

**MASSACHUSETTS WATER RESOURCES  
AUTHORITY EMPLOYEES' RETIREMENT  
BOARD MEETING  
OCTOBER 27, 2016**

A meeting of the MWRA Employees' Retirement Board was held on October 27, 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, and Kevin McKenna. Joseph C. Foti and Frank Zecha arrived while the meeting was in progress. Carolyn Russo, Executive Director, and Julie McManus, Retirement Coordinator, were also present. Attorney Gerald McDonough was 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 10:10 a.m.

- 1) Call the meeting to order
- 2) Committee Reports  
 By-Laws Committee: No Report  
 Human Resources Committee: Mr. Durkin requested an extension until November's meeting for Mr. Zecha and him to work on Ms. Russo's annual review.  
 Special Committee, Stipend: No Report  
 Job Review Committee: No Report

- 3) Approval of September 29, 2016 Minutes – VOTE

On motion by Thomas J. Durkin and seconded by Kevin McKenna:  
 Discussion. Mr. Durkin stated it was his recollection that Mr. Foti had made the motion and he had seconded the motion on Item 3 to make no change to the methodology of calculating the three-year-average using 156 weeks and asked that the minutes be amended to reflect this correction.

**VOTED**

to approve the September 29, 2016 Minutes as amended. 3-0

Mr. Zecha entered the meeting at 10:13 a.m.

Mr. Foti entered the meeting at 10:16 a.m.

- 4) Approval of Warrant 10-16 – VOTE

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

**VOTED**

to approve Warrant 10-16 as presented. 5-0

5) Approval of Monthly Transfers 10/2016

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

**VOTED**

to approve the 10/2016 Monthly Transfers as presented. 5-0

6) 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) | Donna Blythe-McColgan | DOR 10/1/2016 |
| b) | Daryl Dunlap          | DOR 10/4/2016 |

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

**VOTED**

to acknowledge §5 retirements for Donna Blythe-McColgan DOR 10/1/2016, Daryl Dunlap DOR 10/4/2016. 5-0

7) Acceptance of Section 7 Retirement Application re. Cornelius O'Shea – VOTE

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

**VOTED**

to accept Section 7 Retirement Application re. Cornelius O'Shea and to obtain medical records and request appointment of a medical examination from PERAC. 5-0

8) Acceptance of Section 6 and/or 7 Retirement Application re. Gaston Gingues – VOTE

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

Discussion. Mr. McKenna questioned whether Mr. Gingues could apply for both Section 6 and Section 7 Retirement simultaneously, and Mr. Fleming stated that it is permissible to apply for both.

**VOTED**

to accept Section 6 and/or 7 Retirement Application re. Gaston Gingues and to obtain medical records and request appointment of a medical examination from PERAC. 5-0

9) Approval of 2017 Budget – VOTE

Discussion. Mr. Zecha asked Ms. Russo to provide the Board with current Job Descriptions for Staff at the next meeting, and Mr. Fleming stated that the salaries in the budget will be reviewed. Mr. McKenna asked if the vote should be delayed until the salaries are reviewed, and

Mr. Durkin replied that he doesn't think it is necessary to delay the vote on approving the budget. Mr. Durkin commended Ms. Russo on the preparation of the budget and Mr. Fleming agreed.

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

**VOTED**

to approve 2017 Budget. 5-0

- 10) Mr. Fleming called the Board's attention to the notice contained in the Board Package from the American Investment Council ranking the MWRA Employees' Retirement System number 7 Pension Funds by Private Equity Returns in the country based on 10-year annualized private equity returns as of June 30, 2015. Mr. Fleming asked Staff to post the notice on the website.

- 11) 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.

PineBridge  
Kayne

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.

- 12) Private Equity Manager Search Finalists Presentations – VOTE

- a) J. F. Lehman
- b) Caspien
- c) Private Advisors
- d) HarbourVest

Discussion. Mr. Grzejka stated that NEPC recommends J. F. Lehman

and Private Advisors, noting that J. F. Lehman would "shoot for the moon" and Private Advisors would offer downside protection. Mr. Durkin stated that when he thinks of Private Equity, he thinks of Foundry and equates J. F. Lehman as a similar manager who would take bets; he agrees with the recommendation from NEPC. Mr. Durkin initially was favoring HarbourVest as the other manager for the Private Equity mandate, although he will accept NEPC's recommendation of hiring Private Advisors. Mr. McKenna stated his agreement with hiring Private Advisors, noting their niche in making smaller investments. Mr. McKenna asked if the discussion could be held up until Mr. Zecha returned from a conference call he had stepped out momentarily to take.

