

**MWRA EMPLOYEES' RETIREMENT BOARD MEETING  
MARCH 28, 2024**

A regular meeting of the MWRA Employees' Retirement Board was conducted in-person on Thursday, March 28, 2024. Remote access was provided to the public via Zoom, with call-in information provided on the official Meeting Notice posted to [www.mwraetirement.com](http://www.mwraetirement.com) and the MA Secretary of State's website. Present at the in-person meeting were Board members Matthew Horan, Kevin McKenna, and Brian Peña, staff members Carolyn Russo, Julie McManus and Danielle DiRuzza, and Sebastian Grzejka representing NEPC. Mr. Frank Zecha joined via remote participation. Members of the public and from the Advisory Board also attended via remote access. Mr. Fleming attempted to participate remotely but was unable due to a service interruption with his internet/email provider. Mr. Horan called the meeting to order at 10:02 a.m.

- 1) Call the meeting to order-roll call of members: Mr. McKenna, Mr. Peña, Mr. Zecha, and Mr. Horan present.
- 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

Mr. Horan stated that as a courtesy to Ms. VanDermark, he would be taking items out of order and jumping to item 4 on the agenda.

- 4) Actuarial Pre-Valuation Assumption Discussion

Ms. Lisa VanDermark, FSA, MAAA, EA joined the meeting on behalf of Segal. She referred the Board to page two for discussion points. She thanked Mr. Grzejka and his team for providing the asset allocation information to the SegalMarco consulting group. The group calculated a 7.66% return on the ten-year time horizon, and a 7.4% return on the twenty-year horizon, as opposed to NEPC's 6.3% expected return on the ten-year time horizon, and a 7.6% return on the thirty-year horizon. Segal's recommendation is that the Board maintain its current return assumption of 6.9%. Ms. VanDermark acknowledged that the ten-year horizon expectations are different, but that they are the product of different models and viewpoints. The two converge over the longer-term. Mr. McKenna asked why the gap is larger than usual at 136bps, and to what the difference is attributable. Ms. VanDermark cited the Horizon Actuarial Survey of Capital Market Assumptions as supporting to SegalMarco's position. She noted last year the difference was 106bps, and it is just the result of different opinions and models. Mr. Grzejka concurred, and stated the biggest reason is high equity

valuations, which are factored into NEPC's model and currently driving the lower return expectation. He would expect a year from now that the two will be closer. Ms. VanDermark reminded the Board that the focus should not be on the short-term. Segal does not recommend a reduction in the return assumption. It is the Actuary's job to supply a best estimate, and Segal will not implement assumptions it knows to be unreasonable. The current funding schedule fully funds the system by 2030 with a 6.9% return assumption and a year-over year increase of 14.2%. Ms. VanDermark asked the Board what the most important items are. All other things being equal, she expects a gain on assets. Would the Board be looking to lower the year-over year increase? Mr. McKenna asked if the Executive Director had spoken to PERAC's Actuary. The Executive Director responded that Mr. Boorack had stated that the 14.2% increase is an outlier state-wide, it is her understanding that he would like to see that moderate, and that he is likewise not recommending a reduction to the return assumption. Mr. Horan asked whether the impact of the additional appropriation made last year would be shown, and commented that the MWRA has projected it will be able to make payments in addition to the required appropriation over the next two years. Ms. VanDermark stated that asset gains would be greater as a result of the additional \$1.9m last year. It would be realized over five years, and the FY25 requirement will stay the same, but it would lower the later years' payments, everything else equal. Ms. VanDermark asked if the Board wants to keep the 14.2% increase for 3 years, then solve for the lowest possible year-over-year increases thereafter. Mr. Horan stated he would like to see the first three years kept at 14.2% and the year-over-year increases adjusted in subsequent years. Additional funds are expected to be added to the appropriation in the meantime, but should not be assumed as part of the Funding Schedule process. Mr. Zecha asked if returns are 15-18% for 2024, whether we would want to push gains out and keep the current schedule for FY25 and FY26. Ms. VanDermark agreed if the Board were to continue with its schedule and keep the asset gains "in its pocket," the out years would look better. If there are asset gains, the Board could change its schedule immediately, later, or not at all. Ms. VanDermark asked for confirmation that the Board wants to keep the 14.2% for three years, then see what happens in later years. Mr. Horan confirmed. Mr. McKenna asked that Ms. VanDermark run the results using a 6.75% assumption to see what it looks like. Ms. VanDermark asked whether the intention is to use 6.75% and keep the 14.2% increases, and Mr. McKenna responded affirmatively. Ms. VanDermark noted that the System may no longer be fully funded by 2030 given that scenario. Mr. Zecha asked about the 6/30/2030 full-funding date. Our reporting year is 12/31. Ms. VanDermark stated the Unfunded Liability is determined as of 12/31 but is rolled forward to 7/1 for the purposes of the funding schedule. The system is expected to be fully funded by 6/30/2030. Mr. McKenna asked about the mortality tables. Ms. VanDermark stated that the most recent table is the 21 table, which was adopted previously by the Board. Ms. VanDermark stated the salary assumption is higher in early years, and she will not recommend an assumption modification unless she identifies significant salary gains or losses. Mr. McKenna stated the State just settled at 8% and

