

**MASSACHUSETTS WATER RESOURCES
AUTHORITY EMPLOYEES' RETIREMENT
BOARD MEETING
MAY 29, 2014**

A meeting of the MWRA Employees' Retirement Board was held on May 29, 2014 at 10:00 a.m. at the offices of the MWRA, 2 Griffin Way, Chelsea, MA. The following Board Members were present: Thomas J. Durkin, James M. Fleming, Kevin McKenna, and Frank Zecha. Joseph C. Foti was absent. Sheryl C. Trezise, Executive Director, and Julie McManus, Retirement Coordinator, were also present. Attorney Thomas F. Gibson 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 10:02 a.m.

- 1) Call the meeting to order
- 2) Mr. Fleming asked that a moment of silence be observed for PERAC Chairman Domenic J. F. Russo who passed away on May 25, 2014.
- 3) Election Officer's Report: Ms. McManus presented the following results of the April 29, 2014 election of the Second Elected Member of MWRA Employees' Retirement Board:

Kevin McKenna	499 votes
Daniel K. O'Brien	415 votes
Votes under challenge	2 votes
Total	916 votes

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

VOTED

to accept and certify the Election Officer's Report. 4-0

- 4) Swearing in of new Elected Board Member Kevin McKenna. PERAC Executive Director Joseph Connarton swore in Kevin McKenna. Mr. Fleming thanked Mr. Connarton for his presence and for swearing in Mr. McKenna. Mr. Fleming acknowledged the attendance by most of the MWRA Labor Coalition and thanked them for their attendance.
- 5) Committee Reports

By-Laws Committee: Mr. Fleming appointed Mr. McKenna to the By-Laws Committee. No Report

Human Resources Committee: No Report

Special Committee, Stipend: Mr. Fleming appointed Mr. McKenna to the Special Committee, Stipend.

Custodial Search Committee: Attorney Gibson stated that we are awaiting a written response from PERAC.

Increase to COLA Base and Section 101 Survivors. No Report

6) Final Interim January 1, 2014 Valuation – Segal Presentation

Kathy Riley/Segal suggested the Board may want to consider changing some of its assumptions, i.e. lowering its assumed rate of return from the current 8%, lowering the assumed salary increase, and/or updated the mortality table. Discussion. Mr. Durkin stated that he would be reluctant to make changes as the Authority is hoping to fully fund the System by 2017 with the additional payments they've been making annually. Mr. Fleming stated that he would like to see the impact of the prospective changes before the Board votes to make any changes. Mr. Zecha requested that Segal also prepare a valuation based on increasing the COLA base to \$13,000.00. Mr. McKenna asked if there are set standards with respect to the rate of return and Ms. Riley replied that there are not but that 8% is a little on the high end. Attorney Gibson stated that PERAC recommends lowering the investment assumed rate of return. Ms. Riley will prepare valuations based on changing assumptions for the Board's review for the 1/1/2015 Valuation.

Cost of Increasing the Minimum Survivor Benefit. Ms. Riley presented the cost of increasing the Survivor Benefit from \$250.00 per month to \$500.00 per month. The estimated impact on the fiscal 2015 appropriation is \$11,300.00 if the change applies to all participants whose beneficiaries are currently receiving a minimum survivor benefits that is less than \$500.00 per month and to future beneficiaries.

7) Attorney Thomas F. Gibson/Legal Update –

a. Fiduciary Responsibilities of Board Members

b. Disability Status Update/Ramon Stanton

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

VOTED

to enter into Executive Session at 10:50 a.m. for the purpose of discussing the physical health of the applicant. 4-0, roll call with Mr. Durkin voting yes, Mr. McKenna voting yes, Mr. Zecha voting yes, and Mr. Fleming voting yes.

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

VOTED

to return to Open Session 11:19 a.m. 4-0, roll call with Mr. Durkin voting yes, Mr. McKenna voting yes, Mr. Zecha voting yes, and Mr. Fleming voting yes.

c. Mary Ann Hoppie DALA Hearing Update

d. Standby Pay Status – Discussion.

