MWRA EMPLOYEES' RETIREMENT BOARD SPECIAL MEETING
FEBRUARY 7, 2024

A special meeting of the MWRA Employees' Retirement Board was conducted in-person on Thursday, February 7, 2024 for the purpose of conducting Consulting Services Interviews. 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. Present at the in-person meeting were Board members Matthew Horan, Kevin McKenna, Brian Peña, Frank Zecha, and James Fleming, staff members Carolyn Russo, and Julie McManus. Members of the public also attended via remote access. Mr. Fleming called the meeting to order at 10:02 a.m.

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

2) Consulting Services Search Presentations – VOTE
10:00 a.m. New England Pension Consultants
10:20 a.m. Dahab Associates
10:40 a.m. Meketa Investment Group
11:00 a.m. Verus

Representatives Michael Manning, Sebastian Grzejka, and Mike Sullivan joined the meeting representing NEPC. Mr. Grzejka began by thanking the Board for the 25-year relationship, noting that it is not taken for granted and that NEPC would like to continue to contribute to the System's success. There have been few changes to the NEPC team over that timeframe, demonstrating the institutional knowledge and memory at the Board's disposal. Should the Board re-hire NEPC, Mr. Sullivan would be joining the team. Mr. Fleming asked whether Mr. Grzejka would still be assigned to the account, and Mr. Grzejka responded affirmatively. He continued that the portfolio has evolved over time and has gotten more complex. Since the 2016 RFP, NEPC had conducted over 25 manager searches, two custody searches, six asset allocation reviews and hundreds of due diligence meetings. The Consultant needs to be the right one. The day-to-day relationship is important. Mr. Manning referred the Board to page 3 for the team details. He thanked the Board for the 25-year relationship. Page 5 shows the progress of the fund and the growth of the firm over that time. In 1999, MWRAERS AUM were $98m and are now $680m. NEPC has grown from $107bn to $1.6tn AUM, from 33 employees to 359 employees, and the dedicated research team grew from 3 to 69 professionals. Mr. Fleming asked how many clients are assigned to each Consultant. Mr. Manning responded that the average is 6, which gives them time to get to know their clients, and how best to leverage the depth of research to the client's benefit. Mr. Zecha asked how many are currently assigned to Mr. Grzejka, and Mr. Grzejka responded 8. Mr. Zecha asked the same of Mr. Sullivan, and he responded 7 as lead Consultant, with 4 in a back-up role, requiring little active involvement. Mr. Manning stated that NEPC uses a partnership model to provide an intense level of client service. Mr. McKenna stated that Mr. Grzejka has been great, and that we've grown at the same time, but it appears that NEPC may not be vested in growing its business, and could be pulling back. He stated that he knows we ask a lot of NEPC as a client, and asked whether NEPC has hit a saturation point, forgoing growth to focus on current clients. Mr. Manning stated that NEPC is still growing and expanding business in a healthy way, but wants to keep current clients happy. Prospective new clients do not want to see outflow of existing clients. Mr. McKenna stated that he had read something in the original proposal that gave him that impression. Mr. Manning stated that over 37 years NEPC has maintained growth at a reasonable pace, because otherwise you'd be doing a disservice to both your employees and your clients. Mr. Zecha asked about NEPC's rate of returns and performance over time compared to other MA public funds. He added that he has met managers at conferences and received calls from managers who appear to be top decile performers, but who state they can't get NEPC to answer their calls or emails. He asked about NEPC's focused placement list, and how a manger would get on it. Mr. Manning stated that it is an open door policy, and that every search starts out as open to the universe. NEPC's research team looks for the strongest managers, but Clients are always welcome to bring ideas to NEPC. The research databases will sometimes yield a less well-known manager's bubbling to the top. Mr. Grzejka noted that there has been a give and take, noting that Mesirow, LMCG, Constitution and TerraCap all had no prior relationship with NEPC and found their way into the portfolio because the research backed it. Mr. Zecha asked then what the focused placement list actually means, and Mr. Grzejka stated that the research and investment teams have already fully vetted the manager. All consultants do that, but new names are always coming in because NEPC is seeking to identify the best. Mr. Manning added that there is an art and a science that goes into the analysis, both qualitative and quantitative. Mr. Zecha asked about the fee. Mr. Grzejka directed the Board to page 26, and stated the fee is $150,000 per year billed quarterly, and is a fair representation of the amount of work required. Mr. Zecha asked if that would include 12-14 on-site meetings per year, plus others if needed, and Mr. Grzejka confirmed that it would. Mr. McKenna asked if there is any cap on RFP's, and Mr. Grzejka stated there is not. Mr. Fleming thanked the representatives from NEPC for the 26-year relationship, and stated that the Board will decide and let them know. NEPC signed off the call a 10:24 a.m.

