

**MASSACHUSETTS WATER RESOURCES
AUTHORITY EMPLOYEES' RETIREMENT
BOARD MEETING
DECEMBER 18, 2014**

A meeting of the MWRA Employees' Retirement Board was held on December 18, 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, Joseph C. Foti, Kevin McKenna, and Frank Zecha. James M. Fleming arrived while the meeting was in progress. Sheryl C. Trezise, Executive Director, and Julie McManus, Retirement Coordinator, were also present. Attorney Thomas F. Gibson and Kimberly Fletcher were present as Board Counsel. Sebastian Grzejka was present from New England Pension Consultants (NEPC) as Investment Consultant. Mr. Durkin chaired and called the meeting to order at 10:16 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

Increase to COLA Base: No Report
Section 101 Survivors: No Report
12(2)(d): No Report
- 3) COLA increases for Retirement Coordinator and Executive Secretary as per prior Board agreement (pending MWRA vote of Unit 6 contract): 1.5% salary increase July 1, 2014 and 1.5% salary increase January 1, 2015.
- 4) Distribution of Conflict of Interest Law. The consensus of the Board was to wait until Attorney Gibson's presentation to discuss this issue.
- 5) State Street Custodial team – Kansas City effective December 1, 2014. Ms. Trezise stated that she had discussions about custodial banks with other administrators at the recent Public Pension Advisory Group meeting. Discussion regarding Custodial RFP Ad which NEPC will present to the Board later in the meeting.

Mr. Fleming entered the meeting at 10:19 and Mr. Durkin turned the chair over to him.

Mr. Fleming asked that a moment of silence be observed for the death of long-time MWRA payroll manager John O'Brien who died December 6, 2014.

- 6) Recognition of GFOA Certificate of Achievement for Excellence in Financial Reporting for the year ended 12/31/13.
- 7) Review of 1/1/2015 Actuarial Assumptions

Discussion. Mr. Durkin stated that the actuarial evaluations get utilized by the plan sponsor each year and even though the current amortization schedule puts the System at being fully funded by 2024, with the MWRA's additional payments between \$4,000,000 and \$5,000,000 annually, the System could be fully funded by the end of FY2017. Discussion regarding possibly lowering the assumed rate of return to 7.75% and/or lowering the assumed salary increase to 3%. Mr. Fleming asked Mr. Durkin how the MWRA would like to proceed and Mr. Durkin stated that the plan sponsor would like to be fully funded by 2017. Mr. Durkin suggested that the Board stay the course unless Kathy Riley from Segal believes that the lowering of the assumed rate of return to 7.75% can be absorbed by lowering the assumed salary increase to 3%. Mr. Durkin asked that the Retirement System work with Andrea Murphy regarding salary assumed salary increases. Mr. Zecha requested that an increase to the COLA base to \$13,000 or \$14,000 be included in the actuarial study.

Mr. Zecha stepped out of the meeting

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

VOTED

to table this issue until next month. 4-0

- 8) Recap of Saturday, December 6, 2014 Retirement Workshop

Ms. Trezise thanked everyone who participated in the workshop and stated that over 100 people were in attendance. Some questions regarding Option D beneficiaries were brought up at the workshop, so Staff put Option D information up on the Intranet after the workshop. Mr. Fleming stated that he has heard great feedback from attendees and Mr. Durkin agreed noting that he has heard complimentary feedback as well. Mr. McKenna asked how soon the next one would be held and Ms. Trezise answered that we typically hold them every two years but we could do them more often if there is interest.

- 9) Approval of the Minutes 11/20/14 and the Executive Session Minutes 10/30/14– VOTE

Discussion. Mr. Durkin requested that these items be tabled until next month's meeting in order to give the Board time to review them.

