

**MASSACHUSETTS WATER RESOURCES
AUTHORITY EMPLOYEES' RETIREMENT
BOARD MEETING
SEPTEMBER 29, 2016**

A meeting of the MWRA Employees' Retirement Board was held on September 29, 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 participated remotely via telephone during the discussion regarding Method for Calculating Three-Year Average. Carolyn Russo, Executive Director, and Julie McManus, Retirement Coordinator, were also present. 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: Mr. Fleming stated that Ms. Russo has been with the Retirement System for over a year and noted that she has been a fine addition. Mr. Fleming requested the Human Resources Committee meet with respect to Ms. Russo's review, and Mr. Durkin said they would do so before next month's meeting.
 - Special Committee, Stipend: No Report
 - Job Review Committee: No Report
- 3) Discussion regarding Method for Calculating Three-Year-Average – Mr. Zecha called in 10:01 a.m. in order to participate remotely as he was not able to attend for geographical reasons.

Mr. Foti stated that he is not in favor of changing the method for calculating the three-year-average. He noted since he has been on the Board, only one person has brought up this issue, and he sees no reason why the method should be changed.

Mr. Durkin stated that member John Navoy said that we've communicated to our members that we use the 36-month method so he asked Ms. Russo who researched the matter and did not find any evidence that the methodology has changed.

Mr. McKenna stated after staff from the Public Employee Retirement Administration Commission (PERAC) came to the Board meeting and acknowledged that the Board would be allowed to change methodology and recalculate current retirees, and after having reviewed Segal's actuarial report, he believes that the Authority can afford the increase to the unfunded liability that would be created. Mr. McKenna stated he

would be in favor of changing to a 36-month calculation as it would be the most favorable for the members.

Mr. Foti addressed Mr. McKenna through the Chair and questioned why he was now in favor of changing the methodology as previously he was the most opposed. Mr. McKenna responded that he was opposed in May to taking a vote since as a Fiduciary it is his responsibility to know the impact on the fund and the effect on the funding schedule going forward prior to participating in a vote on the matter. He stated after hearing from PERAC and the Actuary and after reviewing the cost estimates, he can make an informed decision and is now ready to vote.

Mr. Zecha stated he has been doing calculations for 30 years and has always used the 156-week method and would be supporting the motion to keep the methodology the same. He said he looks forward to increasing the COLA base next year which would benefit all retirees.

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

VOTED

to make no change to the methodology of calculating the three-year-average using 156 weeks. 3-2, with Mr. Durkin voting yes, Mr. Foti voting yes, Mr. McKenna voting no, Mr. Zecha voting yes, and Mr. Fleming voting no. Mr. Fleming stated the motion carries and the calculation method shall remain the same as it is currently and has been historically.

Mr. Zecha terminated remote participation in the meeting at 10:16 a.m.

Mr. McKenna asked the Chair if he would entertain a motion to change the methodology to 157 weeks prospectively as stated in the May 26, 2016 Minutes, and Mr. Fleming stated the matter is closed.

- 4) Approval of August 25, 2016 Minutes – VOTE

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

VOTED

to approve the August 25, 2016 Minutes. 3-0-1 with Mr. Foti abstaining

- 5) Approval of Warrant 9-16 – VOTE

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

VOTED

to approve Warrant 9-16 as presented. 4-0

- 6) Approval of Monthly Transfers 9/2016

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

VOTED

to approve the 9/2016 Monthly Transfers as presented. 4-0

- 7) Approval of August 2016 Bank Reconciliation – VOTE

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

VOTED

to approve the August 2016 Bank Reconciliation. 4-0

- 8) 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)	Robert Towlson	DOR 8/20/2016
b)	George Davidson	DOR 9/3/2016
c)	John Mitchell	DOR 9/3/2016
d)	Baldwin Henry	DOR 9/7/2016
e)	Tamara Smirnova	DOR 9/7/2016
f)	David Finlay	DOR 9/10/2016

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

VOTED

to acknowledge §5 retirements for Robert Towlson DOR 8/20/2016, George Davidson DOR 9/3/2016, John Mitchell DOR 9/3/2016, Baldwin Henry DOR 9/7/2016, Tamara Smirnova DOR 9/7/2016, David Finlay DOR 9/10/2016. 4-0

- 9) Acceptance of Section 7 Retirement Application re. Susan Snow – VOTE

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

VOTED

to accept Section 7 Retirement Application re. Susan Snow and to obtain medical records and request appointment of a medical examination from PERAC. 4-0

- 10) 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.

Alcentra

Landmark – Mr. Grzejka reminded the Board that Landmark has a new partner, the value of the firm has increased, but it is not an issue which

requires action by the Board at this time.
Castile

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.

11) Custodial Bank Presentations – VOTE

- a) People's United
- b) BMO
- c) Amalgamated
- d) State Street

Amalgamated has the smallest percentage of public fund clients, is proposing the highest fee schedule, and its only Massachusetts public fund client is the MBTA, which does report to PERAC. BMO is proposing the lowest fee schedule but has no Massachusetts public fund clients. State Street is the incumbent and submitted the second lowest fee schedule. People's United submitted the third lowest fee schedule and the lowest cash management cost.

