

**MASSACHUSETTS WATER RESOURCES
AUTHORITY EMPLOYEES' RETIREMENT
BOARD MEETING
SEPTEMBER 24, 2015**

A meeting of the MWRA Employees' Retirement Board was held on September 24, 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. Carolyn Russo, 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. Chairman Fleming called the meeting to order at 10:05 a.m.

- 1) Call the meeting to order
 - 2) Committee Reports
 - By-Laws Committee: No Report
 - Human Resources Committee: Mr. Fleming welcomed Carolyn Russo as Executive Director and stated that he had met with Ms. Russo and it was agreed that her salary will be \$105,000 and she will be entitled to 5 personal days and 5 weeks vacation per year. Ms. Russo said that she was told by the Authority's Human Resources Dept. that her insurance coverage would not be effective until December but her coverage from her previous employer expires at the end of October. Mr. Fleming responded that he had told Ms. Russo that her insurance coverage at the Retirement System would start on November 1 so, consequently, the Board would pay one month of COBRA coverage.
 - Special Committee, Stipend: No Report
 - Job Review Committee: No Report
- i. Increase to the COLA Base to \$13,000 – VOTE

Discussion. Mr. Durkin noted about half of the retirement systems in Massachusetts had approved an increase to the COLA base and that the State has increased its COLA base to \$13,000.

On motion by Thomas J. Durkin and seconded by Joseph C. Foti:
VOTED
to approve an increase in the COLA base from \$12,000 to \$13,000. 5-0
 - ii. Increase to the annual allowance payable to surviving spouses of disability retirees under G.L. c. 32, § 101 from \$6,000 to \$9,000 – VOTE

Discussion. Mr. McKenna noted we currently have one surviving spouse receiving this benefit and will never have another one.

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

VOTED

to approve an increase to the annual allowance payable to surviving spouses of disability retirees under G.L. c. 32, § 101 from \$6,000 to \$9,000

iii. Increase to the minimum monthly allowance for member survivor allowance pursuant to G.L. c. 32, § 12(2)(d) from \$250 to \$500 – VOTE

Discussion. Mr. Durkin stated he did not find the same level of acceptance by retirement boards of the increase to § 12(2)(d) allowance as he had for the COLA base increase. Mr. Zecha stated that he supports the increase and noted that with current starting salaries at the Authority, it would be very difficult for a § 12(2)(d) allowance to fall under the minimum.

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to approve the increase to the minimum monthly allowance for member survivor allowance pursuant to G.L. c. 32, § 12(2)(d) from \$250 to \$500. 3-2, with Mr. Durkin and Mr. Foti voting in the minority

3) a) Approval of the 8/2015 Warrant – VOTE

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

VOTED

to approve the 8/2015 Warrant as presented. 5-0

b) Approval of the 9/2015 Warrant – VOTE

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

VOTED

to approve the 9/2015 Warrant as presented. 5-0

4) Approval of Monthly Transfers 9/2015 – VOTE

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

VOTED

to approve the Monthly Transfers 9/2015 as presented. 5-0

5) a) Approval of Bank Reconciliation 7/2015 – VOTE

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

VOTED

to approve Bank Reconciliation 7/2015. 5-0

b) Approval of Bank Reconciliation 8/2015 – VOTE

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

VOTED

to approve Bank Reconciliation 8/2015. 5-0

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

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

Richard Peterson	DOR 9/2/2015
Michael Conroy	DOR 9/9/2015

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

VOTED

to acknowledge Richard Peterson's §5 retirement DOR 9/2/2015 and Michael Conroy's §5 retirement DOR 9/9/2015. 5-0

Mr. Fleming thanked Julie McManus for her work as Acting Executive Director and Mr. Durkin seconded the thanks.

- 7) 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.

Alcentra
Landmark

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.

Frank Zecha left the meeting at 11:25 a.m.

8) Presentation by Sebastian Grzejka/NEPC

- a) August 31, 2015 Flash Report
- b) Rebalancing Recommendation – VOTE

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

VOTED to accept the Rebalance Recommendation from NEPC to withdraw \$1,500,000 from Robeco Boston Partners Small Cap Value and \$2,500,000 from Loomis Sayles Small Cap Growth and transfer to cash. 4-0

- c) Large Cap Equity Manager Search – Passive, S&P Index – VOTE

Discussion. Mr. Grzejka stated that three firms responded to the Passive Large Cap Equity Manager RFP: Comerica Bank & Trust, Rhumblin Advisers, and State Street Global Advisors. Mr. Grzejka noted that the Board currently has Rhumblin as its manager, and Rhumblin has a specific fund for Massachusetts clients allowing them easier compliance with PERAC regulations. New England Pension Consultants recommends retaining Rhumblin Advisers and not requiring them to come before the Board.

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

VOTED to accept NEPC's recommendation and retain Rhumblin Advisers as its Passive Large Cap Equity Manager. 4-0

- d) Large Cap Equity Manager Search – Active – VOTE

Discussion. Mr. Grzejka stated that 57 firms responded to the Active Large Cap Equity Manager RFP with 61 total funds: 16 Core strategies, 24 Value strategies, and 21 Growth strategies.