Mr. Greg McNeillie from Dahab joined the call. Mr. Fleming stated that Dahab would have 20 minutes for the presentation including time for questions at the end. The Board conducted the RFP process because the seven-year contract maximum was reached. Mr. McNeillie reported that Dahab's philosophy has not changed since the 2017 RFP was done. Mr. Dahab, founding partner, is stepping away from day-to-day operations, but his son will be stepping in. Mr. Kevin Condy will be the Consultant assigned to the account. The firm has gone from 83 to 86 clients over that timeframe, and from $13bn to $16bn AUM. Dahab pays attention to the little things, and some firms don't. For example, every search is public, and Dahab sorts 60-80 responses generally for public fund searches. They look for independent sources of returns over a range of market capitalizations. Fixed Income returns are enhanced through PRIT's Alternatives, Real Estate, Timber and Agriculture. Dahab will not use expensive strategies that offer low returns. They do not like Hedge Funds, and don't use fixed income with hidden equity risk. Mr. Zecha asked if Lord Abbett or Garcia Hamilton are in any of their public fund portfolios. Mr. McNeillie said there is Garcia Hamilton exposure, and some clients other than public funds have Lord Abbett. Mr. Zecha noted Dahab has done well, but MWRAERS wants less risk given the funded ratio, and asked for confirmation that they don't use private equity of hedge funds. Mr. McNeillie responded that Private Equity and Private Debt are difficult to negotiate without scale, so Dahab has employed the PRIT private equity sleeves. Taunton has used this approach. PRIT has a staff of 58, and Dahab uses PRIT in its "hub and spokes" approach for Dukes County, Franklin County, and Shrewsbury, and has beaten PRIT's returns by allocating to the sleeves in a different way. Mr. Zecha asked if Dahab has a focused placement list, and if so, how does it work. Mr. McNeillie said no, all clients' searches are public every seven years, they use PERAC's ranking system, and the process generates the list. Some may be screened for size, concentration, etc. Shrewsbury is fully funded and reduces risk by tweaking PRIT sleeve allocations. Mr. Horan asked about fees, and Mr. McNeillie responded $120k all-in. Mr. Fleming asked if that includes 12 in-person regular meetings plus special meetings, and Mr. McNeillie responded that it does. Mr. Horan asked if the fee stays the same over the duration of the contract, and Mr. McNeillie responded affirmatively. Mr. McNeillie thanked the Board and signed off the call at 10:40 a.m.