Discussion. Mr. Fleming stated that he would like Ms. Russo's input as she would be working directly with the custodian. Ms. Russo stated that she has had numerous problems working with State Street with reporting inconsistencies, rejected distributions, and, most recently, a failure to transfer funds as requested to cover the retiree payroll, resulting in a \$1,500,000 overdraft of the payroll account. Ms. Russo noted that recently a number of State Street's Massachusetts public fund clients have left State Street and have hired People's United. Ms. Russo said she would be comfortable with working with People's United. When asked, Mr. Grzejka stated that People's would be willing to negotiate its fee. Ms. Russo noted that although BMO's materials were impressive and thorough, BMO, like State Street Bank, has no service reps in the Boston area, the nearest being in Milwaukee, Wisconsin.

On motion by Kevin McKenna and seconded by Joseph C. Foti, with a friendly amendment by Mr. Foti stipulating the vote is contingent on the ability to negotiate a fee that the Board is comfortable with:

VOTED

to select People's United as its Custodial Bank contingent on the ability to negotiate a fee which the Board is comfortable with. 4-0

12) Presentation by Sebastian Grzejka/NEPC

a) Rebalance Recommendation – VOTE

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

VOTED

to accept NEPC's recommendation and withdraw \$2,000,000 from PIMCO All Asset, withdraw \$7,000,000 from cash and transfer \$4,500,000 to SEG – Baxter Street Fund and \$4,500,000 to Schroders International fund. 4-0

b) 2016 Private Markets Search Review – VOTE

Discussion. Mr. Grzejka stated that five firms responded to the RFP and reminded the Board that its 2016 commitment is up to \$8,000,000.

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

VOTED

to approve NEPC's recommendation and invite the following four managers to present at the October 2016 meeting: Caspian Private Equity, HarbourVest Partners LLC, J.F. Lehman & Company, and Private Advisors LLC. 4-0

c) Non-US Small Cap Equity Manager Ad – VOTE

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

VOTED

to approve the Non-US Small Cap Equity Manager Ad as presented by NEPC. 4-0

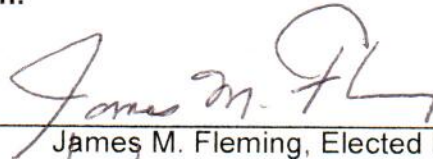
d) Flash Report as of 8/31/2016

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

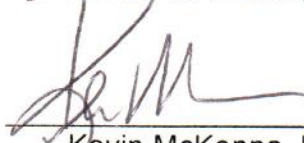
Alcentra Presentation
 Landmark Presentation
 Castile Presentation
 People's United Custody Presentation
 BMO Custody Presentation

Amalgamated Custody Presentation
 State Street Custody Presentation
 NEPC Flash Report as of 8/31/2016
 NEPC Rebalance Recommendation
 NEPC 2016 Private Markets Search Review
 NEPC Non-US Small Cap Equity Manager Ad
 PERAC Memo #22/2016 re. Forfeiture of Retirement Allowance for
 Dereliction of Duty by Members
 PERAC Memo #23/2016 re. Tobacco Company List
 Landmark Equity Partners XVI, a Private Equity Secondary Fund
 EnTrust Permal Complete Integration
 Kayne Anderson Middle Market Credit
 14th Annual Global ARC Boston – Monday, October 24-Wednesday,
 October 26, 2016
 PIMCO Invitation – Friday, October 21, 2016

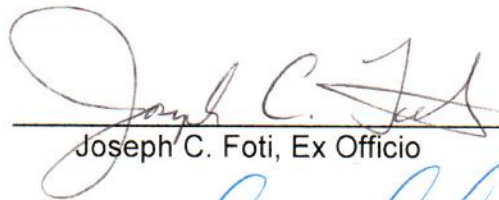
The meeting was adjourned at 1:48 p.m. The next regularly scheduled meeting of
 the MWRA Employees' Retirement Board will be held **Thursday, October 27,
 2016 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea,
 Conference Room 2D, 10:00 a.m.**



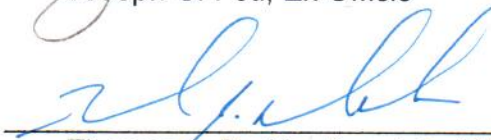
James M. Fleming, Elected Member



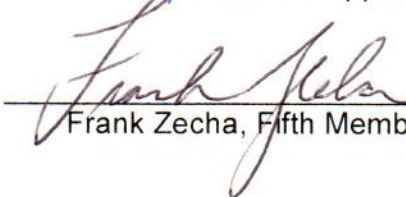
Kevin McKenna, Elected Member



Joseph C. Foti, Ex Officio



Thomas J. Durkin, Appointed Member



Frank Zecha, Fifth Member