

**MASSACHUSETTS WATER RESOURCES
AUTHORITY EMPLOYEES' RETIREMENT
BOARD MEETING
JULY 31, 2014**

A meeting of the MWRA Employees' Retirement Board was held on July 31, 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, Joseph C. Foti, Kevin McKenna, and Frank Zecha. 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 10:09 a.m.

- 1) Call the meeting to order
- 2) Rebalance Recommendation. Discussion.

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

VOTED

to accept NEPC's Rebalance Recommendation as follows: withdraw \$7,800,000 from cash and transfer \$2,800,000 to PIMCO, \$2,000,000 to Wellington, \$1,500,000 to Lee Munder, \$750,000 to Permal, and \$750,000 to EnTrust. 5-0

- 3) Committee Reports
By-Laws Committee: No Report
Human Resources Committee: No Report
Special Committee, Stipend: No Report

Increase to COLA Base, Section 101 Survivors, and 12(2)(d). No Report

- 4) Acknowledgement of 1.5% salary increase July 1, 2014 and 1.5% salary increase January 1, 2015 as per Executive Director contract Section 5.1 – VOTE

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

VOTED

to acknowledge the language in the Executive Director's contract and to acknowledge the salary increase. 5-0

- 5) Acknowledgement of the 2012 Audited Financial Statements – VOTE

Mr. Durkin thanked Ms. Trezise for all of her work in the preparation of the financial statements.

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

VOTED

to acknowledge the 2012 Audited Financial Statements. 5-0

6) Acknowledgement of the 2013 Audited Financial Statements – VOTE

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

VOTED

to acknowledge the 2013 Audited Financial Statements. 5-0

7) NEPC Manager Summary for July Meeting – Mesirow

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

Mesirow

The Board reviewed and compared the manager'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 the investment manager continues to operate in a manner represented when retained and outlined in the agreement between the Board and the manager.

8) Presentation by Sebastian Grzejka/NEPC

- a) MFS Trading Fees. Discussion. The Board expressed concern regarding MFS's performance and the trading costs for the fund's active management. They have outperformed the index in the longer term but have struggled in the nearer term. Discussion regarding moving the MFS portion of the portfolio into an index fund. The consensus was to give MFS some time to see if the returns improve and to wait until the end of the year or early next year to discuss the possibility of moving to passive management.
- b) Policy for investing amounts received before Board meeting (\$1,000,000 plus). Mr. Durkin stated that he would let the Board know in advance of any additional contribution from the Authority.

- c) Private Markets Search Review. Mr. Grzejka stated that \$3,000,000 would be invested in Venture Capital and \$5,000,000 would be invested in Direct Lending. There were two finalist funds for Venture Capital Managers: Ascent Venture Partners VI, L.P. and StepStone Tactical Growth Fund, L.P. Mr. Zecha questioned the lack of responses and Mr. Fleming responded that the number of Venture Capital firms has declined and that there is not much out there for fundraising at the present time.

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

VOTED

to invite Ascent Venture Partners and StepStone Group L.P. to make presentations in reference to Venture Capital at the next Board meeting. 5-0

Discussion regarding the Direct Lending respondents. There were eight finalist funds for Direct Lending Managers. Mr. Grzejka recommended bringing in one manager focused on the U.S. and one manager focused on Europe.

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

VOTED

to invite Alcentra, CarVal, and ComVest to make presentations in reference to Direct Lending at the next Board meeting. 5-0

- d) June 2014 Flash Report. Discussion. Mr. Fleming asked Mr. Grzejka to make a presentation on convertible bonds at the August meeting and to discuss PERAC's Annual Report which shows the Board's 2013 return at 16.82 versus NEPC's return at 16.3. Mr. Grzejka will check into that and also check to see what the return translates into investment dollars gained.
- e) 2014 Work Plan – Mr. Grzejka will have a sample RFP for Global at next month's meeting.

- 9) Approval of the Minutes 6/26/14 – VOTE

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

VOTED

to approve the Minutes 6/26/14 as presented. 5-0

- 10) Approval of the Executive Session Minutes 4/17/14 – VOTE

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

VOTED

to approve the Executive Session Minutes 4/17/14 as presented. 5-0

- 11) Approval of the Executive Session Minutes 5/29/14 – VOTE

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

VOTED

to approve the Executive Session Minutes 5/29/14 as presented. 5-0

- 12) Annual Review of Executive Session Minutes – VOTE

The Board reviewed the Executive Session Minutes and determined that since they involve medical and personnel issues that they should remain in the confidential Executive Session Minutes file.