On motion by Thomas J. Durkin and seconded by Kevin McKenna:
VOTED
 to table the 11/20/14 Minutes 10/30/14 Executive Minutes until next month's meeting in order to give the Board time to review them. 4-0

- 10) Approval of the 11/2014 Warrant – VOTE

On motion by Thomas J. Durkin and seconded by Kevin McKenna:
VOTED
 to approve the 11/2014 Warrant as presented. 4-0

Mr. Zecha returned to the meeting

- 11) Approval of Monthly Transfers 12/2014 – VOTE

On motion by Thomas J. Durkin and seconded by Joseph C. Foti:
VOTED
 to approve the Monthly Transfers 12/2014 as presented. 5-0

- 12) a) Approval of Bank Reconciliation 10/2014 – VOTE

On motion by Kevin McKenna and seconded by Joseph C. Foti:
VOTED
 to approve Bank Reconciliation 10/2014. 5-0

- b) Approval of Bank Reconciliation 11/2014 – VOTE

On motion by Kevin McKenna and seconded by Joseph C. Foti:
VOTED
 to approve Bank Reconciliation 11/2014. 5-0

- 13) Acknowledgment of October 2014 Cash Books – VOTE
 (Trial Balance; Budget; Cash Receipts; Cash Disbursements;
 Adjustments)

On motion by Thomas J. Durkin and seconded by Joseph C. Foti:
VOTED
 to Acknowledge October 2014 Cash Books. 5-0

- 14) a) Acknowledgement of Section 6 Retirement Application re. Michael Phillips– VOTE

Mr. Durkin asked Ms. Trezise to explain the difference between a veteran and a non-veteran Ordinary Disability and she stated that a non-veteran ordinary disability is calculated as though the member is being retired for superannuation at age 55, if under age 55, or the actual age if over 55 and with his/her actual creditable service. A veteran ordinary disability

will receive an allowance consisting of an annuity based on age and accumulated deductions and a pension equal to 50% of the annual rate of regular compensation.

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

VOTED

to acknowledge Section 6 Retirement Application re. Michael Phillips. 5-0

- b) Approval of 12(2)(d) Retirement Application for Yevsey Fabrikant, survivor of Natalya Fabrikant, DOD 11/23/2014 – VOTE

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

VOTED

to approve 12(2)(d) Retirement Application for Yevsey Fabrikant, survivor of Natalya Fabrikant, DOD 11/23/2014. 5-0

15) Global Asset Allocation (GAA) Finalists Presentations

William Blair
PIMCO
Putnam
Wellington – GAA Presentation and Due Diligence

The following manager 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.

Wellington Management

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.

Discussion regarding GAA Finalists. Mr. Grzejka stated that NEPC is comfortable with PIMCO and Wellington both of the Board's current GAA managers but recommends the Board hire another manager and

recommends hiring William Blair as Putnam's strategy is very similar to Wellington's. Mr. Grzejka stated that the Board could give each manager 1/3 of the allocation. Mr. Durkin asked if the Board had to split the allocation equally, and Mr. Grzejka said that he would review the allocation and make a recommendation once the Board has received PERAC's acknowledgements for the three managers.

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to hire William Blair and rehire Wellington and PIMCO for the Global Asset Allocation. 5-0

Mr. Foti left the meeting

- 16) Presentation by Sebastian Grzejka/NEPC
 - a) November 2014 Flash Report
 - b) Lee Munder name change to LMCG – Mr. Grzejka stated that the name change is not an issue for the Board.
 - c) Custodial RFP Ad – Board reviewed the Custodial RFP Ad
 - d) Rebalance Recommendation – VOTE Discussion.

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

VOTED

to accept NEPC's Rebalance Recommendation to withdraw \$2,000,000.00 from cash and transfer to Schrodgers International fund. 4-0

- e) Schroder's International Alpha Fund – new share class. Discussion regarding moving into Schroder's new fund class which would reduce the System's fee but the product would be the same.

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

VOTED

to approve moving into Schroder's new share class to reduce the System's fees. 4-0

- f) 2014/2015 Work Plan – Review
- g) Real Estate RFP – Mr. Grzejka stated he would have a summary for the Board at its next meeting.

17) Kyle Daley Section 7 Retirement Hearing

Mr. Daley attended with his attorney Joseph McKenna and opted to enter into Executive Session for the purpose of discussing the physical health of the applicant. Mr. Daley's wife accompanied Mr. Daley.

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

VOTED

to enter into Executive Session at 1:14 p.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 1:26 p.m. 4-0, roll call with Mr. Durkin voting yes, Mr. McKenna voting yes, Mr. Zecha voting yes, and Mr. Fleming voting yes.

After review of the medical and non-medical evidence, including the Authority's decision to accept liability for the applicant's reported injury and disability under the workers' compensation law, it would appear that Mr. Daley's application satisfies the legal requirement for an award of accidental disability.

