

**MASSACHUSETTS WATER RESOURCES
AUTHORITY EMPLOYEES' RETIREMENT
BOARD MEETING
MARCH 31, 2016**

A meeting of the MWRA Employees' Retirement Board was held on March 31, 2016 at 9:00 a.m. at the offices of the MWRA, 2 Griffin Way, Chelsea, MA. The following Board Members were present: Thomas J. Durkin, Joseph C. Foti, Kevin McKenna, and Frank Zecha. James M. Fleming was absent due to his recuperating from surgery. 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 and Jeff Markerian were present from New England Pension Consultants (NEPC) as Investment Consultant. Mr. Durkin chaired the meeting and called the meeting to order at 9:06 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) FY2017 COLA – VOTE

Discussion. It was noted that the Authority's Board of Directors and the MWRA Employees' Retirement Board had voted to increase the COLA base from \$12,000 to \$13,000 effective 7/1/2016 and this increase was included in the actuarial valuation.

On motion by Frank Zecha and seconded by Joseph C. Foti:

VOTED

to approve a 3% COLA on a \$13,000 base effective 7/1/2016. 4-0

- 4) Approval of the Minutes – VOTE

- a) February 25, 2016 Minutes
- b) January 28, 2016 Executive Session Minutes
- c) August 24, 2015 Minutes

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

VOTED

to approve the February 25, 2016 Minutes, January 25, 2016 Executive Session Minutes, and August 24, 2015 as presented. 4-0

5) Approval of Warrant 3/16 – VOTE

On motion by Joseph C. Foti and seconded by Frank Zecha:

VOTED

to approve the 3/16 Warrant as presented. 4-0

6) Approval of Monthly Transfers 2/2016 – VOTE

On motion by Joseph C. Foti and seconded by Frank Zecha:

VOTED

to approve the Monthly Transfers 3/2016 as presented. 4-0

7) Approval of Bank Reconciliations – VOTE

- a) Approval of 11/2015 Bank Reconciliation
- b) Approval of 12/2015 Bank Reconciliation
- c) Approval of 1/2016 Bank Reconciliation
- d) Approval of 2/2016 Bank Reconciliation

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

VOTED

to approve 11/2015 Bank Reconciliation, 12/2015 Bank Reconciliation, 1/2016 Bank Reconciliation, and 2/2016 Bank Reconciliation. 4-0

8) Acknowledgment of Retirement applications under G.L. c 32 §5, §7, and §12(2)(d) – VOTE

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

- a) Paul J. Crocco DOR 3/17/2016

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

VOTED

to acknowledge Paul J. Crocco's §5 retirement, DOR 3/17/2016. 4-0

- b) Michael J. O'Leary DOR 1/29/2016

On motion by Kevin McKenna and seconded by Frank Zecha:

VOTED

to acknowledge Michael J. O'Leary's §7 retirement, DOR 1/29/2016. 4-0

- c) Joanne McClellan, survivor of Mary Ann McClellan DOD 1/31/2016

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

VOTED

to acknowledge Joanne McClellan's §12(2)(d) retirement survivor of Mary Ann McClellan DOD 1/31/2016. 4-0

- 9) Discussion regarding employees updating their retirement beneficiaries. Ms. Russo stated that the System has recently had two active members die who had not updated their beneficiaries. One of them had a now deceased parent listed and another had an ex-spouse listed. Ms. Russo noted that these instances may create a delay in disbursing a member's retirement funds as they may be required to go through probate. Mr. Durkin suggested Ms. Russo work with the Authority's MIS Department to send an email to all active members notifying them who is currently listed as beneficiary and of the need to contact the Retirement Office if they wish to change their beneficiary.

- 10) Approval of 7 months creditable service for Hin Yeung Suen for prior MWRA contract employment – VOTE

Discussion. Mr. Foti stated that he would like to see less of these MWRA contract employee buybacks but knows that the problem lies with the Authority's hiring practices.

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to approve 7 months creditable service for Hin Yeung Suen for prior MWRA contract employment based on past practice. 4-0

- 11) Acceptance of Section 7 Retirement Application re. Steven Powers – VOTE

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

VOTED

to accept Section 7 Retirement Application re. Steven Powers. 4-0

- 12) Travel Approval – VOTE

Public Funds Summit East, July 18-20, 2016, Newport, RI
Discussion. Mr. Durkin stated that Mr. Fleming has attended this conference in the past and brings back interesting investment information.

