

**MASSACHUSETTS WATER RESOURCES  
AUTHORITY EMPLOYEES' RETIREMENT  
BOARD MEETING  
FEBRUARY 23, 2017**

A meeting of the MWRA Employees' Retirement Board was held on February 23, 2017 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. Andrew Pappastergion was absent. Carolyn Russo, Executive Director, and Julie McManus, Retirement Coordinator, were also present. Attorneys Thomas Gibson and Gerald McDonough were present as Board Counsel. Doug Moseley and Sebastian Grzejka were present from New England Pension Consultants (NEPC) as Investment Consultant. Chairman Fleming called the meeting to order at 10:06 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) RFP for Investment Consultant Services – VOTE

Discussion. Mr. Zecha questioned whether or not NEPC was providing the attention that this System needs and mentioned that the other respondents seem to know more about the System than Frank himself. He noted that the Fund has not performed so well over the last 3 to 5 years.

Mr. McKenna stated that the Board has instructed NEPC to maintain a conservative asset allocation because of its funding level and that he thinks it's easy for other consultants to offer suggestions on achieving higher returns in hindsight.

Mr. Durkin agreed that our 1, 3, and 5 year performance numbers have not been great but noted that the 7 and 10 year returns are good. Mr. Durkin stated that Meketa is too expensive and Dahab is a small firm. He said that NEPC has a very deep firm and has served us well. He stated that he is inclined to stay with NEPC but acknowledges Mr. Zecha's concerns.

Mr. Fleming stated that he is inclined to continue with NEPC and suggested the Board should enter into a shorter contract. He also said that Meketa is too expensive and Dahab is not a deep firm.

Mr. Zecha stated Sebastian has been great. He will not be voting for NEPC but would be happy with any of the three.

Each of the four Board Members ranked each of the three investment consultant firms based on the RFP criteria of Background, Operations, Investment Analysis Approach, Search, Miscellaneous, and Fees and the total scores were: NEPC 68, Dahab 63, and Meketa 59. NEPC received the highest overall score.

On motion by Kevin McKenna and seconded by Thomas J. Durkin: Discussion. Mr. Zecha asked if the RFP stated how many years the contract would be and Attorney Gibson replied that the Board is not limited by the RFP relative to contract term and may set any length not exceeding 7 years.

**VOTED**

to retain NEPC as investment consultant, in the best interest of the System, for a two-year period with a three-year option for the Board. 3-1, with Mr. Zecha voting in the minority

4) Approval of January 26, 2017 Minutes – VOTE

On motion by Frank Zecha and seconded by Kevin McKenna:

**VOTED**

to approve the January 26, 2017 Minutes as presented. 4-0

5) a) Approval of Warrant 1-17A – VOTE

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

**VOTED**

to approve Warrant 1-17A as presented. 4-0

b) Approval of Warrant 2-17 – VOTE

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

**VOTED**

to approve Warrant 2-17 as presented. 4-0

c) Approval of Warrant 2-17A – VOTE

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

**VOTED**

to approve Warrant 2-17A as presented. 4-0

## 6) Approval of Monthly Transfers 2/2017

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

**VOTED**

to approve the 2/2017 Monthly Transfers as presented. 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 applicant to be eligible for such benefit.

Maryann Renda

DOR 2/4/2017

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

**VOTED**

to acknowledge §5 retirement for Maryann Renda DOR 2/4/2017. 4-0

## 8) Mr. Fleming informed Doug Moseley and Sebastian Grzejka that the Board had voted to retain NEPC for two years with the option for the Board to extend the contract for three years. Mr. Fleming stated that the Board is very pleased with the level of service Mr. Grzejka has provided to the System.

## 9) Legal Update/Attorneys Gibson and McDonough

- a) Policy on Procedures for the Election of Members to the Retirement Board – Mr. Durkin stated that he would defer to the elected members. Mr. McKenna stated that he believes the policy is fair and Mr. Fleming agreed.

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

**VOTED**

to adopt the Policy on Procedures for the Election of Members to the Retirement Board. The Chair directed the Staff to send the Policy on Procedures for the Election of Members to the Retirement Board to PERAC. 4-0

- b) Securities Litigation – Discussion. In light of the recent notoriety of some securities litigation firms, the Board acknowledged that they were aware of the potential issues and has a formal Securities Litigation Policy in place. The Board has never been lead plaintiff in any class action litigation and may only be the lead plaintiff five times. Mr. McKenna asked how many securities litigation firms the Board has and whether the Board may want to decrease the number. Mr. Fleming answered that the Board has four firms and

he doesn't think they need to decrease the number as it does not cost the Board any money, and having several firms to monitor securities transactions will better protect the System's assets. Attorney Gibson stated as fiduciaries to the Retirement System the Board has an obligation to monitor its investments.

- c) Stanton and Ponder appeals are still pending before CRAB and DALA respectively
- d) Discussion regarding a member who has supplied multiple documents to Human Resources and Retirement with two different dates of birth with a difference of 10 years. This discrepancy was discovered by an Internal Audit crosscheck of all employees' records and was brought to the attention of Human Resources and Retirement in late December 2016. The affected member requested a retirement estimate on February 21, 2017. Estimates were calculated based the two different dates of birth, and the Executive Director prepared a letter to be given to, and signed by, the member with the estimates, stating that neither estimate can be relied upon based on the different dates of birth on record, and requiring the member to have an original birth certificate sent directly to the Retirement Office from the country of birth. The Board agreed that an original birth certificate was necessary to verify the correct date of birth. Board Counsel stated that the Board needs to consider the whole body of evidence in determining date of birth in accordance with c. 32, §20(5)(c)(1) but that it is the Board's fiduciary responsibility to first attempt to secure an original birth record. Mr. Zecha and Mr. McKenna discussed referring the matter to the Pension Fraud Unit at PERAC for a determination. The Executive Director stated she would first attempt to secure an original document and if the member does not comply, referral to PERAC's Fraud unit is still an option available to the Board.

