

**MASSACHUSETTS WATER RESOURCES
AUTHORITY EMPLOYEES' RETIREMENT
BOARD MEETING
JUNE 23, 2016**

A meeting of the MWRA Employees' Retirement Board was held on June 23, 2016 at 10:00 a.m. at the offices of the MWRA, 2 Griffin Way, Chelsea, MA. The following Board Members were present: James M. Fleming, Thomas J. Durkin, Kevin McKenna, and Frank Zecha. Joseph C. Foti was not present at the start of the meeting, delayed due to a critical matter which had arisen for the City of Chelsea. Carolyn Russo, Executive Director, was also present. Mr. Durkin was accompanied by Steven Kayal, a Finance Intern for the MWRA. Attorney Thomas Gibson and Attorney Gerald McDonough were present as Board Counsels. Sebastian Grzejka was present from New England Pension Consultants (NEPC) as Investment Consultant. Chairman Fleming called the meeting to order at 10:18 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) Approval of May 26, 2016 Minutes – VOTE

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to approve the May 26, 2016 Minutes as presented. 4-0

- 4) Approval of Warrants – VOTE

- a) Warrant 6-16

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

VOTED

to approve the 6-16 accounts Payable Warrant as presented. 4-0

- b) Warrant 6-16A (To void & reissue ASF Refund P. Bien-Aime)

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

VOTED

to approve the 6-16A Warrant as presented. 4-0

- c) Warrant 6-16B Estimated Retirement Payroll Warrant for 6/30/16 due to early meeting date

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

VOTED

to approve the 6-16B Warrant as presented. 4-0

- 5) Approval of Monthly Transfers 6/2016

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

VOTED

to approve the 6/2016 Transfers as presented. 4-0

- 6) Acceptance of the section 7 retirement application filed by Robert Plunkett

On motion by Kevin McKenna and seconded by Frank Zecha:

VOTED

to accept the application for section 7 retirement filed by Robert Plunkett.
4-0

- 7) Presentation by Sebastian Grzejka/NEPC

- a) Flash Report as of 5/31/2016

During the discussion of the fund performance numbers contained in the Flash Report, the Board questioned whether there were ways for NEPC to present a detailed representation of fees which takes into consideration not only fees paid and performance, but also asset class, risk, and asset allocation, and a comparison to PRIT by asset class. Mr. Grzejka stated that he would present MWRAERS fees vs. the universe, ways NEPC can secure a reduced fee on behalf of the Retirement System, as they did with SEG, etc. Mr. Durkin noted that if the Board's asset allocation is more defensive and assumes less risk, that the Board should consider proportionately scaling back the assumed rate of return for the next actuarial valuation. The Executive Director was instructed to advise Segal that for the upcoming 1/1/17 actuarial report, the Board will be seeking valuation results showing the impact of a 7.0%, 7.25%, and/or a 7.5% investment return assumption, as opposed to the current 7.75% assumption.

Mr. Grzejka commented on the completion of the Entrust Permal merger and noted that turnover and flows will be indicative of problems in the coming months. He also recommended that Permal be requested to do a due diligence presentation at the July meeting, since Entrust presented in February. The Executive Director was instructed to include a presentation by Permal on the Agenda for the July meeting.

- b) Private Equity Program review & 2016 Strategic Investment Plan

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

VOTED

to initiate the RFP process for Growth Equity, and Buyout and Special Situations Managers within the Private Equity space based upon recommendation from NEPC. 4-0

- c) Discussion of Landmark Partners' recent strategic partnership with OM Asset management
 - d) Invesco Mortgage Recovery Fund II, L.P. Second Amendment-discussion of item delayed at the request of NEPC pending arrival of Board Counsel
 - e) Discussion of Schroder's Strategic relationship with Hartford Funds, taken in conjunction with item 7 c. above, and described by Mr. Grzejka as part of an industry-wide move toward consolidation
- 8) 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.

Courtland Partners-represented by Jay Morgan, Director of Research & Senior Portfolio manager

Mr. Foti entered the meeting at 11:40 a.m.