12) Presentation by Sebastian Grzejka/NEPC

Flash Report as of 9/30/2016

Mr. Zecha returned to the meeting and the Board returned to the Private Equity Manager Discussion.

Mr. Zecha stated he is in favor of J. F. Lehman but preferred HarbourVest to Private Advisors. Mr. Grzejka reminded the Board that the investment is \$10,000,000. Mr. McKenna asked if the Board could invest the entire \$10,000,000 with J. F. Lehman, and Mr. Grzejka answered that would be too high a percent of the portfolio. Mr. Grzejka suggested giving J. F. Lehman \$6,000,000 and \$4,000,000 to either HarbourVest or Private Advisors. Mr. McKenna asked if the investment could be split \$6,000,000 to J. F. Lehman, \$2,000,000 to HarbourVest, and \$2,000,000 to Private Advisors, and Mr. Grzejka replied that a \$2,000,000 investment would not create enough of a return to impact the fund. Mr. Grzejka stated Private Advisors is at the opposite end of the spectrum from J. F. Lehman but HarbourVest is more closely correlated.

A motion was made by Frank Zecha and seconded by Kevin McKenna: to hire J. F. Lehman as a Private Equity Manager and allot \$6,000,000 and to hire HarbourVest and allot \$4,000,000. Discussion. Mr. Fleming stated based on Mr. Grzejka's last comment about Private Advisors providing better diversification when combined with J. F. Lehman, he will not be supporting the hiring of HarbourVest. Mr. Zecha amended his motion and withdrew his previous motion to hire Harbourvest with an allotment of \$4,000,000. The motion by seconded by Mr. Fleming:

**VOTED**

to accept the recommendation by NEPC and hire J. F. Lehman as Private Equity Manager for an allotment of \$6,000,000. 5-0

Mr. Fleming noted the Board considered all factors required by PERAC and based on the analysis, hired J. F. Lehman and made a unanimous decision.

On motion by Thomas J. Durkin and seconded by James M. Fleming for the purposes of discussion, hearing none:

**VOTED**

to accept the recommendation by NEPC and hire Private Advisors as Private Equity Manager for an allotment of \$4,000,000. 4-1, with Mr. Zecha voting in the minority.

Mr. Fleming noted the Board considered all factors required by PERAC and based on the analysis, hired Private Advisors.

13) Legal Update/Attorney McDonough

- a) Ramon Stanton – still pending DALA decision
- b) Robert Ponder – still pending CRB decision
- c) People's Bank Custodian Contract and Side Letter – Approved for execution by Chairman

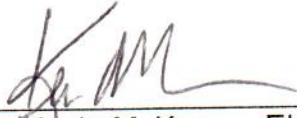
The Retirement Board was presented with the following documents at the meeting:

- PineBridge Presentation
- Kayne Presentation
- J.F. Lehman Presentation
- Caspien Presentation
- Private Advisors Presentation
- HarbourVest Presentation
- NEPC Flash Report as of 9/30/2016
- PERAC Memo #24/2016 re. Mandatory Retirement Board Member Training – 4<sup>th</sup> Quarter 2016
- PERAC Memo #25/2016 re. Other Post-Employment Benefits (OPEB) Summary
- PERAC Memo #26/2016 re. Appropriation Data Due October 31, 2016
- PERAC Board Member Education Report 3<sup>rd</sup> Quarter 2016
- NEPC Market Chatter
- Ascent Venture Partners New Member of Investment Team
- Kayne Capital Acquisition
- Robbins Geller Portfolio Monitoring Report 9/30/2016
- Robbins Geller Settlement Report 9/30/2016
- Robbins Geller International Portfolio Monitoring Report

The meeting was adjourned at 2:46 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, November 17, 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

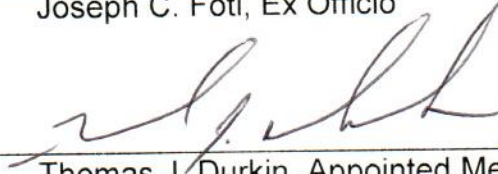


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Kevin McKenna, Elected Member

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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