stated if MWRA does it, that it should affect the 5.75 chart. Mr. Horan noted the salary increase was not 8% over one year. It was 4% effective 7/1/2023 and 4% effective 1/6/2024. No increase is expected for 7/1/2024. Ms. VanDermark stated that the 4% from July is already in the data, and the 4% in January is not. If the MWRA were to give 8% per year over the long term, it would have an impact, but should not over the short term. Mr. McKenna asked about the impact of staffing levels. He stated MWRA is down 100 employees from the peak, and asked if that changes the valuation. Ms. VanDermark stated that MWRA's salary level has been pretty stable over the past several years. If numbers went way up or way down over the long term, it would have an effect. Each valuation encompasses the System's current population. Mr. Horan asked to see a schedule which extends full funding out to 2035. Mr. McKenna stated that ties the Board's hands in future years. Mr. Horan agreed, but stated he still wants to see it.

Ms. VanDermark summarized the requested schedules as:

- 1) 6.9% return assumption, 14.2% year over year increases in all years, solve for full-funding date. If not fully funded by 2030, solve for increase % needed to fully fund by 2030.
- 2) 6.9% return, 14.2% year-over-year increases for 3 years, then lowest possible increases year-over-year through full-funding date of 2035;
- 3) 6.9% return, full funding by 2030, solve for lowest possible year-over-year increases; and
- 4) 6.75% return, 14.2% increases all years, solve for full-funding date.

Ms. VanDermark thanked the Board and signed off the call at 10:35 a.m.

### 3) Scheduling Manager Due Diligence Presentations

Mr. Zecha stated that he wants to take one day to assign as many managers as possible, and that he wants a series of pre-determined questions to be sent to all so that the Board has the information in front of them ahead of time and can get through them quickly. Mr. Grzejka suggested ten minutes per manager as was done last year. Mr. Peña stated he agrees in concept but questioned the timeline. Last year the Board got so far behind that some managers had to sign off due to scheduling conflicts. He suggested a firm fifteen minute timeline, ten for presentations, five for questions, three hour meeting in total. Mr. Grzejka suggested that multi-account managers be called in: PRIM, Ares, TerraCap, Ascent, TA, Pinebridge Foundry, Loomis Sayles, etc. After discussion of possible dates, the Board agreed to conduct a meeting solely for the purposes of due diligence presentations on Thursday May 2, 2024 at 10:00 a.m. Mr. Grzejka will schedule managers with multiple accounts to present. The meeting will be held remotely.

## 5) Appointment of Election Officer and Approval of Election Timeline – VOTE

The Retirement Coordinator stated that she is ordinarily designated as the Election Officer, and that the timeline is consistent with PERAC regulations.

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

**VOTED**

to designate Retirement Coordinator Julie McManus as the Election Officer and to approve the election timeline as submitted for the first Elected Member's position. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

## 6) Approval of FY2025 3% Retiree COLA – VOTE

Mr. McKenna asked whether the proper notification had been sent to the Board of Directors, and Ms. McManus responded affirmatively. Mr. Horan asked if the amount would be 3% calculated on a \$17,000 base, and the Executive Director responded affirmatively.