At 10:41 a.m., Mr. Daniel Dynan, Ms. Allie Wallace Stone, and Ms. Lisa Rubin joined the call representing Meketa. Mr. Dynan referred the Board to page 2 for their biographies. Mr. Dynan and Ms. Stone joined Meketa in 2008 and 2009 respectively. Mr. Dynan began that he knows there is safety in the familiarity with the current consulting relationship, but he believes there are gaps and wants to bring the Board into the future, through the next 20 years. Page 3 shows the potential benefits to MWRAERS. Meketa develops client-focused solutions. The team builds consensus and has a nearly 100% retention rate. The research team has 74 people, and Meketa has been a top decile performer. Market efficiency makes identifying alpha more difficult. The team has significant national and MA public fund experience. Ms. Stone reported that as shown on page 4, the firm has 249 clients, with $13.3bn in assets under advisement for 13 MA clients, including Worcester, Plymouth County, and MHFA. Consulting is the sole line of business so there are no conflicts. Page 5 shows that Meketa maintains a low consultant to client ratio, so they can get to know the clients and the portfolios well. The average is 5 clients per consultant, and the consultants are accessible for meetings by phone or in person. Mr. Fleming asked if that would apply to special meetings on top of the 12 regular meetings, and Ms. Stone responded that it would. Mr. Zecha asked whether Meketa has a focused placement list, and if so, how a manager would get on it. Mr. Dynan responded in the negative, and stated every search is an open process, but noted that Meketa does have a list of managers that they "support." They will look at all responses, and if it's not a fit, they won't use the manager. Mr. Zecha asked for clarification of the fee structure, questioning whether the structure includes three increases to the initial $220k annual fee. Mr. Dynan stated that it does, but the Board could also hire Meketa for Private Markets only, using PRIT PE sleeves, and the fee would be $50k per year. Mr. McKenna asked if it is tiered, and whether there would be an additional cost for 25 RFP's, and Mr. Dynan stated it would cover all the Board is currently doing. Customizing the PE portfolio would be additional. Mr. Dynan added that in the 2017 search the Board found the pricing too expensive, but stated that the Board made a mistake. Price is what you pay, value is what you get. Meketa's scale allows favorable fee negotiations with managers, and Mr. Dynan began to cite a case study. Mr. McKenna then asked if in 2017 Meketa drilled down into the portfolio and if there were any points. Mr. Dynan referred Mr. McKenna to page 12 for observations from the 2017 presentation as well as from the current one. Meketa recommends leaning toward active management, reducing hedge fund exposure and increasing private equity. Fixed Income is attractive, including both public and private debt. Meketa has performed well in all market weather. Client results are shown on page 8. Mr. McKenna asked if Meketa uses PRIT sleeves to reduce fees. Mr. Dynan stated that they do, but they customize the mix. He commented that the Board last updated the Investment Policy Statement (IPS) in 2015 and it needs to be updated. He asserted that the fund would be $77m more if the Board had hired Meketa in 2017, adding that the fund went from 98% funded to 89% funded in the interim, and the Board needs to work on that. Mr. Fleming interjected that CoVid-19 happened in the meantime. Mr. Rubin thanked the Board for the opportunity. Mr. Dynan, Ms. Stone and Ms. Rubin signed off the call at 11:00 a.m. (*Editorial notes provided for context: In the intervening time period cited by Mr. Dynan, the Board adopted a lower investment return assumption and approved the use of updated mortality tables, both measures intended to reduce the risk of future actuarial losses, and implemented benefit enhancements in the form of an increased COLA base, all of which impact the funded ratio. The IPS was last updated in 2022, not in 2015.)*

