

**Metropolitan Water Reclamation  
District Retirement Fund**

**Minutes  
Regular Meeting  
Board of Trustees  
September 28, 2016**

Meeting#: 1124

Called to order: 10:10 a.m.

Place: Boardroom, 111 E. Erie St., Chicago, IL

Presiding: Mr. Joseph Kennedy, President

	<u>Present</u>
Trustees:	
Joseph F. Kennedy, President	X
Robert T. Regan, Vice-President	X
Hon. Mariyana T. Spyropoulos, Secretary	
Hon. Barbara J. McGowan	
John P. Dalton, Jr.	X
Stephen J. Carmody	X
Kathleen T. Meany	X

Staff present: Susan Boutin, Executive Director  
Mary Wilson, Operations Manager  
George Kirie, Financial Analyst

Also present: Kweku Obed, Marquette Associates  
Mike Ni, Marquette Associates  
Members of the staff  
Members of the public

## **Regular Business:**

### **Public Comments**

Mr. Kennedy solicited public comments; none responded.

### **Retiree Trustee Appointment/Oath of Office**

Ms Boutin reported that on September 1, 2016, the Board of Commissioners of the MWRDGC made the recommendation to appoint Kathleen Therese Meany as Retiree Trustee to fill the unexpired term of Harold G. Downs pursuant to the provisions of the Illinois Compiled Statutes. The term of office expires on January 31, 2017.

*Mr. Dalton made the motion to approve the recommendation made by the MWRDGC Board of Commissioners to appoint Kathleen Therese Meany as Retiree Trustee to fill the unexpired term of Harold G. Downs which expires on January 31, 2017. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.*

Ms. Boutin asked Ms. Meany to sign the Oath of Office as Retiree Trustee for the period of September 28, 2016 to January 31, 2017. The Oath of Office will be provided to the Clerk of the District.

### **Approval of Minutes**

*A motion was made by Mr. Dalton seconded by Mr. Regan, to approve the minutes of the Regular Board Meeting held on August 24, 2016. The motion was unanimously approved.*

### **Consent Agenda**

#### ***Expenses***

Administrative expenses to be paid in October 2016 in the amount of \$93,799.71 were presented for approval.

*A motion was made by Mr. Regan, seconded by Mr. Carmody to approve the Administrative Expenses. The motion was unanimously approved.*

### ***Employee Annuitants***

The applications for seven new employee annuitants with a total monthly annuity benefit of \$34,574.84 were presented with the recommendation that it be approved and granted as follows:

<u>Name</u>	<u>Position</u>	<u>Begins</u>	<u>@ MWRD</u>	<u>Reciprocal</u>
Ahmed, Mohammed Y.	Assistant Civil Engineer	09/01/16	16.00	7.44
Kirchman, Mark J.	Engineering Technician V	09/01/16	30.00	0.00
Montag, Daniel R.	Operating Engineer I	08/01/16	26.75	1.50
Romero, Arturo A.	Operating Engineer II	09/01/16	21.00	0.00
Sanders, Robert B.	Fireman Oiler	09/01/16	27.00	0.00
Schipma Jr., George E.	Pipefitter	09/01/16	21.00	0.00
Siska, John J.	Electrical Mechanic	09/01/16	30.13	0.00

*A motion was made by Mr. Carmody, seconded by Ms. Meany to approve the Employee Annuitant applications. The motion was unanimously approved.*

## **Regular Business, continued:**

### ***Surviving Spouse Annuitants***

The applications for four new surviving spouse annuitants and one child annuitant with a total monthly annuity benefit of \$16,389.77 were presented with the recommendation that they be approved and granted as follows:

<u>Name</u>	<u>Spouse (S) Child (C)</u>	<u>Deceased EE/Retiree</u>	<u>Annuity Begins</u>
Daniel, Carrie P.	S	Daniel, Olver	09/01/19
Gregory, Diamond T.	C	Gregory, Joseph A.	07/01/16
Kalinowski, Patricia L.	S	Kalinowski, Gregory J.	09/01/16
Meeks, Lois V.	S	Meeks, Buster	08/01/16
Saric, Diane R.	S	Saric, Ronald S.	07/01/16

