

**MASSACHUSETTS WATER RESOURCES
AUTHORITY EMPLOYEES' RETIREMENT
BOARD MEETING
JULY 30, 2015**

A meeting of the MWRA Employees' Retirement Board was held on July 30, 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, Joseph C. Foti, Kevin McKenna, and Frank Zecha. Julie McManus, Acting Executive Director, was also present. Attorney Thomas 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 10:10 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
Job Review Committee: No Report

Increase to COLA Base: No Report
Section 101 Survivors: No Report
12(2)(d): No Report

- 3) PTG Document Scanning – VOTE

Discussion. Mr. Zecha stated that he previously worked with the principal of Pension Technology Group (PTG) but receives no financial benefit and he will be filing a disclosure with the State Ethics Commission. He will abstain for voting on this item.

On motion by Thomas J. Durkin and seconded by Joseph C. Foti:

VOTED

to approve PTG Document Scanning. 4-0-1, with Mr. Zecha abstaining

- 4) Annual review of Executive Session Minutes – VOTE

Discussion regarding the circumstances allowing the Board to release Executive Session Minutes.

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to table the Annual review of Executive Session Minutes until August meeting. 5-0

5) Comprehensive Annual Financial Report (CAFR)

- a) Acceptance of Comprehensive Annual Financial Report For the Year Ended December 31, 2014 – VOTE

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

VOTED

to accept Comprehensive Annual Financial Report For the Year Ended December 31, 2014. 5-0

- b) Change Order 2014 Audit – Schedule of Employer Allocation and Schedule of Pension Amounts by Employer – VOTE

Discussion. Mr. Durkin explained that the change order in the amount of \$3,000 is the result of the additional work by CliftonLarsonAllen for the new requirement for reports on the Schedule of Employer Allocation and Schedule of Pension Amounts by Employer. He stated that he believed the Authority's auditors KPMG would most likely be sending a change order as well. Mr. McKenna asked if he thought Segal would be sending us a change order for additional work and Mr. Durkin stated that he did not believe so.

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

VOTED

to approve CliftonLarsonAllen change order in the amount of \$3,000. 5-0

- c) Response to GFOA Special Review Committee's comments and suggestions for improvements related to 12/31/2013 CAFR – VOTE

Discussion.

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

VOTED

to accept the response to GFOA Special Review Committee's comments and suggestions for improvements related to 12/31/2013 CAFR as appropriate. 5-0

6) Approval of the 7/2015 Warrant – VOTE

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

VOTED

to approve the 7/2015 Warrant as presented. 5-0

- 7) Approval of Monthly Transfers 7/2015 – VOTE

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

VOTED

to approve the Monthly Transfers 7/2015 as presented. 5-0

- 8) Approval of Bank Reconciliation 6/2015 – VOTE

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

VOTED

to approve Bank Reconciliation 6/2015. 5-0

- 9) Acknowledgment of Retirement applications under G.L. c 32 §5 & §6 – VOTE

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

Rebecca Doherty	DOR 7/1/2015
Sherrie Sunter	DOR 7/10/2015
Joseph Cautillo	DOR 7/11/2015
Richard Staff	DOR 7/11/2015
Jianmin Dai	DOR 7/16/2015
Frederick Ryan	DOR 7/18/2015
Donna Merricks	DOR 7/18/2015
Michael Phillips	DOR 7/18/2015

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

VOTED

to acknowledge Rebecca Doherty's §5 retirement DOR 7/1/2015, Sherrie Sunter's §5 retirement DOR 7/10/2015, Joseph Cautillo's §5 retirement DOR 7/11/2015, Richard Staff's §5 retirement DOR 7/11/2015, Jianmin Dai's §5 retirement DOR 7/16/2015, Frederick Ryan's §5 retirement DOR 7/18/2015, Donna Merricks' §5 retirement DOR 7/18/2015, and Michael Phillips' §6 retirement DOR 7/18/2015. 5-0

- 10) Refund: Christopher Leone – VOTE

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

VOTED

to approve Christopher Leone's refund. 5-0

- 11) Buybacks:

a) Katherine Ronan – 1 year and 7 months MWRA contract employment – VOTE

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

VOTED

to approve Katherine Ronan's buyback of 1 year and 7 months MWRA contract employment. 5-0

- b) Nico James – 4 months Department of Environmental Protection employment – VOTE

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

VOTED

to approve Nico James' 4 months Department of Environmental Protection employment. 5-0

- 12) Approval of one month creditable service for Joanne Fulchino for the month of February 2015 pursuant to G.L. c. 32, s. 4(1)(c), which allows the Board to grant up to one month creditable service without contribution – VOTE