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to approve attendance for up to 4 Board Members at Public Funds Summit East, July 18-20, 2016, Newport, RI. 4-0

- 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.

TA Realty
William Blair

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) Amendment to finalists for International Equity Search – VOTE

Mr. Grzejka stated following the last Board meeting, NEPC immediately contacted each of the international equity managers chosen as finalists to present to the Board. Upon informing Marathon of the selection and after the manager's legal counsel reviewed the side letter, Marathon confirmed that they could not sign the side letter and, therefore, disqualified themselves from consideration for the mandate.

In the place of Marathon, NEPC recommends the Board select as a finalist and interview Select Equity Group (SEG) and their Baxter Street Fund. SEG was originally on the short list of managers chosen to be selected as finalists for this mandate. NEPC believes SEG is a superior candidate for consideration by the Board.

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

VOTED

to accept NEPC's recommendation to interview Select Equity Group as a finalist for the International Equity Mandate. 4-0

15) Attorney Thomas Gibson/Legal Update

- a) Stanton DALA Appeal – DALA hearing was on February 11, 2016 and post hearing briefs are due on April 15, 2016
- b) Ponder DALA Update – appeal is pending at CRAB

- c) ADR Brendan Conlon has withdrawn his appeal of the date used for his date of retirement
- d) Disability Status Update
- e) Securities Litigation Policy – VOTE

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

VOTED

to adopt the Securities Litigation Policy as recommended by Counsel. 4-0

16) International Equity Manager Presentations

- a) Lazard Asset Management, LLC
- b) Aristotle Capital Management, LLC
- c) Select Equity Group, L.P.
- d) Neuberger Berman

17) Presentation by Sebastian Grzejka/NEPC

- a) International Equity Manager Search – VOTE

Discussion with Jeff Markerian and Sebastian Grzejka/NEPC

On motion by Kevin McKenna and seconded by Frank Zecha:

VOTED

to hire Select Equity Group, L.P. as International Equity Manager based upon their presentation, investment returns, and the recommendation from New England Pension Consultants. 4-0

- b) Flash Report as of 2/29/2016
- c) TIPS Index Strategy Ad Copy
- d) LMCG Investments Global Equity Team Update

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

TA Realty Presentation
William Blair Presentation
Lazard Asset Management, LLC Presentation

Aristotle Capital Management, LLC Presentation
 Select Equity Group, L.P. Presentation
 Neuberger Berman Presentation
 NEPC Marathon/SEG Recommendation
 NEPC International Equity Manager Search
 NEPC Flash Report as of 2/29/2016
 NEPC TIPS Index Strategy Ad Copy
 NEPC LMCG Investments Global Equity Team Update

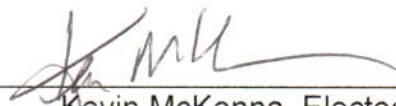
The Retirement Board reviewed the following informational documents:

PERAC MEMO #11/2016 – Tobacco Company List
 PERAC MEMO #12/2016 – Retirement Board Election Regulations (840
 CMR 7.00)
 PERAC MEMO #13/2016 – Disability Regulations (840 CMR 10.00)
 PERAC Response to Revised Option B Annuity Factors
 PERAC Pension News
 PERAC Pension Newsflash
 Chimicles & Tikellis, LLP – Securities Litigation

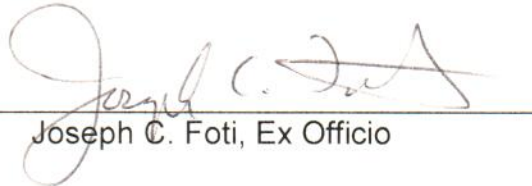
The meeting was adjourned at 1:47 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, April 28, 2016 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**

ABSENT

 James M. Fleming, Elected Member

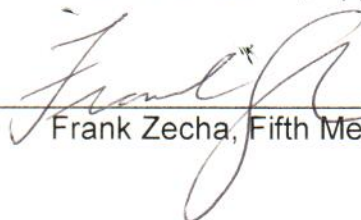


 Kevin McKenna, Elected Member



 Joseph C. Foti, Ex Officio

 Thomas J. Durkin, Appointed Member



 Frank Zecha, Fifth Member