

**MASSACHUSETTS WATER RESOURCES  
AUTHORITY EMPLOYEES' RETIREMENT  
BOARD MEETING  
JULY 28, 2016**

A meeting of the MWRA Employees' Retirement Board was held on July 28, 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, Joseph C. Foti, and Kevin McKenna. Frank Zecha arrived while the meeting was in progress. Carolyn Russo, Executive Director, and Julie McManus, Retirement Coordinator, were 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 Counsel. Sebastian Grzejka was present from New England Pension Consultants (NEPC) as Investment Consultant. Chairman Fleming called the meeting to order at 10:00 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 June 23, 2016 Minutes – VOTE  
  
On motion by Kevin McKenna and seconded by Thomas J. Durkin:  
**VOTED**  
to approve the June 23, 2016 Minutes as presented. 4-0
- 4) Approval of Warrants – VOTE
  - a) Warrant 6-16B  
  
On motion by Thomas J. Durkin and seconded by Kevin McKenna:  
**VOTED**  
to approve the 6-16B Payroll Warrant as presented. 4-0
  - b) Warrant 7-16  
  
On motion by Thomas J. Durkin and seconded by Kevin McKenna:  
**VOTED**  
to approve the 7-16 Payroll Warrant as presented. 4-0

5) Approval of Monthly Transfers 7/2016

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

**VOTED**

to approve the 7/2016 Transfers as presented. 4-0

6) Approval of 5/2016 Bank Reconciliation – VOTE

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

**VOTED**

to approve 5/2016 Bank Reconciliation. 4-0

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.

a)	Mark Radville	DOR 6/1/2016
b)	Judi Cone	DOR 7/6/2016
c)	David Errichiello	DOR 7/6/2016
d)	Nancy Ettele	DOR 7/7/2016
e)	Thomas Lindberg	DOR 7/9/2016
f)	James Walker	DOR 7/9/2016
g)	John Curran	DOR 7/9/2016
h)	Barbara McNeil	DOR 7/9/2016
i)	Dave Phillip	DOR 7/12/2016
j)	John Corbin	DOR 7/16/2016
k)	Thuan Lam	DOR 7/16/2016
l)	Lillian Gallant	DOR 7/16/2016
m)	Daniel Landers	DOR 7/17/2016
n)	Frank Westberg	DOR 7/17/2016

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

**VOTED**

to acknowledge §5 retirements for Mark Radville DOR 6/1/2016, Judi Cone DOR 7/6/2016, David Errichiello DOR 7/6/2016, Nancy Ettele DOR 7/7/2016, Thomas Lindberg DOR 7/9/2016, James Walker DOR 7/9/2016, John Curran DOR 7/9/2016, Barbara McNeil DOR 7/9/2016, Dave Phillip DOR 7/12/2016, John Corbin DOR 7/16/2016, Thuan Lam DOR 7/16/2016, Lillian Gallant DOR 7/16/2016, Daniel Landers DOR 7/17/2016, and Frank Westberg DOR 7/17/2016. 4-0

8) Approval of 1 year and 11 months creditable service for Carlos Vasquez for prior MWRA contract employment – VOTE



Discussion. Mr. Foti stated that he brings up the issue of contract employees being allowed to buy back their contract employment when they become members of the retirement system whenever a contract employment is approved at the Board of Directors meetings. Chairman Fleming recognized Mr. Foti's frustration and noted that he shared it.

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

**VOTED**

to approve 1 year and 11 months creditable service for Carlos Vasquez for prior MWRA contract employment. 4-0

- 9) Approval of 2 years and 6 months creditable service for Karen Graham for prior MWRA contract employment – VOTE

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

**VOTED**

to approve 2 years and 6 months creditable service for Karen Graham for prior MWRA contract employment. 4-0

- 10) Approval of one month creditable service for Gary Caggiano for the month of December 2013 and one month of creditable service for the month of January 2014 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

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

**VOTED**

to approve one month creditable service for Gary Caggiano for the month of December 2013 and one month of creditable service for the month of January 2014 pursuant to G.L. c. 32, s. 4(1)(c), which allows the Board to grant up to one month creditable service without contribution. 4-0

- 11) Approval of one month creditable service for Francis Coleman for the month of April 2016 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

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

**VOTED**

to approve one month creditable service for Francis Coleman for the month of April 2016 pursuant to G.L. c. 32, s. 4(1)(c), which allows the Board to grant up to one month creditable service without contribution. 4-0

## 12) Travel Approval – VOTE

PERAC Emerging Issues Forum, September 15, 2016, Worcester, MA.