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

**VOTED**

to authorize the Executive Director to request that the member sign the letter, as approved, asking for an original birth certificate to be sent directly to the Retirement Office from the member's country of birth, and further acknowledging that the retirement estimates provided may not be relied upon for the member's financial planning purposes. 4-0

- 10) New Business: Mr. Fleming stated that he was upset that an email went to Bloomberg before it went to Cerberus' clients about the Co-Founder and Chief Executive Officer's engaging in discussions to join Donald Trump's administration. Mr. Grzejka stated that there has been no official confirmation that the Cerberus CEO would be leaving, and that he would verify that an announcement is not forthcoming.

11) Manager Due Diligence Summary/Presentation

The following managers underwent annual investment manager reviews pursuant to 840 CMR 16.07. The manager presented performance and investment reports detailing the manager's activities which the Board reviewed.

TA Realty

EnTrust Permal – Mr. Zecha stated to the representatives from EnTrust Permal for the record that the discussion of the hedge fund asset class at December's meeting was initiated by the Board not its Investment Consultant and that neither a particular individual nor fund was mentioned. As the System is close to 100% funded, the Board is looking to protect capital.

The Board reviewed and compared the TA Realty's 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 manager's current investment outlook or forecast as well as strategy for the future and key personnel staffing changes.

The Board determined that TA Realty continues to operate in a manner represented when retained and outlined in the agreement between the Board and the manager and noted that the Board's continued investment in EnTrustPermal would be further discussed during the Investment Consultant update.

12) Presentation by Sebastian Grzejka/NEPC

- a) EnTrustPermal Due Diligence Status Change – Mr. Grzejka stated NEPC still recommends liquidating the Permal investment as voted in January 2017. Discussion. The Board opted to defer voting on Entrust until next March 2017 meeting.
- b) Flash Report as of 1/31/2017
- c) International Small Cap Search – VOTE

Discussion and review of International Small Cap Search respondents. The Board decided to defer presentations until the April 2017 meeting due to the Chair's expected absence at the March meeting due to vacation.

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

**VOTED**

to accept NEPC's recommendation to invite the following four firms to present to the Board with reference to International Small Cap: American Century Investments, Highclere International Investors LLP, Goldman Sachs Asset Management, LMCG Investments, LLC. 4-0

- d) 2017 Outlook and Asset Allocation Review
- e) Preliminary Investment Summary 12/31/2016
- f) Third Quarter 2016 Real Estate Review – IRR Since Inception is 10.18%
- g) Third Quarter 2016 Private Markets Review – IRR Since Inception is 12.49%
- h) Investment Summary 9/30/2016

- 13) New Business – The Executive Director stated that Scott Garrity, who was an active member of the System, died on February 19, 2017 and asked the Board to approve his spouse Heather's 12(2)(d) application so she may receive her survivor benefit beginning in March 2017.

On motion by Frank Zecha and seconded by Kevin McKenna:

**VOTED**

to approve 12(2)(d) survivor benefit for Heather Garrity spouse of Scott Garrity DOD 2/19/2017. 4-0

Mr. Durkin left the meeting at 2:02 p.m.

- 14) Travel – NCPERS 2017 Annual Conference, May 20 – 24, 2017, Hollywood, FL – VOTE

On motion by Kevin McKenna and seconded by Frank Zecha:

**VOTED**

to approve travel by Board Members to NCPERS 2017 Annual Conference, May 20 – 24, 2017, Hollywood, FL. 3-0

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

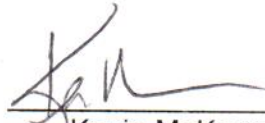
- TA Realty Presentation
- EnTrustPermal Presentation
- NEPC Flash Report as of 1/31/2017
- NEPC International Small Cap Manager Search

NEPC 2017 Outlook and Asset Allocation Review  
 NEPC Preliminary Investment Summary 12/31/2016  
 NEPC Third Quarter 2016 Real Estate Review  
 NEPC Third Quarter 2016 Private Markets Review  
 NEPC Investment Summary 9/30/2016  
 NEPC EnTrustPermal Due Diligence Status Change  
 PERAC MEMO #10/2017 – Domestic Relations Orders  
 PERAC MEMO #11/2017 – 2017 Annuity Savings Account  
 PERAC MEMO #12/2017 – 2017 Interest Rate set at 0.1%  
 PERAC MEMO #13/2017 – Administrators are Encouraged to Attend  
     PERAC Training  
PERAC Pension News  
 Courtland Partners, Ltd. Change of Ownership  
 Cerberus Feinberg in Talks to Leave for Role under Trump  
 Robeco Proxy Voting

The meeting was adjourned at 2:12 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, March 30, 2017 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**

---

James M. Fleming, Elected Member



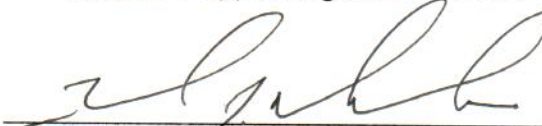

---

Kevin McKenna, Elected Member

ABSENT

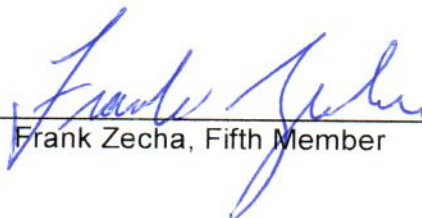
---

Andrew Pappastergion, Ex Officio




---

Thomas J. Durkin, Appointed Member




---

Frank Zecha, Fifth Member