On motion by Frank Zecha and seconded by Kevin McKenna:

VOTED

to approve Kyle Daley's Section 7 Retirement. 4-0

18) Attorney Thomas F. Gibson/Legal Update –

a) Robert Ponder DALA Update – Attorney Gibson stated that a hearing was held at the Division of Administrative Law Appeals for Mr. Ponder on December 9, 2014. Mr. Ponder testified and is trying to prove that his disability was caused by his work injuries, and if he's successful, a new PERAC medical panel will be convened. Attorney Gibson noted that Emily Dallman from the Authority attended the hearing.

b) Military Leave – Attorney Gibson is awaiting a response from the letter he sent to PERAC on the Board's behalf. It was noted that the ultimate question to be answered is if a member can receive federal creditable service simultaneous with state public creditable service.

c) DALA Hearing – George Vezina, January 13, 2015

d) Conflict of Interest – review. Attorney Gibson stated that Staff should email Board Members the summary of the Conflict of Interest Law

and Board Members should acknowledge receipt by email.

- e) Disability Status Update – Review
- f) Pre-employment physicals – email response from the Authority's Bob Donnelly regarding the Board's request for copies of pre-employment physicals: Mr. Donnelly stated that he would check with Attorney Chinian to see if the Authority is able to send copies to the Retirement Board or if employees would need to sign a release to allow the Board to receive copies.
- g) GASB 67/68 – Attorney Gibson advised the Board to coordinate with the actuary and auditor to make sure the new guidelines are met.

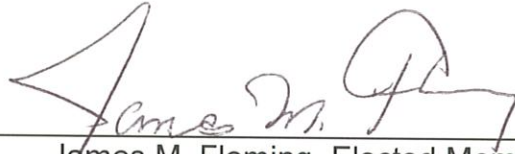
The Retirement Board was presented with the following documents at the meeting:

- NEPC November 2014 Flash Report
- NEPC Rebalance Recommendation
- NEPC 2014/2015 Work Plan
- NEPC Custodial RFP Ad
- NEPC Schroder's International Alpha Fund – new share class
- NEPC Lee Munder Name Change to LMCG
- William Blair Global Asset Allocation Presentation
- PIMCO Global Asset Allocation Presentation
- Putnam Global Asset Allocation Presentation
- Wellington Global Asset Allocation and Due Diligence Presentation

The Retirement Board reviewed the following informational documents:

- PERAC Memo #34/GASB 67/68
- PERAC Memo #35/Disability Retiree Data
- PERAC Memo #36/Investment Related Fees Accounting
- PERAC Pension Newsletter
- Berman DeValerio – Monitoring Report – third quarter
- Berman DeValerio – Settlement Report – third quarter
- Millberg – Portfolio Monitoring Report – third quarter
- Robbins Geller International Monitoring Report 9/2014
- Robbins Geller Portfolio Monitoring Report 11/2014
- Robbins Geller Settlement Report 11/2014

The meeting was adjourned at 1:52 p.m. The next regularly scheduled meeting of the MWRA Employees' Retirement Board will be held **Thursday, January 29, 2015 at Massachusetts Water Resources Authority, 2 Griffin Way, Chelsea, Conference Room 2D, 10:00 a.m.**

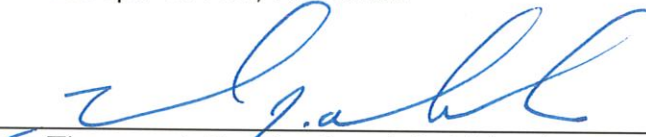


James M. Fleming, Elected Member

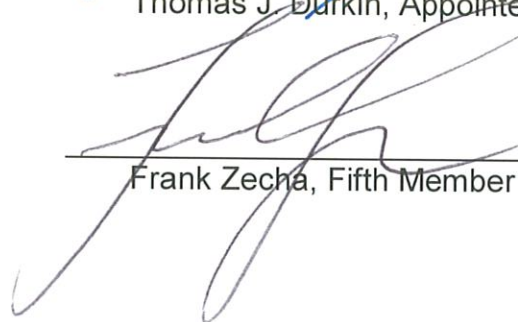


Kevin McKenna, Elected Member

Joseph C. Foti, Ex Officio



Thomas J. Durkin, Appointed Member



Frank Zecha, Fifth Member