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

**VOTED**

to approve attendance for Board Members and Staff at PERAC Emerging Issues Forum, September 15, 2016, Worcester, MA. 4-0

## 13) Discussion with representatives from Public Employee Retirement Administration Commission regarding Method for Calculating Three-Year Average.

At the request of the Board, Derek Moitoso, Compliance Counsel, John Boorack, Senior Actuarial Associate, and Scott Henderson, Deputy Chief Auditor attended from the Public Employee Retirement Administration Commission (PERAC) for the purpose of providing guidance on a possible change in methodology for calculation of the three year average.

Chairman Fleming stated that this Board has always used the 156-week method in calculating retirement allowances, and asked if the Board were to vote to adopt a new methodology, would PERAC allow the Board to go back and change prior calculations if applicable. Mr. Moitoso asked why the Board would want to change its methodology, and Mr. Zecha answered that an employee at the Authority brought the issue to one of the Board Member's attention after having done an estimate in the PTG member portal.

Mr. Moitoso stated that all four methods of calculating three-year-average are allowed and in his estimation, the Board could legally go back and recalculate retirements if the Board voted to change methodology. Mr. Moitoso, once again, questioned why the Board would do so.

Mr. McKenna asked if any other boards had ever changed the methodology in calculating the three-year-average, and Mr. Henderson stated that one other board had changed but they did not go back and recalculate retirees, and the new methodology resulted in a decrease in retirees' benefits.

Mr. Zecha stated he would only consider changing methodology if it were fair and equitable and applied to all current and future retirees. He also noted that the Authority would have to be willing to incur additional unfunded liability. Mr. Durkin stated that in consultation with the Board's actuary, Segal, he believes that the unfunded liability would not increase for future retirees. Mr. Boorack stated that if all the retirees were



recalculated, there would be an increase to the unfunded liability. Chairman Fleming said that the Board has asked Segal to provide numbers for actives and retirees separately and is waiting to receive them.

Mr. Durkin asked what is the likelihood that PERAC would regulate the way the three-year-average is calculated. Mr. Moitoso replied if the Board is not going to change its methodology, a member has a right to appeal to DALA and if PERAC were brought into the case, all the other retirement boards would be affected. Mr. McKenna asked if retirees could appeal to DALA if the methodology was only changed prospectively, and Mr. Moitoso replied in the affirmative. In response to Mr. McKenna's question regarding whether or not interest would need to be paid to retirees if their calculations were changed, Mr. Henderson replied that it would not need to be paid because the change was not the result of an error.

Mr. Durkin said the statute is clear it's the salary received prior to retirement, but Mr. Boorack clarified that the three-year-average is based on the period for which the employee is paid preceding retirement.

Mr. McKenna asked for confirmation from PERAC that the Board could 1) change its methodology and 2) apply it retrospectively and prospectively and, Mr. Moitoso replied that the Board has the ability to do so since both methods are acceptable.

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

**VOTED**

to table the item regarding Method for Calculating Three-Year Average.  
5-0

Authority employees John Navoy and Audrey Mintz were recognized as being in attendance and given the opportunity to speak. Mr. Navoy thanked the Board for its consideration and was looking forward to hearing its decision. Ms. Mintz attended on behalf of the Unit 6 Steelworkers and acknowledged the Board's concern with consistency and would pass along the Board's discussion to the members.