On motion by Kevin McKenna and seconded by Joseph C. Foti:

VOTED

to approve one month creditable service for Joanne Fulchino for the month of February 2015 pursuant to G.L. c. 32, s. 4(1)(c), which allows the Board to grant up to one month creditable service without contribution. 5-0

- 13) Travel Approval – PERAC Emerging Issues Forum, Thursday, September 17, 2015, Worcester, 3 credits – VOTE

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

VOTED

to approve travel to PERAC Emerging Issues Forum, Thursday, September 17, 2015, Worcester. 5-0

- 14) Investment Peer Rank & Score – Discussion

Mr. McKenna stated that he had reached out to Mary Kathryn Champion from Champion Capital Research who had presented at the June MACRS Conference, and she had provided the attached peer percentile ranking of an investment against a set of due diligence criteria for the Board's information.

- 15) Mr. Fleming stated that he had attended the Opal Financial Group Public Funds Summit East Conference in Newport, Rhode Island, July 20 – July 22, 2015 and the presentations were excellent.

16) Presentation by Sebastian Grzejka/NEPC

- a) June 30, 2015 Flash Report
- b) Foundry Venture Capital 2010 Annex, L.P. – VOTE. Discussion. Mr. Grzejka updated the Board on the Foundry Group's 2010 Annex fund which the Board opted to participate in and which was approved by PERAC. Mr. Grzejka stated that the additional commitment will be invested in companies that are already in Foundry Venture Capital 2010, Mr. Grzejka expects the Board's commitment to be approximately \$400,000. Mr. Grzejka will work with staff to complete the paperwork. Mr. Fleming commended Mr. Grzejka for working with PERAC and getting the approval so quickly.

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

VOTED

to approve investing in Foundry Venture Capital 2010 Annex, L.P. 5-0

- c) Active Large Cap Strategy RFP Ad – VOTE

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

VOTED

to approve the Active Large Cap Strategy RFP Ad. 5-0

- d) S&P Passive Index Strategy RFP Ad – VOTE

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

VOTED

to approve the S&P Passive Index Strategy RFP Ad. 5-0

- e) Rebalance Recommendation – VOTE

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

VOTED to accept the Rebalance Recommendation from NEPC to withdraw \$10,000,000 from cash and transfer \$1,000,000 to Schrodgers, \$1,500,000 to The Boston Company, \$2,000,000 to Lee Munder, \$1,000,000 to Invesco Core Bonds, \$1,000,000 to Loomis Sayles Multi Sector Bonds, \$500,000 to Permal, \$1,000,000 to Entrust, and \$2,000,000 to PRIT Core Real Estate. 5-0

- f) Invesco personnel update – NEPC will monitor any further changes but are not recommending action by the Board
- g) TA Associates personnel update – No action by the Board is required

- h) 2015 Work Plan
- i) Summary of 2015 Private Energy Search – VOTE

Mr. Grzejka stated that three firms responded to the search with three total funds, all of which met the target criteria. Discussion.

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

VOTED

to invite Denham Oil & Gas and Kayne Anderson Energy to present at the August 2015 meeting based on NEPC's recommendation.

5-0

17) Executive Director Resumes – DISCUSSION/VOTE

Mr. Zecha stated for the record that he had previously worked with applicant Robert Shaw and Mr. Durkin stated for the record that he had previously served with Carolyn Russo on the Chelsea Retirement Board. Upon review of the resumés, the Chairman solicited from Board Members their top three candidates of the eleven applicants, in no order, and the following three candidates were selected to be interviewed based on the number of times he/she was picked: Christine Tetreault, Carolyn Russo, and Sandor Zapolin. The Board will meet on Thursday, August 13, 2015 at 9:30 a.m. and interview each of the three candidates. Mr. McKenna asked if there were specific questions for Board Members to ask and Attorney Gibson said he would consult with his Human Resources Specialist and compile a list of appropriate questions to ask the candidates.

James M. Fleming left the meeting at 11:20 a.m. and turned the Chair over to Mr. Durkin.

18) 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.

Morgan Stanley
Intercontinental
Courtland

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.

19) Attorney Thomas Gibson/Legal Update –

a) Open Meeting Law – Attorney Gibson reviewed with the Board Members. Attorney Gibson stated that an expression by a Board Member of an opinion on matters within the Board's jurisdiction to a quorum of the Board is a deliberation, even if no response by another Board Member is provided. A communication among less than a quorum of Board Members will not be a deliberation, unless there are multiple communications among the members of the Board that together constitute communication among a quorum of members. Mr. Zecha asked if the Open Meeting Law is being violated since the public is restricted from accessing MWRA property. Attorney Gibson replied that he would make a general inquiry but Mr. Durkin asked him to hold off for now and that he would ask the Authority's Security Director about public access to the facility.

b) Medical Records Certification Form – VOTE

Attorney Gibson reminded the Board that this form is used by the State Board of Retirement as well as the Middlesex County Retirement Board for disability applicants in order to put the burden (and cost) of obtaining medical records upon the applicant.

