

**MASSACHUSETTS WATER RESOURCES  
AUTHORITY EMPLOYEES' RETIREMENT  
BOARD MEETING  
FEBRUARY 25, 2016**

A meeting of the MWRA Employees' Retirement Board was held on February 25, 2016 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. Attorneys Thomas Gibson and Kimberly Fletcher were 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: No Report  
Special Committee, Stipend: No Report  
Job Review Committee: No Report
- 3) Extension of Segal contract Actuarial Services and additional services –  
VOTE

Discussion. Mr. Durkin explained that in addition to performing the 1/1/2016 interim actuarial valuation, Segal would be providing additional services for the GASB requirements as they did last year. Mr. Fleming noted that there are not many good actuarial companies and that Segal does a great job. Mr. Zecha suggested that Ms. Russo ask Segal to provide a proposal extending the current contract to 7 years. It was agreed to table approval of the extension for the Board to review the extension request.

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

**VOTED**

to table the proposed extension of Segal contract. 5-0

- 4) Approval of the Minutes 1/28/16 – VOTE

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

**VOTED**

to approve the Minutes 1/28/16 as presented. 5-0

- 5) Approval of Warrant 2/16 – VOTE

On motion by Frank Zecha and seconded by Kevin McKenna:

**VOTED**

to approve the 2/16 Warrant as presented. 5-0

- 6) Approval of Monthly Transfers 2/2016 – VOTE

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

**VOTED**

to approve the Monthly Transfers 2/2016 as presented. 5-0

- 7) 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.

James Trainor	DOR 1/20/2016
Charles Guarini	DOR 2/6/2016
John Sabino	DOR 2/6/2016
Kevin Collins	DOR 2/6/2016
Natale Pesce	DOR 2/13/2016

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

**VOTED**

to acknowledge the following §5 retirements: James Trainor DOR 1/20/2016, Charles Guarini DOR 2/6/2016, John Sabino DOR 2/6/2016, Kevin Collins DOR 2/6/2016, Natale Pesce DOR 2/13/2016. 5-0

- 8) Extension of Segal contract Actuarial Services and additional services – VOTE

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

**VOTED**

to remove the proposed extension of Segal contract from the table. 5-0

Discussion.

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

**VOTED**

to approve the extension of The Segal Company agreement to include an Interim Actuarial Valuation and Review as of January 1, 2016 including the information required by GASB 67 and 68. 5-0

- 9) Approval of 12(2)(d) Retirement Application for Joanne McClellan, survivor of MaryAnn McClellan, DOD 1/31/2016 – VOTE

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

**VOTED**

to approve the 12(2)(d) Retirement Application for Joanne McClellan, survivor of MaryAnn McClellan, DOD 1/31/2016. 5-0

- 10) Approval of 3 years, 10 months creditable service for Christopher Porter for prior Middlesex Community College employment – VOTE

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

**VOTED**

to approve 3 years, 10 months creditable service for Christopher Porter for prior Middlesex Community College employment. 5-0

- 11) Approval of one month creditable service for Judi Cone for the month of December 2007 and one month of creditable service for the month of June 2008 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

Discussion. Mr. Durkin requested going forward that the reason for employee's leave (medical, maternity leave) be included on the request. On motion by Kevin McKenna and seconded by Thomas J. Durkin:

**VOTED**

to approve one month creditable service for Judi Cone for the month of December 2007 and one month of creditable service for the month of June 2008 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

- 12) Presentation by Sebastian Grzejka/NEPC

- a) Legg Mason combining Permal Group with EnTrust – Discussion. Mr. Grzejka stated that NEPC has changed its rating of EnTrust and Permal from 'Preferred' to 'Neutral' with potential concerns regarding the merger. NEPC will not be including Permal or EnTrust in any searches. Mr. Fleming stated that he will be interested in hearing feedback from EnTrust's recent annual meeting.

- b) International Equity Manager Search – VOTE

Discussion. Upon the recommendation and concurrence with NEPC, the following International Equity Managers will make presentations at the March Board meeting: Lazard Asset Management LLC, Marathon Asset Management LLP, Neuberger Berman, and Aristotle Capital Management, LLC.

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

**VOTED**

to accept NEPC's recommendation and have Large Cap Growth Manager presentations from Polen Capital, Westfield Capital, Jensen, and Intech. 5-0

c) Asset Allocation Rebalance Recommendation – VOTE

Discussion.

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

**VOTED**

to accept the Rebalance Recommendation from NEPC to withdraw \$1,000,000 from Invesco Core Bonds and \$1,500,000 from PRIT Core Real Estate and transfer to cash. 5-0

d) Asset Allocation Update – VOTE

Discussion. NEPC recommends changing the current Asset Allocation as follows: increasing equity slightly and implementing Non US equities through an added Small Cap mandate, adding a TIPS allocation, and reducing the Global Asset Allocation target slightly. Mr. Grzejka stated that this allocation would add no additional volatility or undue risk and would reduce higher risk bonds.