14) Attorney Thomas Gibson/Legal Update

- a) Stanton DALA Appeal – Attorney Gibson noted that he received notice that Mr. Stanton's attorney had been temporarily suspended by the Board of Bar Overseers
- b) The Boston Globe has been conducting a survey regarding portfolio monitoring companies that had been hired by boards in the last five

years. Attorney Gibson noted that the Board had not been required to do an RFP because its portfolio monitoring companies were hired prior to the legislation passed in 2012. Mr. Zecha stated that in speaking with employees from PRIM, he was told that PRIM is doing an RFP and looking to hire additional portfolio monitoring companies. Mr. McKenna asked if Attorney Gibson thought the Board has enough portfolio monitoring companies, and Attorney Gibson answered in the affirmative.

- c) Disability Status Update
- d) Robbins Geller Rudman Extension – VOTE

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

**VOTED**

to approve the contract extension for Robbins Geller Rudman. 4-0 (Mr. Zecha had stepped out)

- e) Attorney Gibson noted that Middlesex Retirement uses 156-week-average when calculating retirements, and Mr. Zecha stated that Brookline does as well.

Mr. Foti left the meeting at 11:45 a.m.

15) 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.

Morgan Stanley

TerraCap – Mr. Hagenbuckle explained the accounting issue that was discovered earlier in the year.

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 in the agreement between the Board and the manager.

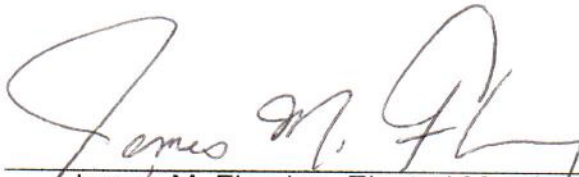
Mr. Zecha left the meeting at 12:30 p.m.

- 16) Presentation by Sebastian Grzejka/NEPC
  - a) Flash Report as of 6/30/2016
  - b) Custody Search Summary
  - c) Manager Fee Rankings
  - d) Growth/Equity/Buyout/Special Situation Funds Ad
  - e) PIMCO Appoints Next Chief Executive Officer
- 17) Chairman Fleming stated that Entrust Permal was supposed to present at this meeting but there was confusion as Mr. Heimowitz scheduled a meeting with one of the Board Members on August 9 at 5:00 p.m., and he mistakenly thought it was for their required due diligence presentation. Entrust Permal will be notified to present at the August meeting, and if three or more Board Members are planning to attend the August 9 meeting, the meeting will need to be posted.
- 18) Mr. Durkin, on behalf of the Board, noted the additional work Staff had in July with the CAFR and the numerous retiremenst and expressed the Board's appreciation.

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


Morgan Stanley Presentation  
 TerraCap Presentation  
 NEPC Flash Report as of 6/30/2016  
 NEPC Custody Search  
 NEPC Manager Fee Rankings  
 NEPC Growth Equity/Buyout/Special Situations Fund Ad  
 NEPC PIMCO Appoints Next Chief Executive Officer  
 PERAC Memo #18/2016 re. Mandatory Retirement Board Member  
     Training – 3<sup>rd</sup> Quarter 2016  
 Loomis-Sayles Multi-sector Fixed Income New Hire  
 Kayne Anderson Addition of Mike Levitt to Senior Management Team  
 Labaton Sucharow Investor Alert  
 TerraCap Management , LLC July 2016 Newsletter

The meeting was adjourned at 1:21 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, August 25, 2016 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**



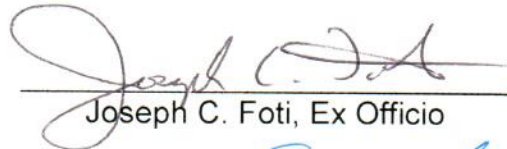
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James M. Fleming, Elected Member




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Kevin McKenna, Elected Member



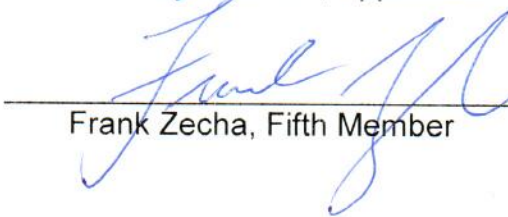
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Joseph C. Foti, Ex Officio



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Thomas J. Durkin, Appointed Member



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Frank Zecha, Fifth Member