*A motion was made by Ms. Meany, seconded by Mr. Dalton to approve the Surviving Spouse/Child Annuitant applications. The motion was unanimously approved.*

### ***Refunds and Final Payments***

The applications for two refund and final payments in the amount of \$11,354.88 were presented with the recommendation that they be approved and granted as follows:

Jones, Monica J.	08/04/16	Termination
Kirchman, Mark J.	08/31/16	Excess Optional

*A motion was made by Mr. Dalton, seconded by Mr. Regan to approve the Refund applications. The motion was unanimously approved.*

### ***Duty Disability***

The fourteen applications for Duty Disability benefits were presented with the recommendation that they be approved and granted.

*A motion was made by Mr. Regan, seconded by Mr. Carmody to approve the Duty Disability applications.*

### ***Ordinary Disability***

The five applications for Ordinary Disability benefits were presented with the recommendation that they be approved and granted.

*A motion was made by Mr. Carmody, seconded by Ms. Meany to approve the Ordinary Disability applications. The motion was unanimously approved.*

### ***Entire Consent Agenda***

*Mr. Kennedy conducted a roll call vote on the entire Consent Agenda. The Consent Agenda was unanimously approved. The itemized reports are on file.*

## **Administrative:**

### **Cash Allocation – November 2016**

Ms. Boutin made the recommendation for transfers to fund the November 2016 Annuitant Payroll.

*Mr. Regan made the motion to transfer a maximum of \$11.3M from the over-weights in the following portfolios: approximately \$9.5M from the SSgA S&P400 Index and the difference of approximately \$1.8M from the LSV International SC to supplement funds available to cover the November 2016 payroll and expenses estimated to be \$13.2 million. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.*

### **Cash Transfers**

Ms. Boutin reported the approved vs. actual transfers as follows:

<b>September 2016 Transfers (in Millions)</b>	<b><u>Approved</u></b>	<b><u>Transferred</u></b>	<b><u>Difference</u></b>
SSgA S&P400	\$11.4	0.00	\$(11.4)

### **Report on Candidates for Trustee Election - Certify Voter List**

Ms. Boutin reported that two candidates are running in the 2016 Trustee election. In order of appearance on the ballot are incumbent Joseph F. Kennedy (Managing Civil Engineer, MOB) and Kamlesh K. Patel (Senior Environmental Research Scientist, Stickney). Their submitted petitions have been certified. Ballots will be mailed to all eligible employees on Friday, September 30<sup>th</sup> and will be counted on Tuesday, October 18<sup>th</sup>.

In accordance with the Rules of Election, Sue Boutin certified the master voters list to the President. The list was created on 09/14/16 reflecting all eligible voters as of 9/04/16, and will continue to be maintained as employees enter and leave service or change their address. *(count 1814) Motion required to approve the certified list of voters.*

*Ms. Meany made the motion to approve the certified list of voters. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

### **RFP for Insurance Brokerage Services**

Ms. Boutin reported that at the April 27<sup>th</sup> Board meeting, the Trustees approved posting an RFP for Insurance Brokerage Services. The primary purpose of the RFP was to engage an insurance brokerage firm to assist the Fund in obtaining all necessary business insurance coverage including but not limited to cyber liability coverage. Four firms responded which included Tave, Segal, Mesirow and Horton.

Presentations were heard from Tave and Segal following the August 24, 2016 Board meeting. Today's handouts include the proposals submitted by Tave and Segal. Tave Risk Management is a woman-owned located in Northbrook, IL. Their Illinois public firm clients include TRS, SURS & IMRF.

The other proposal was from Segal Select Insurance, headquartered in New York with offices in Chicago & Phoenix. Their focus is on public sector and multiemployer benefit plans. Their proposal did not mention cyber liability nor that they have any Illinois public funds clients. Page 2 of their proposal states that they prefer to work for standard insurance brokerage commissions paid by the insurers.

