

**Metropolitan Water Reclamation
District Retirement Fund**

**Minutes
Regular Meeting
Board of Trustees
October 26, 2016**

Meeting#: 1125

Called to order: 10:19 a.m.

Place: Boardroom, 100 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	X
John P. Dalton, Jr.	X
Stephen J. Carmody	X
Kathleen T. Meany	X

Staff present: Susan Boutin, Executive Director
George Kirie, Financial Analyst
Ksenija Hrvojevic, Benefits Manager

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.

Approval of Minutes

A motion was made by Mr. Dalton seconded by Ms. McGowan, to approve the minutes of the Regular Board Meeting held on September 28, 2016. The motion was unanimously approved.

Consent Agenda

Expenses

Administrative expenses to be paid in November 2016 in the amount of \$399,033.69 were presented for approval.

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

Employee Annuitants

The applications for four new employee annuitants with a total monthly annuity benefit of \$9,608.23 were presented with the recommendation that it be approved and granted as follows:

<u>Name</u>	<u>Position</u>	<u>Annuity Begins</u>	<u># Years @ MWRD</u>	<u># Years Reciprocal</u>
Errampally, Jyothi J.	Engineering Technician III	09/01/16	8.00	1.00
Hoskins, Stuart S.	Police Officer	09/01/16	11.00	1.00
Jones, Cleo	MLA	09/01/16	8.63	0.00
Scannell, Thomas J.	Former Operating Engineer *	09/01/16	27.72	3.75

* Estimated Annuity

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

Surviving Spouse Annuitants

The applications for four new surviving spouse annuitants and two child annuitants with a total monthly annuity benefit of \$28,423.73 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>
Cyrier, Margaret A.	S	Cyrier, Richard T.	10/01/16
Fergus, Matthew	C	Fergus, John	09/01/16
Manning, Mary A.	S	Manning, Thomas	08/01/16
Nolan, Jacob M.	C	Nolan, Timothy J.	09/01/16
Vitulli, Marie S.	S	Vitulli, Thomas P.	10/01/16
Zmuda, Nancy J.	S	Zmuda, James T.	10/01/16

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

Regular Business, continued:

Refunds and Final Payments

The applications for five refund and final payments in the amount of \$81,113.60 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Baskaran, Ram	10/15/15	Termination
Endzel, Michael D.	09/02/16	Termination
Errampally, Jyothi J.	08/31/16	No Spouse Refund
Hoskins, Stuart S.	08/31/16	No Spouse Refund
Shodunke, Olusegun W.	09/09/16	Resignation

A motion was made by Mr. Dalton, seconded by Ms. McGowan 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 Ms. McGowan, seconded by Mr. Carmody to approve the Duty Disability applications.

Ordinary Disability

The eight 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 – December 2016

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

Mr. Carmody made the motion to transfer a maximum of \$12.0 million from the over-weights in the following portfolios \$6.1M from the Wasatch SCV portfolio, \$5.7 million from the LSV LCV portfolio and the balance of approximately \$200 thousand from the LSV International SC portfolio to supplement funds available to cover the December 2016 payroll and expenses estimated to be \$13.5 million. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.

Administrative, continued:

Cash Transfers

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

<i>October 2016 Transfers (in Thousands)</i>	<u>Approved</u>	<u>Transferred</u>	<u>Difference</u>
SSgA S&P 400	\$800.0	\$0.0	(\$800.00)
WCM SCV	77.1	77.1	(0.00)
Transition Account	65.9	65.9	(0.00)
Total	\$943.0	\$143.0	(\$800.0)

Report on Candidate for Trustee Election

Ms. Boutin reported that on October 18, 2016, the Judges of Election tabulated the ballots for the Trustee Election and prepared a report certifying the results of the election. A copy of the election certification was included in the Trustee packets and on the portal. The final vote was Joseph Kennedy – 416 votes, & Kamlesh Patel – 183 votes. The Oath of Office will be administered to Mr. Kennedy at the November Board meeting.

Ms. Meany made the motion to certify Joseph Kennedy's election to the Board to serve a four-year term to begin December 1, 2016. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.

RFP for Insurance Brokerage Services

Ms. Boutin reported that at the April 27th 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 us in obtaining all necessary business insurance coverage including but not limited to cyber liability coverage. Four firms responded which included Tave, Segal, Mesirov and Horton. Presentations were heard from Segal Select Insurance and Tave Risk Management following the August 24, 2016 Board meeting. Ms. Boutin reviewed a handout comparing the proposals of the two firms, including coverage options and fee structure. Discussion followed.

Mr. Carmody made the motion to hire Tave Risk Management for Insurance Brokerage Services. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.

