

**MASSACHUSETTS WATER RESOURCES
AUTHORITY EMPLOYEES' RETIREMENT
BOARD MEETING
MAY 28, 2015**

A meeting of the MWRA Employees' Retirement Board was held on May 28, 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, Kevin McKenna, and Frank Zecha. James M. Fleming and Joseph C. Foti were absent. Sheryl C. Trezise, Executive Director, and Julie McManus, Retirement Coordinator, were also present. Attorney Thomas Gibson was present as Board Counsel. Sebastian Grzejka was present from New England Pension Consultants (NEPC) as Investment Consultant. Mr. Durkin chaired and called the meeting to order at 10:27 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) Declaration of Election – James M. Fleming – VOTE

On motion by Frank Zecha and seconded by Kevin McKenna:
VOTED
to declare James M. Fleming as the reelected Third Member of MWRA Employees' Retirement Board in accordance with M.G.L. Chapter 32, 840 CMR 7.00. 3-0
- 4) a) Approval of the Minutes 4/30/15 – VOTE

On motion by Kevin McKenna and seconded by Frank Zecha:
VOTED
to approve the Minutes 4/30/15 as presented. 2-0-1, with Mr. Durkin abstaining
- b) Approval of the Executive Session Minutes 2/26/15 – VOTE

On motion by Frank Zecha and seconded by Kevin McKenna:
VOTED
to approve the Executive Session Minutes 2/26/15 as presented. 3-0

- 5) Approval of the 5/2015 Warrant – VOTE

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to approve the 5/2015 Warrant as presented. 3-0

- 6) Approval of Monthly Transfers 5/2015 – VOTE

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to approve the Monthly Transfers 5/2015 as presented. 3-0

- 7) Approval of Bank Reconciliation 4/2015 – VOTE

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to approve Bank Reconciliation 4/2015. 4-0

- 8) a) Acknowledgment of January 2015 Cash Books – VOTE
(Trial Balance; Budget; Cash Receipts; Cash Disbursements;
Adjustments)

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to acknowledge January 2015 Cash Books. 3-0

- b) Acknowledgment of February 2015 Cash Books – VOTE
(Trial Balance; Budget; Cash Receipts; Cash Disbursements;
Adjustments)

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to acknowledge February 2015 Cash Books. 3-0

- 9) Acknowledgment of Retirement applications under G.L. c 32 § 5 & §7
– VOTE

Retirement Board Staff has verified that the necessary paperwork is in order and has determined applicants to be eligible for such benefit.

Stephen McDonough, ADR DOR 2/26/2015

Robert L'heureux DOR 3/28/2015

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to acknowledge Stephen McDonough's §7 retirement DOR 2/26/2015 and Robert L'heureux's §5 retirement DOR 4/30/2015. 3-0

10) PTG Document Scanning – VOTE

Discussion. Mr. Zecha noted for the record that he has worked with one of the principals of PTG and he utilizes PTG at the Brookline Retirement System but he is not an employee or consultant and will check with legal counsel to see if he can vote on this item. The sense of the Board was to table this item until there is a full Board.

On motion by Kevin McKenna and seconded by Frank Zecha:

VOTED

to table the item of PTG Document Scanning. 3-0

11) Travel Approval – VOTE

PRIM Conference, 11/5/2015 at Holy Cross – 3 credits

On motion by Kevin McKenna and seconded by Frank Zecha:

VOTED

to approve travel to PRIM Conference, 11/5/2015 at Holy Cross. 3-0

12) Manager Due Diligence Presentations/Summaries

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.

Intech
PRIM

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.

- 13) Presentation by Sebastian Grzejka/NEPC
- a) April 30, 2015 Flash Report
 - b) Energy Market Dislocation and Investment Opportunities
 - c) Investment Summary Quarter Ending 12/31/2014
 - d) Investment Summary Quarter Ending 3/31/2015
 - e) Fourth Quarter 2014 Real Estate Review
 - f) Fourth Quarter 2014 Private Markets Review
 - g) Mesirov Fund-of-Fund Transition to Courtland Partners – NEPC is okay with the transition and has negotiated a 12½ % fee decrease. Disclosures need to be filled out by Courtland.
 - h) Revisiting Active vs. Passive – will review at June meeting
 - i) Private Equity Program Review & 2015 Strategic Investment Plan – Discussion regarding the changing of the assumed rate of return from 8% to 7.75% and the positioning of the portfolio. Mr. Grzejka stated that the asset allocation adopted in January does not present any undue risk and the Board will review the asset allocation again next January. NEPC recommends the Board allocates \$10,000,000 for Vintage Year 2015 to Buyouts and/or Private Energy.

On motion by Kevin McKenna and seconded by Frank Zecha:

VOTED

to adopt the recommendation from NEPC to issue RFPs for Private Energy and Buyouts with a commitment of \$10,000.00. 3-0

- j) 2015 Work Plan
- k) Executive Summary IRR Performance Report – Invesco Mortgage
- l) 2014 Final Flash Report
- m) Rebalance Recommendation – VOTE

Discussion regarding the need for cash for capital calls and the ability to liquidate funds in between Board meetings. The suggestion was for Mr. Durkin to review and accept or deny recommendations from NEPC to liquidate funds if needed in between Board meetings.

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to authorize Mr. Durkin to review and accept or deny recommendations from NEPC to liquidate funds if needed for capital in between Board meetings. 3-0

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to accept the Rebalance Recommendation from NEPC and to withdraw \$1,000,000 from MFS Large Cap, \$2,000,000 from Intech Broad Large Cap, \$1,000,000 from Robeco Boston Partners, and \$1,000,000 from Loomis Sayles Small Cap and to hold in cash for capital calls and expenses.