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

**VOTED**

to adopt Mix A Asset Allocation based on NEPC's recommendation, as we near fully funded status this is a more defensive strategy for the portfolio. 5-0

Mr. Zecha left the meeting at 11:40 a.m.

13) Manager Due Diligence Summaries/Presentations

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.

EnTrust  
Robeco

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.

- 14) Presentation by Sebastian Grzejka/NEPC continued
  - a) Contract Extension for Castile Ventures III, L.P. – Discussion.  
  
On motion by Thomas J. Durkin and seconded by Joseph C. Foti:  
**VOTED**  
to approve the Contract Extension for Castile Ventures III, L.P. 4-0
  - b) Flash Report as of 1/31/2016
  - c) Third Quarter 2015 Private Markets Review
  - d) Third Quarter 2015 Real Estate Review
- 15) Attorney Thomas Gibson/Legal Update
  - a) Stanton DALA Appeal – DALA hearing was on February 11, 2016
  - b) Ponder DALA Update – appeal is pending at CRAB
  - c) Vezina DALA Update – DALA affirmed the Board's denial of Mr. Vezina's request to have the period of his non-wartime military service included in computing his ordinary disability retirement allowance and Mr. Vezina did not appeal the decision.
  - d) Disability Status Update
  - e) ADR Brendan Conlon is appealing the date used for his date of retirement
  - f) Robbins Geller Rudman & Dowd re. *Tetraphase Pharmaceuticals, Inc. Securities Litigation*. Discussion. Attorney Gibson stated the Board received notification from one its securities litigation monitoring firms, Robbins Geller Rudman & Dowd, that the MWRA Employees' Retirement System's (the "System") fund has suffered a loss of approximately \$84,000 in a securities class action recently filed against Tetraphase Pharmaceuticals and several of its current and/or former executive officers and/or directors. Robbins Geller

Rudman & Dowd recommend that the System consider moving for appointment as lead plaintiff. Attorney Gibson reminded the Board of a Securities Class Action Litigation Policy he had drafted for the Board previously and after discussion, it was determined to be in the best interests of the System to accept Robbins Geller Rudman & Dowd's recommendation to move to be lead plaintiff in this class action.

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

**VOTED**

to move to be lead plaintiff in *Tetraphase Pharmaceuticals, Inc. Securities Litigation* on the recommendation of Robbins Geller Rudman & Dowd

16) Travel Approval – VOTE

- a) NCPERS 2016 Annual Conference & Exhibition, May 14 – 19, 2016, San Diego, CA. Discussion. It was noted that PERAC will be issuing education credits for this conference and the Commissioner of PERAC will be attending.

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

**VOTED**

to approve attendance for Board Members at NCPERS 2016 Annual Conference & Exhibition, May 14 – 19, 2016, San Diego, CA. 4-0

Certification of Delegate for NCPERS 2016 Annual Conference & Exhibition, May 14 – 19, 2016, San Diego, CA – VOTE

Discussion. Mr. Fleming stated that he will be attending the conference and would like to be a delegate.

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

**VOTED**

to designate James M. Fleming as a delegate for NCPERS 2016 Annual Conference & Exhibition, May 14 – 19, 2016, San Diego, CA. 4-0

- b) MACRS Annual Conference, June 4 – 8, 2016, Hyannis, MA – VOTE

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

**VOTED**

to approve attendance for Board Members and Staff at MACRS Annual Conference, June 4 – 8, 2016, Hyannis, MA. 4-0

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

EnTrust Presentation  
 Robeco Presentation  
 NEPC Flash Report as of 1/31/2016  
 NEPC Asset Allocation Update  
 NEPC International Equity Manager Search  
 NEPC Rebalance Recommendation  
 NEPC EnTrust-Permal Merger: Rating Change to "Neutral"  
 NEPC Contract Extension for Castile Ventures III, L.P.  
 NEPC Third Quarter 2015 Private Markets Review  
 NEPC Third Quarter 2015 Real Estate Review

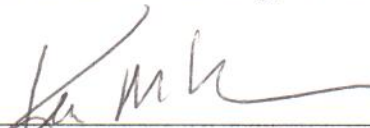
The Retirement Board reviewed the following informational documents:

PERAC MEMO #10/2016 – Retirement Guide Mailing  
 Foundry Venture Capital 2007 Fitbit Stock Distribution  
 Invesco Organizational Changes  
 Robeco Proxy Voting 7/1/2015-12/31/2015  
 Berman DeValerio Monitoring Report 4<sup>th</sup> Qtr 2015  
 Berman DeValerio Settlement Report 4<sup>th</sup> Qtr 2015

The meeting was adjourned at 1:34 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, February 25, 2016 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**

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James M. Fleming, Elected Member




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Kevin McKenna, Elected Member



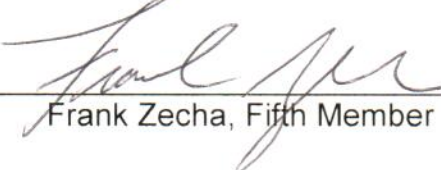

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Joseph C. Foti, Ex Officio




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Thomas J. Durkin, Appointed Member




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Frank Zecha, Fifth Member