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

VOTED

to approve the Annual Review of Executive Session Minutes. 5-0

- 13) Approval of the Warrant 7/2014 – VOTE

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

VOTED

to approve the Warrant 7/2014 as presented. 5-0

- 14) Approval of Monthly Transfers 7/2014 – VOTE

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

VOTED

to approve the Monthly Transfers 7/2014 as presented. 5-0

- 15) Approval of Bank Reconciliation 6/2014 – VOTE

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to approve Bank Reconciliation 6/2014. 5-0

- 16) Acknowledgement of March 2014 Cash Books - VOTE
(Trial Balance; Budget; Cash Receipts; Cash Disbursements;
Adjustments)

On motion by Joseph C. Foti and seconded by Frank Zecha:

VOTED

to acknowledge the March 2014 Cash Books. 5-0

- 17) Acknowledgement of April 2014 Cash Books - VOTE
(Trial Balance; Budget; Cash Receipts; Cash Disbursements;
Adjustments)

On motion by Frank Zecha and seconded by Joseph C. Foti:

VOTED

to acknowledge the April 2014 Cash Books. 5-0

- 18) Acknowledgement of May 2014 Cash Books - VOTE
(Trial Balance; Budget; Cash Receipts; Cash Disbursements;
Adjustments)

On motion by Frank Zecha and seconded by Joseph C. Foti:

VOTED

to acknowledge the May 2014 Cash Books. 5-0

- 19) Travel Approval – VOTE

MACRS Educational Seminar, August 28, 2014, Auburn, MA – VOTE

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

VOTED

to approve travel to MACRS Educational Seminar, August 28, 2014,
Auburn, MA. 5-0

- 20) Attorney Thomas F. Gibson/Legal Update –

a. William Gibson Section 7 Retirement Hearing

Mr. Gibson attended with his attorney Kelli Silva from Attorney Nicole Sullivan's office. Mr. Gibson opted to enter into Executive Session for the purpose of discussing the physical health of the applicant.

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

VOTED

to enter into Executive Session at 11:32 a.m. for the purpose of discussing the physical health of the applicant. 5-0, roll call with Mr. Durkin voting yes, Mr. Foti voting yes, Mr. McKenna voting yes, Mr. Zecha voting yes, and Mr. Fleming voting yes.

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

VOTED

to return to Open Session 11:43 a.m. 5-0, roll call with Mr. Durkin voting yes, Mr. Foti voting yes, Mr. McKenna voting yes, Mr. Zecha voting yes, and Mr. Fleming voting yes.

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

VOTED

to approve William Gibson's Section 7 Retirement. 5-0

b. Ramon Stanton

Attorney Gibson reminded the Board that he had recommended back in May 2014 that the Board deny Mr. Stanton's Section 7 Retirement as the medical and nonmedical evidence did not support his application. The Board requested and obtained a copy of a 2008 MRI which referenced an automobile accident. Attorney Gibson noted that the Independent Medical Examination assigned by the judge for Mr. Stanton's workers compensation claim did not support his disability claim.

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

VOTED

to accept Attorney Gibson's recommendation to deny Ramon Stanton's Section 7 Retirement and to advise Mr. Stanton of his right to appeal. 5-0

c. Mary Ann Hoppie

Attorney Gibson stated that DALA upheld the Board's decision to deny Ms. Hoppie's Section 7 Retirement; she has 15 days to appeal DALA's decision.

d. Standby Pay Status – Discussion

Attorney Gibson presented a memorandum he prepared with reference to Standby Pay. The Authority implemented a payroll code for Scheduled Standby Pay effective June 28, 2014. The Public Employee Retirement Administration Commission (PERAC) has determined that retirement boards cannot accept retirement contributions from retirees for any purpose. Therefore, members who retired prior to June 28, 2014 will not be impacted by the implementation of Standby Pay as Regular Compensation. Active Members would have to pay retirement contributions on Standby Pay going back to the start of his/her employment. The Board can use fair and just estimates which would have to be approved by PERAC. In cases of underpayment of retirement contributions, a member may request the Board to exercise its discretion to waive the Board's demand for payment pursuant to G.L. c. 32, § 20(5)(c)(3). Mr. McKenna asked Staff to post Attorney Gibson's memo on the Board's website.