Due to technical difficulties that prevented a review of the proposals on the portal, Mr. Dalton requested tabling the discussion until next month's meeting. Mr. Dalton requested staff prepare a spreadsheet comparing the two proposals, and to check with Segal about the absence of discussion of cyber liability, as well as the mention of "referral fee", in their proposal. Discussion was deferred to the October Board meeting.

## **Administrative, continued:**

### **Reciprocal Conference**

Ms. Boutin reported the Illinois Public Retirement Systems Annual Conference was held on August 29<sup>th</sup> & 30<sup>th</sup> in Orland Park. Six members of our staff attended the conference. The agenda included topics on data breaches, a state legislative update, fraud & embezzlement, Social Security and an attorney roundtable. The conference will be held in the Chicago area next year. Ms. Boutin expressed her appreciation of the work that Mary Wilson does as the head of the Conference Task Force in creating a relevant agenda for the conference attendees.

In response to an inquiry by Mr. Dalton, Ms. Wilson stated the legislative updates are of great interest to attendees, and Ms. Boutin remarked the Attorney Roundtable provides a good forum to meet with the other Executive Directors and attorneys.

## **Investment Reports:**

### ***Reports by Staff***

#### **Manager Update**

Mr. Kirie presented a performance update on the two managers scheduled to make presentations, LSV Asset Management and O'Shaughnessy Asset Management. Reports are on file.

#### **Custodian Report**

Mr. Kirie presented the BNYM Custodial Report which showed assets as of August 31<sup>st</sup> totaling \$1.265B. He also presented the report of purchases and sales of securities in August. Reports are on file.

### ***Reports by Investment Managers***

**LSV Asset Management** – Mr. James Owens presented an organizational update and reported on the LCV portfolio's recent performance.

Mr. Owens responded to an inquiry by Mr. Obed about what current "bubble" he was referring to, and the timing of anticipated corrections. He stated that LSV is seeing a correction over the last 2 months in the high priced utility and telecom sectors, and spoke further about those high valuation sectors. Mr. Kennedy's inquiry sparked a broader discussion of the energy sector.

Mr. Owens went on to report on the recent performance of the International SCV portfolio. Discussion followed.

**O'Shaughnessy Asset Management** – Mr. Chris Loveless and Mr. Chris Meredith made a presentation on the recent performance of the LCV portfolio.

Reports are on file.

**Other Investment Related Issues:**

***Reports by Investment Consultant***

**Asset Allocation Rebalancing**

Mr. Obed presented the rebalancing schedule that showed recent overweights and underweights; he expressed agreement with the staff recommendation to fund the November 1<sup>st</sup> annuity payroll.

**Market Update & Monthly Flash August 2016**

Mr. Obed reviewed the recent market environment and performance of the Fund's investments. Discussion followed on the expected market effects of the upcoming election and possible interest rate hikes. Pursuant to an inquiry by Mr. Kennedy, the real vs. perceived effects of oil prices on the different components of the energy sector were discussed.


After reviewing the Fund's recent performance, Ms. Boutin asked Mr. Obed to comment on Mesirow (who merged with FMA in March) – Mr. Obed noted that their lagging performance and reasons will be similar to the LC managers heard from today, but he noted no concerns.

Mr. Obed responded to an inquiry by Mr. Kennedy, stating that Marquette is watching Mesirow closely for organizational changes, none of which have been noted in the time since the merger. Mr. Kirie also stated that in a recent conversation with the relationship manager at Mesirow, it was reiterated that there are no expected changes to the portfolio's management team.

**Adjournment:**

Meeting was adjourned by Mr. Kennedy at 11:49 a.m.

Respectfully submitted,



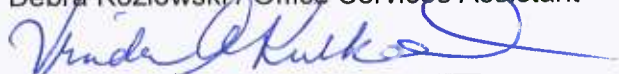
Robert T. Regan / Vice President



Susan A. Boutin / Executive Director

Prepared by:

  
Debra Kozlowski / Office Services Assistant

  
Vrinda Kulkarni / Accountant

**ORIGINAL**