On motion by Kevin McKenna and seconded by Joseph C. Foti:

VOTED

to approve and adopt the Medical Records Certification Form. 4-0

- c) Military Service – Mr. Connolly was sent the letter approved by the Board at its June meeting and has not yet responded.
- d) Ponder DALA Update – Mr. Ponder appealed DALA's decision to CRAB and Attorney Gibson will file a response by August 29.
- e) Vezina DALA Update – post-hearing brief was filed.
- f) Disability Status Update – Attorney Gibson is following up on a

third-party settlement received by ADR retiree Robin Koukias. ADR retiree Ellen Pagnotta received her worker's compensation settlement and the Board received its 20%.

- g) Attorney Gibson stated that Section 54 of Chapter 46 of the Acts of 2015 amended Section 23B to allow the maximum term for investment, actuarial, legal, and accounting services to be extended from five years to seven years.

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

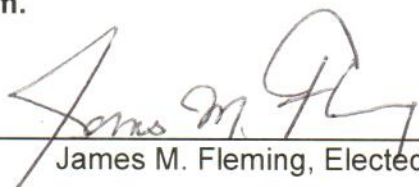
- Morgan Stanley Presentation
- Intercontinental Presentation
- Courtland Presentation
- NEPC June 2015 Flash Report
- NEPC Active Large Cap RFP Ad
- NEPC S&P 500 Passive Index RFP Ad
- NEPC Rebalance Recommendation
- NEPC Invesco Personnel Update
- NEPC TA Associates Realty Personnel Update
- NEPC Summary of 2015 Private Energy Search
- NEPC 2015 Work Plan

The Retirement Board reviewed the following informational documents:

- PERAC MEMO #12/2015 re. Inactive member buybacks and *James Zavaglia v. Gloucester Retirement Board and Salem Retirement Board*, CR-09-459. (April 13, 2015)
- PERAC MEMO #13/2015 re. Tobacco Company List
- PERAC MEMO #14/2015 re. Mandatory Retirement Board Training – 3rd Quarter 2015
- PERAC MEMO #15/2015 re. Retroactive Changes to Cash Book Entries
- PERAC MEMO #16/2015 re. Cost of Living Increase for Supplemental Dependent Allowance Paid to Accidental Disability Retirees and Accidental Death Survivors
- PERAC MEMO #17/2015 re. Reinstatement to Service Under G.L. c. 32 § 105
- Stipend Survey
- NEPC Research re. Greece
- NEPC Market Chatter
- Mesirow Personnel Change
- Loomis Sayles 2nd Quarter 2015 Proxy Votes
- Robbins Geller Settlement Report 6/26/2015
- Robbins Geller Portfolio Monitoring Report 6/26/2015

Robbins Geller International Portfolio Monitoring Report 6/26/2015
Robbins Geller Repose Report 6/26/2015

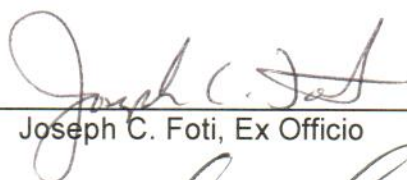
The meeting was adjourned at 1:25 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Monday, August 24, 2015 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**



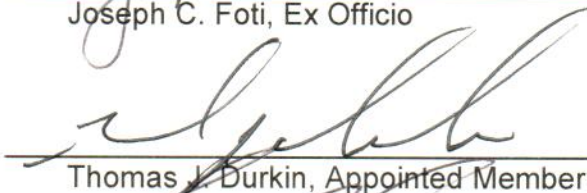
James M. Fleming, Elected Member



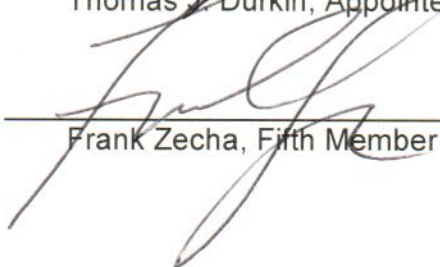
Kevin McKenna, Elected Member



Joseph C. Foti, Ex Officio



Thomas J. Durkin, Appointed Member



Frank Zecha, Fifth Member