- 14) Attorney Thomas Gibson/Legal Update –
- a) Invesco/TerraCap Update – Attorney Gibson stated that he has spoken with Joe Connarton/PERAC regarding the Invesco Mortgage Recovery Fund II and had given him the updated NEPC report. Mr. Connarton emailed Attorney Gibson saying that PERAC will meet this afternoon to finalize the System’s investment in Invesco.
- Mr. McKenna questioned if PERAC scrutinizes investments voted on by other Boards as much as they are scrutinizing this investment and Attorney Gibson stated that he believes PERAC has gone above and beyond in this instance. Mr. Durkin stated that he was opposed to both the Invesco and TerraCap funds as the choices of these managers seemed to be in violation of the consultant’s vetting process. Mr. McKenna stated that NEPC changed its ranking of Invesco from a “3” to a “2” prior to the Board’s vote and that NEPC’s real estate analyst had stated that Invesco was the only fund with “European exposure” and that he believed there were similarities in Europe as in the U.S. back in 2009. Mr. McKenna also stated that he did not vote for Blue Vista’s fund as they were deviating from student housing which was where they had previously been successful. Mr. Durkin stated that it appeared as though the consultant came forward with a report that almost justified the Board’s vote. Mr. Zecha asked Mr. Grzejka, for the record, if any of the Board Members had called NEPC prior to the vote and Mr. Grzejka answered in the negative. Mr. Zecha added that there have been many times that this Board voted for a “2” instead of a “1.” Mr. Durkin stated that his issue was that the Board’s vote seemed to have been a departure from past practice but that he does not wish the funds do poorly.
- b) Reimbursement of Board Member’s Lost Salary – Attorney Gibson stated such policy would ensure that Board Members who are employees of the employer that the System supports do not lose salary or benefits while attending educational conferences. Attorney Gibson stated in similar situations elsewhere when Board Members have had to absent themselves from work, agreements

have been reached with the employer whereby the Board would reimburse the employer for the employee's salary while attending retirement conferences. Ms. Trezise said that Chapter 176 of the Acts of 2011 has put an onerous burden on Board Members with regard to educational requirements.

- c) Military Service – Attorney Gibson will draft a letter to be sent to all the individuals who have been granted creditable service while on military leave stating what our records reflect for creditable service and advising them of their right to appeal it they do not agree with the amount of creditable service.
 - d) Ponder DALA Update
 - e) Vezina DALA Update – Attorney Gibson attended the DALA hearing on May 7, 2015; post-hearing briefs are due postmarked July 10, 2015.
 - f) Disability Status Update
 - g) ADR Stephen McDonough has received a worker's compensation settlement and the Board will be receiving its customary 20%.
 - h) ADR Ellen Pagnotta – Attorney Gibson received a call from Ms. Pagnotta's attorney regarding a possible worker's compensation settlement.
- 15) Job Posting – Executive Director – Mr. McKenna stated with the rate of retirements at this time of year, this job posting should be done sooner rather than later. Mr. Zecha stated that the job descriptions should be reviewed prior to posting the job.
- 16) Contract Employment – Discussion.

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to hire Sheryl Trezise on contract and allow her access to all the retirement records for up to 120 days. 3-0

Ms. Trezise stated that she would be working remotely from home and iterated that she would do anything she could to help with the transition. Mr. Durkin asked Ms. Trezise to coordinate with Mr. Fleming.

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to name Julie McManus as the Acting Executive Director at Ms. Trezise's current salary. 3-0

- 17) Mr. Zecha thanked Ms. Trezise for all her hard work and dedication and noted that it did not go unnoticed and that she would be missed.
- 18) Annual Affidavits were mailed to 502 Retirees/Survivors on 5/19/15 – FYI

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

- Intech Presentation
- PRIM Presentation
- NEPC April 2015 Flash Report
- NEPC Energy Market Dislocation and Investment Opportunities
- NEPC Investment Summary Quarter Ending 12/31/2014
- NEPC Investment Summary Quarter Ending 3/31/2015
- NEPC Fourth Quarter 2014 Real Estate Review
- NEPC Fourth Quarter 2014 Private Markets Review
- NEPC Mesirow Fund-of-Fund Transition to Courtland Partners
- NEPC Revisiting Active vs. Passive
- NEPC Private Equity Program Review & Strategic Investment Plan
- NEPC 2015 Work Plan
- NEPC Executive Summary IRR Performance Report – Invesco Mortgage
- NEPC 2014 Final Flash Report
- NEPC Rebalance Recommendation

The Retirement Board reviewed the following informational documents:

- PERAC Approval of Funding Schedule
- FY16 Local COLA Update
- Cerberus Supplemental Due Diligence Questionnaire
- Berman DeValerio Securities Class Action Settlement Report 1st Qtr 2015
- Berman DeValerio Portfolio Monitoring Report 1st Qtr 2015

The meeting was adjourned at 2:20 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, June 25, 2015 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**

ABSENT

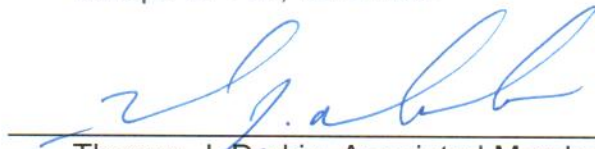
James M. Fleming, Elected Member



Kevin McKenna, Elected Member

ABSENT

Joseph C. Foti, Ex Officio



Thomas J. Durkin, Appointed Member



Frank Zecha, Fifth Member