

**MWRA EMPLOYEES' RETIREMENT BOARD MEETING
DECEMBER 14, 2023**

A meeting of the MWRA Employees' Retirement Board was conducted in-person on Thursday, December 14, 2023. Remote access was provided to the public via Zoom, with call-in information provided on the official Meeting Notice posted to www.mwraretirement.com and the MA Secretary of State's website. Participating in the in-person meeting were Board members James Fleming, Matthew Horan, Kevin McKenna, Brian Peña and Frank Zecha, staff member Julie McManus, and Sebastian Grzejka representing NEPC. Members of the public also attended via remote access. Mr. Fleming called the meeting to order at 10:01 a.m.

- 1) Call the meeting to order
- 2) Standing Committee Reports
 - i. By-Laws Committee: No report
 - ii. Human Resources Committee: No report
 - iii. Special Committee, Stipend: No report
 - iv. Job Review Committee: No report

- 3) Approval of November 16, 2023 Minutes – VOTE

On a motion made by Mr. Peña and seconded by Mr. Horan:

VOTED

to approve the Minutes of the November 16, 2023 meeting. 5-0

- 4) Approval of Warrants – VOTE

- a) Warrant 12-2023
- b) Warrant 12A-2023 – Payroll

On a motion made by Mr. Zecha and seconded by Mr. Horan:

VOTED

to approve Warrants 12-2023 and 12-2023A. 5-0

- 5) Approval of Monthly Transfers 11-2023 – VOTE

On a motion made by Mr. Horan and seconded by Mr. McKenna:

VOTED

to approve the monthly transfers for December. 5-0

6) Acknowledgement of retirement applications filed under G.L. c 32 §5 – VOTE

- a) Joseph Simonini DOR 10/28/2023
- b) Donna McMahon DOR 11/4/2023
- c) William Lewis DOR 11/30/2023
- d) Winslow Corbin DOR 12/2/2023

On a motion by Mr. McKenna and seconded by Mr. Peña:

VOTED

to acknowledge the section 5 retirements as listed. 5-0

7) Acceptance of Section 7 Retirement Application re. Thomas Buckley – VOTE

On a motion made by Mr. Zecha and seconded by Mr. McKenna:

VOTED

to accept the Section 7 Retirement Application re. Thomas Buckley. 5-0

8) 91A Hearings re. David Jackson and John Burke – VOTE

On a motion made by Mr. Zecha and seconded by Mr. McKenna:

VOTED

to table this item until later in the meeting. 5-0

9) Unit 6 Temporary Shift Differential – Regular Compensation Discussion

Mr. McKenna questioned if the language in the proposed MOA should not be worded as a Pilot Program, which seems to indicate a temporary nature. Mr. Horan stated he has spoken with the Executive Director, and she concurred that the MOA as written would fall within the guidance previously written by PERAC with respect to Regular Compensation. Mr. Horan asked that this item be tabled until later in the meeting when the Executive Director can speak to it.

On a motion made by Mr. Zecha and seconded by Mr. Peña:

VOTED

to table this item until later in the meeting. 5-0

10) Discussion of recent PTG issues

Mr. Zecha asked that this item be tabled until later in the meeting when the Executive Director can speak to it.

On a motion made by Mr. Zecha and seconded by Mr. Peña:

VOTED

to table this item until later in the meeting. 5-0

The Chair suggested items be taken out of order and to proceed to NEPC's presentation.

- 11) NEPC
 - a) Flash Report as of 11/30/23
 - b) Rebalance Recommendation – VOTE
 - c) Large Cap Value Search Summary Results

Mr. Grzejka presented the Rebalance Recommendation, and noting the significant gains in the Equity markets, recommended taking off the top and heading into the new year with about 2½% in cash to provide liquidity for capital calls.

On a motion by Mr. Zecha and seconded by Mr. Peña:

VOTED

to approve the rebalance recommendation as presented by NEPC. 5-0,

Turning to the Flash Report, Mr. Grzejka stated it's very good news. After the months of September and October, which were negatively affected by rates shooting up, the Fed paused rate increases and there was a broad market rally. The fund was up 5.1% for the month and 6.7% year-to-date. Some of the managers who had struggled previously are up and there were more rallies posted yesterday. Emerging Markets managers added good value as did Fixed Income. Mr. Horan asked about Real Estate's reporting, and Mr. Grzejka stated that he is cautiously optimistic about seeing a little appreciation in Real Estate. Mr. Grzejka stated that Foundry revalued their 2010 Fund and that Private Equity is likely to be flat.