Administrative, continued:

Training and Education

Ms. Boutin requested authorization to attend the 62nd Annual International Foundation Employee Benefit Plans Conference which will be held in Orlando, FL from November 13th to November 16th. The conference includes sessions on public plans, fiduciary responsibility, pensions, actuarial issues, and investments. Estimated expenses for the 3 days of the conference are approximately \$2,200 and include the conference registration fee of \$1,400, air travel, 2 nights of hotel and incidentals. Some discussion followed, with inquiries by Ms. McGowan. Mr. Kennedy stated the training has been budgeted. Mr. Dalton stated that he has also attended the IFEBP conference multiple times (in conjunction with his service to another Board) and found the training to be of the highest quality and relevance.

Mr. Dalton made the motion to approve Susan A. Boutin to attend the 62nd Annual International Foundation Employee Benefits Conference held in Orlando, FL from November 13th to November 16th at a cost not to exceed \$2,200.00. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

Investment Reports:

Reports by Staff

Manager Update

Mr. Kirie presented a performance update on the two managers scheduled to make presentations, Mesirow Financial Equity Management and State Street Global Advisors. Reports are on file.

Custodian Report

Mr. Kirie presented the BNYM Custodial Report which showed assets as of September 30th totaling \$1.271B. He also presented the report of purchases and sales of securities in September. Reports are on file.

Minority Broker/Dealer Commissions for 2nd Quarter ending September 30, 2016

Mr. Kirie presented the Q3 2016 commissions summary which showed that overall our managers are exceeding the Fund's minority brokerage goals. Managers directed 66.8% of commissions for domestic equity trades, 19.0% for international equity trades, and 21.2% of par for fixed income trades to MWDOB broker-dealers. Goals are 30%, 10% and 20% of par, respectively. Report is on file

Reports by Investment Managers

Mesirow Financial Equity Management – Mr. Leo Harmon and Mr. Eric Welt presented an update on the acquisition of FMA by Mesirow and reported on the SCV portfolio's recent performance, commenting that recently low-quality stocks have prevailed in the small cap space.

Mr. Harmon addressed Mr. Kennedy's request to state the reasons he would recommend active management to a prospective client at this time. Mr. Harmon spoke at length, concluding that long-term studies show small cap active management outperform passive management net of fees.

Investment Reports, continued:

Reports by Investment Managers, continued

State Street Global Advisors – Mr. Joseph Cadigan made a presentation on the four index funds in which the Fund is invested; the Aggregate Bond Index Fund, the S&P500 Index Fund, the S&P400 Index Fund, and the MSCI ACWI-ex US Index Fund.

In response to an inquiry by Mr. Kirie, Mr. Cadigan stated he has seen more inflows than outflows regarding the MSCI ACWI-ex US Index Fund, and more inflows to the more general global indices rather than the EAFE that was more popular a few years ago. He agreed to provide the total AUM in the MSCI ACWI fund to Mr. Kirie by email.

Mr. Cadigan addressed Mr. Dalton's inquiry about the recent increase in securities lending income for the Aggregate Bond Index Fund. He also responded to Mr. Kennedy's inquiry about the earned securities lending income in SSgA's equity funds. In response to an inquiry by Mr. Kirie, he stated there have been many inquiries, but as of now no increased participation in securities lending by defined benefit plans. 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 December 1st annuity payroll.

Q3 Market Update & Monthly Flash September 2016

Mr. Obed reviewed the recent market environment and performance of the Fund's investments. Mr. Obed's discussion included peer group comparisons. Pursuant to inquiries by Mr. Dalton and Mr. Kennedy, hedge fund indices/funds were discussed, including the types of index funds (full-replication vs. sampling).

Mr. Carmody asked Mr. Obed to comment on the longer term underperformance of large cap value managers LSV and O'Shaughnessy, which he discussed at length and characterized as "expected" given the type of strategy and market conditions. Mr. Obed also mentioned that the team at O'Shaughnessy lost one member, but because it is a quant manager, there are no immediate concerns.

Mr. Dalton expressed appreciation for the Marquette Symposium (held September 30th) that was attended by Trustees and staff. Mr. Obed stated that there are many videos of the symposium speakers posted on their website.

Other Investment Related Issues, continued:

Securities Monitoring

Ms. Boutin reported that at the July Board meeting, the Trustees discussed the securities monitoring services currently provided by three firms (BLBG, Cohen Milstein and Spector Roseman) who provide us with quarterly or monthly reports, each of which report similar information. At the Trustees request she has compiled information regarding how many securities monitoring firms were used by Illinois reciprocal funds and if they were hired through an RFP process. She found most funds use 5 or 6 funds, and that most had not done an RFP. Ms. Boutin requested direction about adding two additional firms that have approached the Fund, Kaplan Fox and Berman DeValerio to provide these services to us. Some discussion followed; Board direction was to let the current three firms remain as monitors, and for staff to post the reporting on the portal as it is received.

Adjournment:

Meeting was adjourned by Mr. Kennedy at 11:39 a.m.

Respectfully submitted,



Robert T. Regan/Vice President



Susan A. Boutin / Executive Director

Prepared by:



Debra Kozlowski / Office Services Assistant



Vrinda Kulkarni / Accountant