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

**VOTED**

to approve a COLA for retirees in the amount of 3% calculated on a \$17,000 base to become effective July 1, 2024. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

## 7) Approval of February 29, 2024 Minutes – VOTE

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

**VOTED**

to approve the Minutes of the February 29, 2024 meeting as submitted. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

## 8) Approval of Warrant 3-2024 – VOTE

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

**VOTED**

to approve Warrant 3-2024. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

## 9) Approval of Monthly Transfers 3-2024 – VOTE

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

**VOTED**

to approve the monthly transfers for March. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

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

- |    |                 |               |
|----|-----------------|---------------|
| a) | Michael Sheehan | DOR 1/23/2024 |
| b) | Andrea Enos     | DOR 2/21/2024 |
| c) | John Porcello   | DOR 3/2/2024  |
| d) | Olivia Stots    | DOR 3/8/2024  |

On an omnibus motion made by Mr. Peña and seconded by Mr. McKenna:

**VOTED**

to acknowledge the section 5 retirements as listed. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

11) Approval of 12(2)(d) Survivor Benefit re. Sharmila Fernandes, spouse of Damien Fernandes, DOD 1/19/2024 – VOTE

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

**VOTED**

to approve the s. 12(2)(d) survivor allowance payable to Sharmila Fernandes, including dependent benefits for the three eligible minor children. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

Mr. Horan and Mr. McKenna thanked the Executive Director for her efforts on the Fernandes family's behalf.

12) Approval of Shannon Matuschak's buyback of 4 months of MassDOT employment – VOTE

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

**VOTED**

to approve Ms. Shannon Matuschak's buyback of prior service with MassDOT. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

13) Acceptance of Section 7 Retirement Application re. Timothy Joslin – VOTE

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

**VOTED**

to accept the application of Mr. Timothy Joslin for accidental disability, and to request from PERAC the appointment of a medical panel upon receipt of the pertinent medical records. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

- 14) Attendance at MACRS TEDS & Annual Conference, June 1 – June 5, 2024, Hyannis – VOTE

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

**VOTED**

to approve travel for any Board or Staff member who wishes to go to the MACRS Spring Conference. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

- 15) NEPC

- a) Flash Report as of 2/29/2024
- b) Estimated Asset Allocation Rebalance Summary
- c) MSCI EAFE International Equity Index Search RFP – VOTE
- d) Global Equity Search RFP – VOTE
- e) Private Markets Pacing

Mr. Grzejka stated that the portfolio was up 2% for the month of February, and ended at \$690m. Performance was driven by US Large Cap, with Small Cap and Non-US also performing well. Growth has had another rally in February, which seems to have balanced out in March. Apple is experiencing regulatory pressures, particularly in the EU. Baillie Gifford has captured some of the up-swing. Axiom outperformed, driven by security selection and being underweight in China. Rates are high, but the markets seem to be taking the “higher longer” rate environment in stride. Credit markets outperformed, and NEPC favors credit moving forward. The Private Equity and Debt valuations lag, but the Q4 PE performance should be positive and help the year-end number. Real Estate has been relatively flat. The rebalance sheet for March does not show new recommendations but rather shows where the fund landed after February’s transactions. As of Monday, the transactions executed to transition out of the large cap separate accounts are complete. Large Cap Value has had gains since the first tranche was moved to Aristotle. The Hedge Fund movements shown have been requested, but not yet disbursed.

In regard to the MSCI EAFE search, the goal is to add a passive account manager. The Board is seeking a “pure play” in developed markets, with an allocation of between \$30m and \$35m. Because it is an index search and does not require the same depth of responses, NEPC is advertising it with a ten-day turnaround time, so the Board may be able to vote in April. Mr. Zecha asked from where the allocation would be funded. Mr. Grzejka stated it would be from Schroders, Baillie Gifford, Axiom, and/or SEG. Mr. Zecha asked if that would result in the termination of one or more, and Mr. Grzejka responded affirmatively. NEPC has asked for a minimum track record of three years, but expects the responses to include some very established firms. Mr. Horan asked how many responses NEPC would expect, and Mr. Grzejka responded 10 or 15. Mr.

McKenna asked if these would be big names, similar to the Large Cap process, and Mr. Grzejka said “yes.” Mr. McKenna asked about splitting the \$30m-\$35m, and Mr. Grzejka responded that the Board could but in doing so would be diluting any benefits to the allocation. In making this move, both fee and performance issues within the international portfolio will be addressed.