e. Military Leave

Attorney Gibson stated on the Board's direction he requested a technical advisory from PERAC with respect to Active Military Service under Section 12301(d) of Title 10 USC and received acknowledgement of receipt from PERAC's General Counsel.

f. George Vezina DALA Update

Mr. Vezina is appealing the denial of his claim of Veteran's status.

g. Disability Status Update

h. Discussion regarding what determines "incompetence" with respect to choosing a retirement option when retiring.

i. Attorney Gibson reminded the Board that outgoing retirement board members are required to file a Statement of Financial Interest by May 1 of the year after the person ceases to be a member of a retirement board.

21) Acknowledgement of withdrawal of accumulated deductions: Dennis Doherty – VOTE

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

VOTED

to acknowledge the withdrawal of accumulated deductions: Dennis Doherty. 5-0

22) Acknowledgement of retirement applications pursuant to G.L. c. 32 § 5 & § 12(2)(d) – VOTE

Retirement Board Staff has verified that the necessary paperwork is in order and has determined applicants to be eligible for such benefit.

Wallis Gottfredsen	12(2)(d), Peter Gottfredsen	DOD 4/8/2014
William McCarthy		DOR 7/8/2014
Richard O'Gara		DOR 7/11/2014
Asya Lozovik		DOR 7/14/2014
Gerard Gallinaro		DOR 7/8/2014
John McCormack		DOR 7/9/2014
Mohammad Falsafi		DOR 7/9/2014
Norman White		DOR 6/30/2014

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

VOTED

to acknowledge retirement applications as listed above pursuant to G.L. c. 32 § 5 and § 12(2)(d). 5-0

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

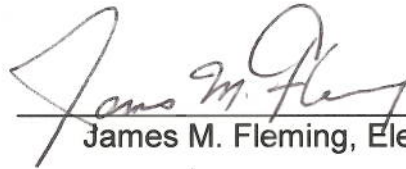
- Independent Auditor's Report on Financial Statements and Required Supplemental Information for the Year Ended December 31, 2012
- Comprehensive Annual Financial Report for the Year Ended December 31, 2013
- Mesirow Presentation
- NEPC Manager Summary for July Meeting
- NEPC Rebalance Recommendation
- NEPC Private Markets Search Review
- NEPC Flash Report as of June 30, 2014
- NEPC 2014 Work Plan
- Attorney Thomas Gibson's Memorandum re. Standby Pay Issues
- Funded Ratios for Systems based on information available/received as of 7/1/2014

The Retirement Board reviewed the following informational documents:

PERAC Pension News

- PERAC Memo #21: Concurrent Benefits
- PERAC Memo #22: Mandatory Board Meeting Training
- PERAC Memo #23: State Ethics Seminars
- PERAC Memo #24: Retroactive Changes to Cash Books
- PERAC Memo #25: Reinstatements
- PERAC Memo #26: Electronic Data
- PERAC Memo #27: IRS Taxation
- PERAC Memo #28: COLA for ADR Dependents
- Robeco 2Q14 Proxy Report
- Robbins Geller Settlement Report 6/27/2014
- Robbins Geller Monitoring Report 6/27/2014
- Robbins Geller International Monitoring Report 6/27/2014
- TA Realty: New Management
- Invesco CORE FI Fund Report
- Cerberus Letter to Investors
- EnTrust Trian Partners News Update
- Loomis Sayles 2Q14 Proxy Report
- PERAC response to 2013 Annual Report Corrections

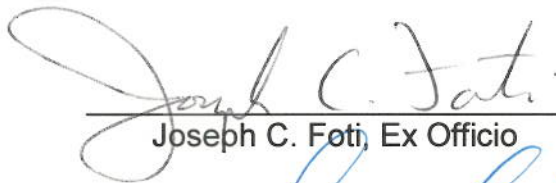
The meeting was adjourned at 1:15 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, August 28, 2014 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**



James M. Fleming, Elected Member



Kevin McKenna, Elected Member



Joseph C. Foti, Ex Officio



Thomas J. Durkin, Appointed Member

Frank Zecha, Fifth Member