Executive Director entered the meeting at 10:15 a.m.

Mr. McKenna noted that our International Equity managers performed much worse than the U.S. Equity managers and Mr. Grzejka remarked that the International managers tilt more toward Mid Cap than Large Cap and toward Value. Similar to Coho the large Value companies saw headwinds and were not appreciated by the market. Mr. Grzejka stated that there will be an International Equity RFP early next year. Mr. Zecha asked if we should expect the Private Equity returns to be conservative, and Mr. Grzejka replied in the affirmative, stating he expected Real Estate to be the same.

Mr. Grzejka presented the Large Cap Value Equity search results, noting 53 managers responded. Some managers proposing multiple vehicles for a total of 67 options. For this initial review, candidates must have met the minimum criteria, including agreement to the side letter. In accordance with the RFP, preference will be given to candidates who have at least \$500 million in assets in the fund; and preference will be given to Funds that have a live track record of at

least three years. However, both these criteria are subject to the Board's discretion.

Mr. Grzejka stated after completing a review, NEPC is recommending approximately 25 names for further review and will have more information at next month's meeting. Mr. Grzejka stated he would be happy to add other names to the list if the Board members have any suggestions. Mr. Horan asked if Board members would have the list of managers prior to the meeting, and Mr. Grzejka replied in the affirmative.

The list of candidates recommended by NEPC for further review is as follows: Argent Capital Management, LLC; Aristotle Capital Management, LLC; Artisan Partners Ltd Partnership's Value Equity strategy; Beutel, Goodman & Co. Ltd's Large Cap Value SMA vehicle; Boston Partners' Concentrated Large Cap Value equity strategy; Brandes Investment Partners, L.P.; Brandywine Global Investment Management, LLC; Cambiar Investors, LLC; Coho Partners, Ltd.; Diamond Hill Capital Management, Inc.; Dodge & Cox's U.S. Equity Strategy SMA vehicle; Hotchkis & Wiley; Lazard Asset Management LLC; The London Company; LSV Asset Management; Manulife Investment Management's SMA vehicle; MFS Institutional Advisors, Inc.; Newton Investment Management North America's SMA vehicle; Pzena investment Management, LLC; Voya Investment Management Co. LLC's Mutual Fund vehicle; WEDGE Capital Management, L.L.P.; Westwood Management Corp.; and Zacks Investment Management.

Mr. Zecha asked to have Seizert Capital Partners added, noting their one, three, and five year returns are ahead of the benchmark and they rank in the top 1/3 across those periods. Mr. Zecha suggested removing WEDGE Capital Management, L.L.P. and adding Seizert Capital Partners.

On a motion by Mr. Zecha and seconded by Mr. Horan:

VOTED

to accept the list of managers recommended by NEPC as amended. 5-0,

Chairman Fleming asked Mr. Grzejka about correspondence received from Foundry regarding extending the Foundry 2010 closing until 12/31/2025. Mr. Grzejka responded that he does not see any problem with the Board agreeing to do so. Mr. Grzejka stated the fund has six investments remaining, and if Foundry were required to liquidate the fund in the near term without the extension, the assets may be sold at a depressed value. Mr. Horan asked if they were subject to the 7-year rule, and Mr. Grzejka replied that Private Equity is not.

On a motion by Mr. Horan and seconded by Mr. Zecha:

VOTED

to authorize extending Foundry 2010 closing until 12/31/2025. 5-0,

- 12) The Board returned to Item 8 – 91A Hearings David Jackson & John Burke – VOTE

On a motion made by Mr. Zecha and seconded by Mr. McKenna:

VOTED

to remove this item from table. 5-0

Mr. Zecha asked that this item be continued to the January 25, 2024 Board meeting.

On a motion by Mr. Zecha and seconded by Mr. McKenna:

VOTED

to continue the 91A Hearings until the January 25, 2024 meeting. 5-0

- 13) The Board returned to Item 9 – Unit 6 Temporary Shift Differential – Regular Compensation – VOTE

On a motion made by Mr. Horan and seconded by Mr. Peña:

VOTED

to remove this item from table. 5-0

The Executive Director explained that the language in the MOA for the Shift Differential Pilot Program for Certain Unit 6 Positions is almost identical to the language used in the MOA for the Unit 3 Shift Differential Pilot Program. She reminded the Board that PERAC had issued a written determination, which was included in the Board packages, that this shift differential is considered regular compensation, in spite of its temporary nature.