NEPC recommended eliminating the following firms based on the reasons listed in the search book: Large Cap Core – First Eagle Investment Management, Rothschild Asset Management, and Thornburg Investment Management – VOTE

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

VOTED to accept NEPC's recommendation to eliminate First Eagle Investment Management, Rothschild Asset Management, and Thornburg Investment Management from the Active Large Cap Equity Search. 4-0

NEPC recommended eliminating the following firms based on the reasons listed in the search book: Large Cap Value – Columbia

Management Investment Advisers, Tetrem Capital Management, Boston Company Asset Management (Concentrated US Value), and The Edgar Lomax Company.

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

VOTED

to accept NEPC's recommendation to eliminate Columbia Management Investment Advisers, Tetrem Capital Management, The Boston Company Asset Management (Concentrated US Value), and The Edgar Lomax Company from the Active Large Cap Value Equity Search. 4-0

NEPC recommended eliminating the following firms based on the reasons listed in the search book: Large Cap Growth – AMI Asset Management Corporation, ClearBridge Investments, Cornerstone Capital Management, Profit Investment Management, and The Boston Company Asset Management (Focused Large Cap Growth Equity).

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

VOTED

to accept NEPC's recommendation to eliminate AMI Asset Management Corporation, ClearBridge Investments, Cornerstone Capital Management, Profit Investment Management, and The Boston Company Asset Management (Focused Large Cap Growth Equity) from the Active Large Cap Value Equity Search. 4-0

- e) 2015 Work Plan
- 9) Attorney Thomas Gibson/Legal Update –
 - a) Ponder DALA Update – appeal is pending
 - b) Vezina DALA Update – appeal is pending
 - c) Disability Status Update
- 10) Brendan Conlon Section 7 Retirement Hearing

Mr. Conlon attended with his attorney Morgan Gray and waived his right to Executive Session.

Attorney Gibson stated that Mr. Conlon was employed as a Senior Civil Engineer, has worked for the Authority for over 26 years, and injured his back on May 3, 2012 while trying to move a fireproof cabinet. An MRI revealed an L5 herniated disk, and Mr. Conlon has undergone three surgeries. The medical panel unanimously certified that Mr. Conlon is

physically incapable of performing the essential duties of his job Senior Civil Engineer, the incapacity is likely to be permanent, and said incapacity might be the natural and proximate result of the personal injury sustained on May 3, 2012.

The Board questioned why Mr. Conlon was moving a fireproof cabinet and Mr. Conlon answered that he was working in an onsite trailer and files, his keys, and his work phone fell behind the cabinet, and he was trying to retrieve them.

Mr. Foti asked Attorney Gibson if the Authority could make accommodations or offer Mr. Conlon another job, and Attorney Gibson replied if that were the case, it would have been brought up during the worker's compensation hearing. Mr. Conlon is receiving s. 34 benefits from the Authority. Attorney Gibson informed Attorney Gray of the Board's policy regarding receiving 20% of a worker's compensation settlement if Mr. Conlon's Section 7 Retirement is approved

After review of the medical and non-medical evidence, including the Authority's decision to accept liability for the applicant's reported injury and disability under the workers' compensation law, it would appear that Mr. Conlon's application satisfies the legal requirement for an award of accidental disability.

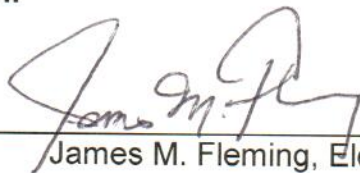
The Retirement Board was presented with the following documents at the meeting:

- Landmark Partners Presentation
- Alcentra Presentation
- NEPC Flash Report as of 8/31/2015
- NEPC Large Cap Equity Manager Search – Active
- NEPC Large Cap Equity Manager Search – Passive, S&P 500 Index
- NEPC Investment Summary Quarter Ending 3/31/2015
- NEPC Investment Summary Quarter Ending 6/30/2015
- NEPC 2015 Work Plan
- NEPC Rebalance Recommendation

The Retirement Board reviewed the following informational documents:

- PERAC MEMO #19/2015 re. Proposed Regulations Regarding Disability Retirement (840 CMR 10.00) and Retirement Board Election (840 CMR 7.00)
- PERAC MEMO #20/2015 re. Tobacco Company List
- PERAC Pension Newsflash
- News from NEPC
- Robbins Geller Settlement Report 8/28/2015
- Robbins Geller Portfolio Monitoring Report 8/28/2015
- Robbins Geller International Portfolio Monitoring Report 2nd Quarter 2015
- Standard & Poor's AAA Rating

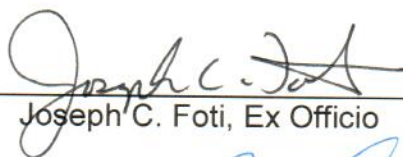
The meeting was adjourned at 1:45 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, October 29, 2015 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**



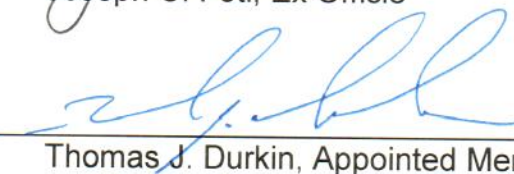
James M. Fleming, Elected Member



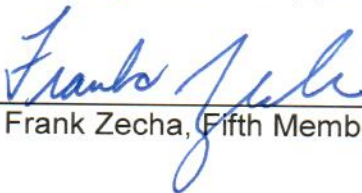
Kevin McKenna, Elected Member



Joseph C. Foti, Ex Officio



Thomas J. Durkin, Appointed Member



Frank Zecha, Fifth Member