At 11:01 a.m., Mr. Mark Brubaker, Mr. Mike Patalsky, Mr. Chris Shelby, and Mr. Ted Hermann joined the meeting representing Verus. Mr. Brubaker introduced himself as the Senior Consultant for the team, with 33 years' experience in portfolio construction, including a 20-year relationship with Massport. Mr. Patalsky stated he has 24 years of experience, including in public funds, and that he has been assigned to the Massport account for the past 10 years. He serves as the team leader on the OK and SC state funds, with a total of 4 clients, allowing a high level of service. Mr. Evan Benedict serves as Support Consultant. Mr. Shelby is the Managing Director of the Private Markets team, with 17 years' experience. Mr. Hermann is in Business Development. Verus has assembled a customized client-specific team for MWRAERS, and the portfolio development process is research-driven. Mr. Brubaker added that there will be a dedicated support team. Mr. Fleming asked where the team is based. Mr. Brubaker responded that the firm's headquarters is in Seattle with a satellite office in San Francisco, but that he, Mr. Patalsky, Mr. Shelby, and Mr. Benedict are based in Pittsburgh. The firm has just over $1tn in assets under advisement, with 30 public fund clients. The average client to consultant ratio is 5-1. Currently Mr. Brubaker has 4 and Mr. Patalsky has 4. Mr. Fleming asked if the fee already includes attendance at 12 regular meetings plus special meetings, and Mr. Brubaker confirmed that it does include in-person attendance. Mr. McKenna asked if Verus is an advisor to PRIM. Mr. Bruker answered affirmatively, noting that the account was a big win for the firm. For the past three years, Verus has been PRIM's benchmark consultant for public transparency as well as compensation purposes. MWRAERS would be an important client to Verus. Page 5 demonstrates client satisfaction, with Verus earning a 4.7 responsiveness rating (out of 5). There is no conflict of interest risk. Mr. Zecha asked if Verus has a focused placement list, and if so, how it works. Mr. Brubaker stated that Verus does have a list of rated managers they like, but that there is an open-door policy. Clients often bring names to the firm for vetting. Page 7 shows observations Verus has made about MWRAERS. Mr. Patalsky noted that the plan is well-funded, with a 6.9% investment return assumption which is in line with like plans. The current IPS is well-diversified, and overall the portfolio is well-positioned. Mr. Patalsky would, however, recommend an increase to passive in the large cap space, and a reduction in overlap identified in the International and Emerging Markets portfolios. He would also encourage a more consistent private equity pacing model. Mr. McKenna asked if there is a way to quantify the overlap in in the EM space. Mr. Patalsky referred the Board to page 9, which demonstrates overlap among Baillie Gifford, Schroders, and SEG in the international space, and between ABS and Axiom in Emerging Markets. Over-allocation to EM has driven underperformance. The developing and emerging market managers have a high correlation to the benchmark, so they will move in the same way, rather than being complementary managers. The areas of overlap are seen in the red and yellow. There has been some underperformance in large cap. Coho and Polen have had headwinds. SEG and Baillie Gifford have also underperformed in the International portfolio. Page 10 shows the rating system used to identify the best managers. Page 24 shows that the Verus "high-conviction" managers have provided excess returns across asset classes. The Manager Research group is experienced, and has to have a high conviction in ideas. Mr. Shelby directed the Board to page 11 for private markets pacing considerations. A consistent allocation to PRIT's vintage years adds good opportunities to the portfolio. Mr. Brubaker directed the Board to page 26 for a peer comparison for the private markets team. Page 12 shows the reduced fee of $175k because Verus wants the opportunity to work with MWRAERS. They have a dedicated team, and are committed to in-person meetings. Mr. Zecha asked about 2023 returns. Mr. Brubaker stated that he does not believe they have all reporting yet, but will email an update to the

Executive Director. The Verus representatives thanked the Board and signed off the call at 11:30 a.m.

Mr. Zecha asked for a 10-minute recess at 11:31 a.m. The Board re-convened for discussion at 11:37a.m.

Mr. Zecha noted any of the four could do the job. Dahab has no alternatives program and just uses PRIT sleeves, so the portfolio would need restructuring. For that reason, it would be his recommendation that Dahab be eliminated. Mr. Peña agreed, but asked if the Board should update the ranking before getting into the discussion. The Executive Director through the Chair stated that is her understanding as well.

The Board members completed the post-interview ranking sheets for each of the four candidates. Mr. Zecha began reading his results, followed by Mr. McKenna. Mr. Horan stated that NEPC's rankings were mixed, because he doesn't like the idea of a preferred list. Dahab was also more expensive. Mr. Pena reported his rankings were largely unchanged, although his impression of Meketa improved somewhat due to their understanding of the portfolio.

The Executive Director asked for another brief recess so she and the Retirement Coordinator can complete the official tally of the post-interview results. The Board again called a recess at 11:50 a.m. for the Executive Director and Retirement Coordinator to tally the results.

The Board reconvened at 12:08, and the Chair read the following final tally results into the record:

NEPC 3.86
Meketa 3.85
Dahab 3.71
Verus 3.67

Mr. Fleming asked if any Board members would care to make a motion. Hearing none, Mr. Fleming moved to hire NEPC as the Consultant. Mr. McKenna seconded.

> On a motion made by Mr. Fleming and seconded by Mr. McKenna:
> **VOTED**
> to hire NEPC as the Consultant. 3-2, with Mr. Horan voting no, Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting no, and Mr. Fleming voting yes. The motion to retain NEPC prevailed.

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

VOTED

to adjourn the February 7, 2024 special meeting of the MWRA Employees' Retirement Board. 5-0, with Mr. Horan voting yes, Mr. McKenna voting yes, Mr. Peña voting yes, Mr. Zecha voting yes, and Mr. Fleming voting yes. The meeting was adjourned at 12:12 p.m.

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, February 29, 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