Mr. Durkin stated that he just this morning received an email from Robert Donnelly at the Authority noting that the Labor Coalition has been notified that effective June 14, 2014 retirement deductions will be withheld from standby pay that is routinely and regularly scheduled. Mr. Fleming asked Staff to put a notice on the System's website as soon as possible.

e. 12(2)(d) Member-Survivor Allowance. Mr. Durkin stated that he would have a conversation with the Executive Director at the Authority regarding increasing the Survivor Benefit and asked that this item be tabled until next month's meeting.

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

VOTED

to table the matter of 12(2)(d) Member-Survivor Allowance until next month's meeting. 4-0

8) NCPERS Annual Conference

Mr. Fleming presented a report on his attendance at the NCPERS Annual Conference.

9) NEPC Manager Summaries for May Meeting – Intech, Cerberus, and RhumbLine

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

Intech
Cerberus
RhumbLine

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.

10) Presentation by Sebastian Grzejka/NEPC

- a) Investment Summary 1st Quarter 2014
- b) Flash Report as of April 30, 2014
- c) Credit Opportunities
- d) 4th Quarter 2013 Real Estate
- e) Private Debt Senior Direct Lending Funds Search
- f) Venture Capital Funds Search

Discussion regarding RFPs for Private Debt Senior Direct Lending Funds and Venture Capital Funds.

- g) MWRA Annual Due Diligence Questions. The consensus of the Board was to have two investment managers present by telephone in June and to have Intercontinental present in person.
- h) Rebalance Recommendation. Discussion.

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

VOTED

to accept NEPC's Rebalance Recommendation as follows: withdraw \$2,000,000.00 from Loomis Sayles Fixed Income and hold in cash for System expenses and capital calls. 4-0

Discussion regarding the need for cash for capital calls between Board Meeting dates.

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

VOTED

to authorize the Executive Director to work in consultation with NEPC if, due to capital calls, the need for capital arises between Board Meetings as long as the Chairman or Vice Chairman is notified. 4-0

11) Approval of the Minutes 4/17/14 – VOTE

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

VOTED

to approve the Minutes 4/17/14 as presented. 3-0-1, with Mr. McKenna abstaining

12) Approval of the Executive Sessions Minutes 10/31/13 – VOTE

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

VOTED

to approve the Executive Session Minutes 10/31/13 as presented. 3-0-1, with Mr. McKenna abstaining

13) Approval of the Warrant 4/2014 – VOTE

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

VOTED

to approve the Warrant 4/2014 as presented. 4 -0

14) Approval of the Warrant 5/2014 – VOTE

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

VOTED

to approve the Warrant 5/2014 as presented. 4 -0

15) Approval of Monthly Transfers 5/2014 – VOTE

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

VOTED

to approve the Monthly Transfers 5/2014 as presented. 4-0

16) Approval of Bank Reconciliation 3/2014 – VOTE

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

VOTED

to approve Bank Reconciliation 3/2014. 4-0

17) Approval of Bank Reconciliation 4/2014 – VOTE

Discussion. Mr. Durkin asked the Board to table this item until next month so his reconciliation can be included.

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

VOTED

to table Bank Reconciliation 4/2014 until next month's meeting. 4-0

18) Acknowledgement of receipt of Cash Books 2/14 (Trial Balance, Cash Receipts, Cash Disbursements, Adjustments, Budget) – VOTE

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

VOTED

to acknowledge receipt of Cash Books 2/14. 4-0

- 19) Acknowledgement of retirement applications pursuant to 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 benefits – VOTE

Joseph Arneaud	DOR 4/11/2014
Ernest Bien Aime	DOR 4/15/2014
Jae R. Kim	DOR 5/2/2014
Neal E. Rooney	DOR 5/10/2014
Peter Ralston	DOR 5/16/2014

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

VOTED

to acknowledge retirement applications as listed above pursuant to G.L. c. 32 §5. 4-0

- 20) Approval of Buybacks – VOTE

Anthony C. Carpenito, 8 months MWRA contract employment
Marcelo Machado, 9 months MWRA contract employment
Sedna Darkey, 1 month MWRA contract employment
Tori S. Conlon, 1 year MWRA contract employment

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to approve the buybacks as listed above. 4-0