LMCG-Represented by Gordon Johnson, Managing Director, Global Equities and Jenna Welsh, Director, Client Service

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.

While acknowledging some underperformance by LMCG in relation to the benchmark, the Board determined that the above investment managers continue to operate in a manner represented when retained and outlined

in the agreement between the Board and the manager.

- 9) Proposed Change to 3 Year Average Calculation-discussion included with Legal Update for input of Board Counsel
- 10) Attorney Thomas Gibson/Legal Update

The Board returned to item 7c regarding the proposed Invesco Mortgage Recovery Fund II, L.P. Second Amendment. Board Counsel's recommendation was that the Board neither take a position on the matter nor sign the Second Amendment. The Board therefore took no action on the matter.

Mr. Grzejka departed the meeting at 12:10 p.m.

The Board returned to item 9), discussion of the 3 year Average Calculation. Board Counsel noted that a detailed presentation had been given recently by Scott Henderson from PERAC and recommended that the Board invite a representative from PERAC to the July meeting to provide guidance on proposed changes to the 3 year average.

On motion by Joe Foti and seconded by Thomas J. Durkin:

VOTED

to direct Board Counsel to request that PERAC send an appropriate representative to the meeting to be held July 28, 2016 in order to provide guidance in developing a fair process in proposing and implementing potential changes to the 3 year average calculation. 4-0

- a) Chapter 121 of the Acts of 2016 "An Act to Improve Public Records"-Board Counsel summarized and will put in written form guidance regarding the major elements of the Act, including:
 - The requirement that the Board appoint a "Records Access Officer"
 - The 10-day time period to respond to a request, with an option to request an additional 15-day extension if necessary
 - If records which are maintained electronically are requested, the Board's response should also be in electronic format, to avoid assessing the public with unnecessary copy and research fees
 - The recommended posting on MWRAERS web site documents such as open session minutes, meeting agenda, Annual Statement, Actuarial Valuation, etc.
- b) Stanton DALA Appeal – Post-hearing memoranda have been filed with DALA; waiting for magistrate Fortin's decision
- c) Disability Status Update-proposed worker's compensation settlement for Kyle Daley has been reviewed by Counsel and

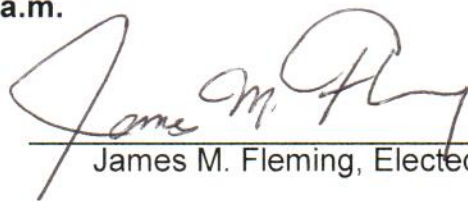
deemed consistent with the Board's required 20% allocation to the System in lieu of future offset.

- d) Securities Litigation Firms-per the Board vote May 26, 2016, Board Counsel presented the Board with the advantages and disadvantages to employing additional firms. No further action was taken by the Board.

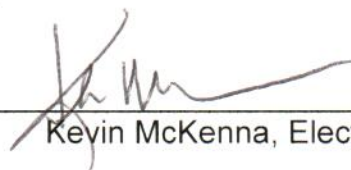
The Retirement Board was presented with the following documents at the meeting:

Courtland Partners' Presentation
LMCG Presentation
NEPC Flash Report as of 5/31/2016
NEPC Private Equity Program Review
PERAC Memo #17/2016 Tobacco Company List
PERAC 2015 Investment Report
PERAC Pension Newsflash
Ascent closed on the Secondary Purchase of SBA's interest in AVP IV-Pensions & Investments

The meeting was adjourned at 1:30 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, July 28, 2016 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**



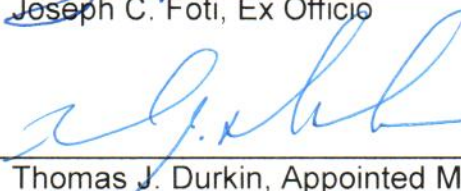
James M. Fleming, Elected Member



Kevin McKenna, Elected Member



Joseph C. Foti, Ex Officio



Thomas J. Durkin, Appointed Member

Frank Zecha, Fifth Member