On a motion by Mr. Horan and seconded by Mr. Peña:

VOTED

to acknowledge the Shift Differential Pilot Program for Certain Unit 6 Positions as regular compensation, based on PERAC's written guidance. 5-0

- 14) The Board returned to Item 10 – Discussion of recent PTG issues – VOTE

On a motion made by Mr. Zecha and seconded by Mr. McKenna:

VOTED

to remove this item from table. 5-0

The Executive Director stated that on November 22, she discovered that the nightly backup of PTG has been unable to be run since November 22. Neither MWRAERS nor PTG had ever received an error message, and PTG was unaware that the backup was not running until she told them. The Executive Director has been in contact with the CEO of PTG every couple of days since. PTG had implemented server changes to improve speed for some of the bigger

systems, and identified that “fix” as having contributed to the back up issue. Mr. Horan asked if the Board should be looking at other available software systems, and the Executive Director replied the only other option is Bay State, which currently has one retirement system up and running and several other systems in line to switch from PTG to Bay State.

15) Consulting Services RFP Discussion

Mr. Horan asked what the goal was today with respect to the Consulting Services RFPs received. Mr. Zecha stated that he was very familiar with 5 out of the 6 respondents, and he would like to interview 4 as opposed to all 6. Mr. Fleming stated he would like to interview 3. Mr. Horan noted that Wainwright has 2 or 3 wholly-owned subsidiaries which may be in conflict with their consulting services and he requested that they be eliminated from the finalists. Mr. McKenna asked if there would be a conflict with Segal since the Board uses them as its actuary, and Mr. Fleming replied that he does not think there would be. Mr. Zecha stated that he did not like the fact that the team had loss 6 or 7 clients recently, and he would like to eliminate them from the finalists. Mr. McKenna stated that he was intrigued by Verus.

The Executive Director passed out the tally total of the ratings sheets submitted by the Board members. The consensus of the Board is to interview Dahab Associates, Meketa Investment Group, New England Pension Consultants, and Verus. Mr. Horan asked if it causes a problem with PERAC if Segal ranks higher in the tally totals than a candidate who has been chosen as a finalist, and the Executive Director responded it will not be a problem if valid reasons are identified. Members discussed a possible early meeting in February regarding Consulting Services finalists presentations. The Executive Director opened the envelopes with the proposed fees, and Mr. Fleming read the following: Verus \$215,000, NEPC \$150,000, Dahab \$120,000, and Meketa between \$50,000 and \$150,000.

Mr. Zecha asked the Executive Director if she has enough cash available, and she responded affirmatively.

Mr. Zecha stated if the funds have huge run up through the end of the year, he would be available for a special meeting if there were a need to rebalance to targets.

The Board discussed having an early meeting in January to cull down the list of Large Cap Value respondents, and it was decided to meet on Thursday, January 11, 2024 at 10:00 a.m. The meeting agenda would consist of selecting the finalists for the Large Cap Value search and possibly rebalancing the portfolio.

Mr. Zecha extended to Mr. Fleming Merry Christmas wishes, and Mr. Fleming thanked Mr. Zecha and extended Merry Christmas wishes to the Board and Staff.

On a motion made by Mr. Zecha and seconded by Mr. Horan:

VOTED

to adjourn the December 14, 2023 meeting of the MWRA Employees' Retirement Board. 5-0 The meeting was adjourned at 11:32 a.m.

The following communications were distributed to the Board for review:

PERAC MEMO # 26/2023 – 2023 Pension Fraud Prevention Campaign

PERAC MEMO #27/2023 – Current Members in Service Who Made an Election at Age 70 to Stop Contributions to the Retirement System

Foundry November 2023 LP Update

The Board reserves the right to consider items on the agenda out of order. The listing of items is those reasonably anticipated by the Chair to be discussed received at least forty-eight (48) hours prior to the meeting. Not all items listed may in fact be discussed and other items not listed may also be brought up for discussion to the extent permitted by law. Items identified for discussion in Executive Session may be conducted in open session, in addition to, or in lieu of discussion in Executive Session. Date of next scheduled regular Retirement Board meeting is Thursday, January 25, 2024, 10:00 a.m., Chelsea, MA.

James Fleming, Chair

Matthew Horan, Appointed Member

Kevin McKenna, Elected Member

Brian Peña, Ex Officio Member

Frank Zecha, Fifth Member