- 21) Travel Approval – VOTE

Public Funds Summit East, July 21-23, 2014, Newport, RI
Intercontinental Real Estate Annual Investor Meeting, July 21, 2014, Belmont, MA

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

VOTED

to approve travel to Public Funds Summit East and Intercontinental Real Estate conferences. 4-0

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


Election Officer's Report
Segal Final Interim January 1, 2014 Valuation Presentation
Segal Cost of Increasing the Minimum Survivor Benefit Presentation
Memo from Robert Donnelly/MWRA re. Standby Pay Retirement Deductions
Intech Presentation

Cerberus Presentation
 RhumbLine Presentation
 NEPC Manager Summary for May Meeting
 NEPC Flash Report as of April 30, 2014
 NEPC MWRA Annual Due Diligence Questions
 NEPC 2014 Work Plan
 NEPC Credit Opportunities
 NEPC Private Debt Senior Direct Lending Funds Search
 NEPC Venture Capital Funds Search
 NEPC Rebalance Recommendation
 NEPC 4th Quarter 2013 Private Markets Review
 NEPC Investment Summary 4th Quarter 2013
 NEPC 4th Quarter 2013 Real Estate
 NEPC Investment Summary 1st Quarter 2014
 NEPC 2014 Private Equity Sample Report Package

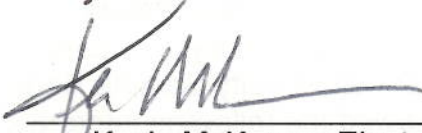
The Retirement Board reviewed the following informational documents:

PERAC Memo 16/2014 re. Follow-up on Anti-Spiking Exemptions
 PERAC Memo 17/2014 re. IRS Private Letter Ruling dated August 20, 2013
 PERAC Letter re. Loomis, Sayles & Company, L.P.
 PERAC Letter re. Robeco Investment Management, Inc.
 PERAC Response to Attorney Gibson's inquiry re. Overtime and Regular Compensation
PERAC Pension Newsflash
 Retired State, County and Municipal Employees Assoc. re. FY15 COLA Update
 Retired State, County and Municipal Employees Assoc. re. PRIM Composition
 Landmark Partners Announces Extension of LEP XV Final Close
Boston Globe article re. Mass Pension System Gets and "F"
Boston Globe Op Ed re. Mass. Public Pensions are Stingiest in the Country
 Schroder Senior Management Appointments
 IRS Audit Notification re. Foundry 2007
 PRIM Press Release re. Executive Director Michael Trotsky
 State Street letter re. Private Equity Services
 EnTrust email re. Activist Investing Proposed Acquisition of Allergan
 Castile Ventures III LP – cash distribution
 Financial Times re. Activist Investor Jeff Ubben
 Robbins Geller Settlement Report 4/25/2014
 Robbins Geller Monitoring Report 4/25/2014
 Robbins Geller International Monitoring Report 3/28/2014
 TA Realty Funds – San Diego Wildfire Update
 MFS Proxy Vote Summary 1/1/14-3/31/14
 INVESCO Partnership Fund VI, L.P. Annual Vendor Disclosures
 PIMCO All Asset Fund Annual Vendor Disclosures

The meeting was adjourned at 2:22 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, June 26, 2014 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**



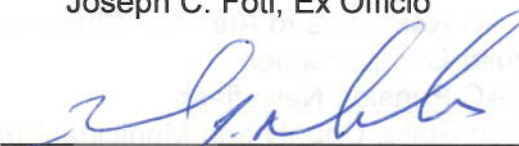
James M. Fleming, Elected Member



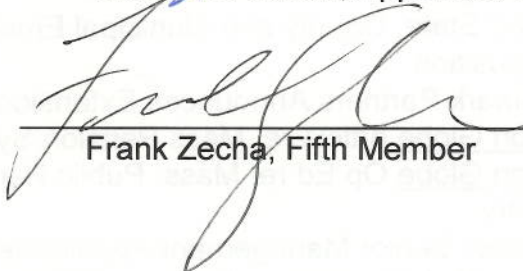
Kevin McKenna, Elected Member

ABSENT

Joseph C. Foti, Ex Officio



Thomas J. Durkin, Appointed Member



Frank Zecha, Fifth Member