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

**VOTED**

to approve the RFP as submitted by NEPC for the International Index Search Equity Manager. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

In regard to the Global Equity Search, the allocation will likely be \$50m. Global will be a more broad portfolio, and will be funded through rebalancing other areas. The allocation is intended to limit Emerging Markets exposure, for less overlap and volatility. NEPC is also recommending a ten-day response turnaround so the Board can move quickly. Mr. McKenna asked if Global can go into all markets including EM, with the exception of US. Mr. Grzejka stated that Global can go into EM with a ceiling of 10%, and may invest in US. They can go anywhere they want. Mr. Peña noted that allows the manager to be more nimble. Mr. Grzejka agreed that allows them to pivot quickly to add value. The EM exposure can go slightly over due to short term market valuation shifts, but not significantly over a long period. He expects a good cross section of managers. Mr. McKenna asked what the differentiators would be. Mr. Grzejka cited overlap, heavy EM exposure, fees, track record, resources, whether the strategy is all cap or has a small cap focus, and the manager’s overall experience. Mr. Horan asked if the RFP should be more specific in those categories to weed out some of the responses. Mr. Grzejka expects the 10% cap on EM will weed out some responses, but we will still have good options. The initial review process will eliminate those deemed not to operate within the requested mandate. He hopes to get the list to the Board in time for the April meeting. Mr. Peña asked if there are lists of barred countries. Mr. Grzejka stated that there are, such as Sudan, and through the Chair the Executive Director added Northern Ireland and South Africa, but stated that would be addressed in the Side Letter to the Investment Management Agreement. Mr. Zecha asked about splitting the mandate. Mr. Grzejka stated it doesn’t really make sense because there is such a high tracking for these products. Mr. Zecha asked if other NEPC systems are in these products. Mr. Grzejka responded that Boston has the exposure, as does PRIT. This is a long play because it does not track directly with the S&P.

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

**VOTED**

to approve the RFP as submitted by NEPC for the Global Equity search. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

In regard to Private Equity pacing, Mr. Grzejka stated that the goal is to add to the PE allocation every year, since different vintages have different opportunity sets. Existing managers are making distributions so there are outflows from existing PE assets over time. Commitments are also invested over time, so to reach and maintain targets, new commitments need to be made annually. NEPC's recommendation is that the Board Commit up to \$24 per year. The Board has already committed \$10m to PRIT PE VY 2024. NEPC recommends focusing on Secondaries, which tend to be discounted, provide liquidity, and are realized sooner with attractive fees. As shown on page 9 of the presentation, older vintages will be making distributions, so exposure will go down before it goes up. Building up to and maintaining a 15% PE exposure is built into the Asset Allocation model. 2027 and beyond are shown for demonstration purposes on the graphic and are expected to change. Mr. McKenna asked if the 2024 \$24m recommendation already includes the PRIT allocation, and Mr. Grzejka stated that it does. He noted the RFP process for Secondaries will begin in April. Mr. Horan asked if it is too late to increase the PRIT VY 2024 commitment, and Mr. Grzejka stated that it is. PRIT has a window toward the end of every calendar year, and the Board committed the \$10m. Mr. Zecha asked about names Mr. Grzejka would expect. He responded that Hamilton Lane, Newbury, Harbourvest, Commonfund, and TA would likely respond. Mr. Zecha asked about the return through February. Mr. Grzejka stated that the fund is up 2% through February, and March to date has been positive too. Mr. Horan noted that adding managers adds work for the Board and NEPC, RFPs, reporting, etc. Mr. Grzejka stated that some managers are adding "evergreen" products, but otherwise agreed. The PRIT PE exposure has crept up over time, and the increases would be expected to continue. Mr. Peña asked if it is permissible to restrict responses to known firms, and Mr. Grzejka stated the process has to be fully open to all who fit the strategy the Board is seeking. Limiting the search to Secondaries will limit the responses.

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

**VOTED**

to request that NEPC draft an RFP for a Secondaries Manager for the Board's consideration. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.

Mr. McKenna asked that travel for Board and Staff be approved for those who wish to participate in the Opal educational conference in July.

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

**VOTED**

to approve Board and Staff travel to the Opal Conference in Newport in July. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes.



On a motion made by Mr. Peña and seconded by Mr. McKenna:  
**VOTED**  
 to adjourn the March 28, 2024 meeting of the MWRA Employees' Retirement Board. 4-0, with Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Horan voting yes. The meeting was adjourned at 11:28 a.m.

The following communications were distributed to the Board for review:

PERAC MEMO #10/2024 – Tobacco Company List

**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, April 25, 2024 at 10:00 a.m., Chelsea, MA.**

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James M. Fleming, Chair

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Matthew Horan Appointed Member

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Kevin McKenna, Elected Member

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Brian Peña, Ex Officio Member

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Frank Zecha, Fifth Member