's Section 7 Retirement under advisement pending the receipt of further documentation.

## 20) The following managers underwent annual investment manager reviews pursuant to 840 CMR 16.07. The managers presented performance and investment reports detailing the managers' activities which the Board reviewed.

Loomis, Sayles  
The Boston Company  
Invesco

The Board reviewed and compared the managers' performance with the Retirement System's investment goals and policies. The Board ensured that comprehensive written quarterly reports were filed with the Board and with PERAC, and that these reports included a review of investment performance and relative performance, a review of the System's investments, and a report on the investment managers, current investment outlook or forecast as well as strategy for the future, and key personnel staffing changes.

The Board determined that the investment managers continue to operate in a manner represented when retained and outlined in the agreement between the Board and the manager.

- 21) Presentation by Sebastian Grzejka/NEPC
- a) December 2014 Flash Report
  - b) Asset Allocation Review – VOTE

Discussion. Mr. Grzejka presented two possible Asset Allocation Mixes for the Board's consideration and recommended the Board adopt Mix A which would increase US Large Cap Equities target from the current 12% to 14%, decrease Diversified Fixed Income target from 15% to 12%, and increase Real Estate target from 6% to 7%.

On motion by Frank Zecha and seconded by Kevin McKenna:

**VOTED**

to accept NEPC's recommendation and adopt Asset Allocation Mix A. 4-0

- c) Rebalance Recommendation – VOTE  
Discussion.

On motion by Frank Zecha and seconded by Thomas J. Durkin:

**VOTED**

to accept NEPC's Rebalance Recommendation to withdraw \$1,500,000.00 from cash, withdraw \$3,000,000.00 from PIMCO, withdraw \$3,000,000.00 from Wellington, withdraw \$2,000,000.00 from MFS, withdraw \$2,000,000.00 from Intech and transfer \$10,000,000.00 to William Blair and \$1,500,000.00 to Schroders. 4-0

- d) 2015 Real Estate Search Review - Mr. Grzejka stated that he would present this at next month's meeting.
- e) Wellington Opportunistic Investment Fee Proposal – Wellington is proposing a change in the fee structure for the Opportunistic Investment (OI) strategy which allows current OI clients the option to continue with their current asset based fee schedule or accept a new capped performance-based fee option. Mr. Grzejka stated that NEPC recommends accepting this fee proposal change which will include an annual base fee of 65 basis points with a participation rate of 15% of net returns above the benchmark and will be capped at the Board's existing asset-based fee of 1.10%.

The Retirement Board was presented with the following documents at the meeting:

- NEPC December 2014 Flash Report
- NEPC Asset Allocation Review
- NEPC Rebalance Recommendation
- NEPC Real Estate Search Review
- NEPC Wellington Opportunistic Investment Fee Proposal



NEPC Manager Summaries for January Meeting  
 Loomis, Sayles Due Diligence Presentation  
 Boston Company Due Diligence Presentation  
 Invesco Due Diligence Presentation

The Retirement Board reviewed the following informational documents:

PERAC Memo #37/2014 - Tobacco List  
 PERAC Memo #38/2014 - Annual Review of Medical Testing Fee  
 PERAC Memo #1/2015 - 2015 Limits: c. 146 of the Acts of 2002  
 PERAC Memo #2/2015 - 2015 Limits: s. 23 of c. 131 of the Acts of 2010  
 PERAC Memo #5/2015 – 2015 Interest Rate @ .1%  
 PERAC Memo #6/2015 – 2015 Buyback & Makeup Worksheets  
 PRIT 12/14 Update  
 Robbins Geller PERAC Annual Disclosure  
 Robbins Geller Portfolio Monitoring Report 12/2014  
 Robbins Geller International Monitoring Report 12/2014  
 Labatow Sucharow 9/14 Securities Litigation  
 Berman DeValerio PERAC Annual Disclosure & Vendor Certification  
 2014 RhumbLine Proxy Votes  
 Loomis, Sayles 4<sup>th</sup> Quarter Proxy Votes

The meeting was adjourned at 3:40 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, February 26, 2015 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**



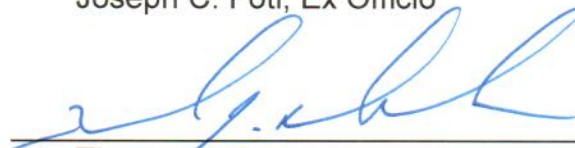
James M. Fleming, Elected Member



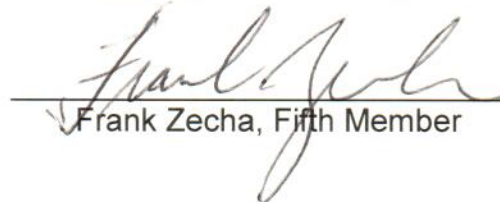
Kevin McKenna, Elected Member

**ABSENT**

Joseph C. Foti, Ex Officio



Thomas J. Durkin, Appointed Member



Frank Zecha, Fifth Member