

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees November 16, 2016

Meeting#: 1126

Called to order: 10:00 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	
John P. Dalton, Jr.	
Stephen J. Carmody	X
Kathleen T. Meany	X

Staff present:

- Susan Boutin, Executive Director
- Mary Wilson, Operations Manager
- George Kirie, Financial Analyst
- Vitaliy Bunimovich, Programmer 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. Regan seconded by Mr. Carmody, to approve the minutes of the Regular Board Meeting held on October 28, 2016. The motion was unanimously approved.

Consent Agenda

Expenses

Administrative expenses to be paid in December 2016 in the amount of \$695,329.38 were presented for approval.

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

Employee Annuitants

The applications for three new employee annuitants with a total monthly annuity benefit of \$10,819.39 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>
Grice-Brumfield, Carolyn	MLA	11/01/16	24.68	0.00
Scannell, Thomas J.	Former Operating Engineer	09/01/16	27.72	3.75
Turek, Gayle M.	Management Analyst II	10/01/16	16.32	1.67

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

Surviving Spouse Annuitants

The applications for two new surviving spouse annuitants with a total monthly annuity benefit of \$12,445.20 were presented with the recommendation that they be approved and granted as follows:

<u>Name</u>	<u>Child (C)</u>	<u>EE/Retiree</u>	<u>Begins</u>
Bokr, Deborah M.	S	Bokr III, Joseph M.	11/01/16
Higgins, Dolores M.	S	Higgins Jr., George A.	11/01/16

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

Regular Business, continued:

Refunds and Final Payments

The application for one refund and final payment in the amount of \$11,286.35 was presented with the recommendation that it be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Scannell, Thomas J.	08/31/16	Excess Optional

A motion was made by Mr. Carmody, seconded by Ms. Meany to approve the Refund application. The motion was unanimously approved.

Duty Disability

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

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

Ordinary Disability

The two applications for Ordinary 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 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 – January 2017

Ms. Boutin made the recommendation for transfers to fund the January 2017 Annuitant Payroll.

Mr. Carmody made the motion to transfer a maximum of \$10.4 million from the over-weights in the following portfolios: \$6.0 million from the Matarin SCC portfolio, \$3.4 million from the Mesirov SCV portfolio and the balance of approximately \$1.0 million from the Ariel MCV portfolio to supplement funds available to cover the January 2017 payroll and expenses estimated to be \$12.5M. Mr. Regan 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>November 2016 (In Millions)</i>	<i>Approved</i>	<i>Transferred</i>	<i>Difference</i>
S&P 400 Index	\$9.5	\$8.7	(\$0.8)
LSV – International SC	1.8	2.3	0.5
Total from Managers	\$11.3	\$11.0	(\$.3)

Novitas 2017 IT Proposal

Mr. Jim Chang of Novitas presented his 2017 IT Proposal to the Board. New health insurance reporting requirements (to accommodate multiple vendors as per the new District retiree health insurance plan) will require major changes to the Pension Benefit Management System (PBMS). In addition, over the last decade, due to various new reporting requirements, system changes have been made for the immediate reporting need, without addressing the overall outdated system architecture. Novitas and RF staff agree that an improvement to operations would result from a multi-year implementation of a modular browser-based web application utilizing the database in-house. Mr. Chang elaborated on how this could be accomplished with minimum disruption to day-to-operations, with a one-module-per-year (personal information, address, dependent, vendor and health insurance modules) schedule over the next 5 years with an estimated annual cost of \$199,000.

Lengthy discussion followed. Ms. Boutin stressed that due to the volume of manual work involved to comply with the new health insurance reporting requirements, beginning work soon on the automation of this module is critical. Mr. Kennedy gave direction to include the 2017 development (for the health insurance vendor module) as a line item in the 2017 proposed Budget document. A formal 5-year proposal was requested from Mr. Chang.

Oath of Office – Joseph F. Kennedy

Ms. Boutin reported that Joseph F. Kennedy will sign the Fund's Oath of Office as Trustee for his four-year term beginning December 1, 2016 through November 30, 2020. His Oath of Office will be provided to the Clerk of the District.

Health Insurance Changes

Ms. Boutin reported that effective January 1, 2017, the District is implementing a Medicare Advantage Prescription Drug Plan (MAPD) for Medicare eligible annuitants which combines medical and prescription drug coverage in one plan. The benefit plan year will change to January 1st through December 31st.

She reported that on October 26, 2016, retirees and surviving spouses were sent a newsletter to inform them that changes to benefits must be done during the Insurance Open Enrollment period which is October 24th to November 18th. In 2017, premiums for health and prescription coverage for non-Medicare eligible annuitants will increase 6.6% and decrease 35% for Medicare-eligible annuitants. The benefits staff have been fielding calls during November from annuitants who have questions or would like to change insurance coverage.

Tentative 2017 Meeting Schedule

Ms. Boutin distributed for Trustees to review the meeting schedule for 2017. She requested that Trustees provide comments or conflicts by December 12th, so the schedule can be approved and distributed at the December meeting.

Administrative, continued:

Tentative 2017 Budget

Ms. Boutin distributed for Trustee review the tentative 2017 Budget, to be adopted at the December Meeting. Mr. Carmody requested clarification about the PBMS enhancements included in the proposed Budget, which was provided by Ms. Boutin.

Investment Reports:

Reports by Staff

Securities Lending Report

Mr. Kirie presented the Q3 2016 Securities Lending Report which showed income from BNYM securities lending program of \$98,321, from 11% of assets out on loan. Income from the SSGA lending program in the Aggregate Bond Fund was \$11,145, from 16% of the securities out on loan.

Reports by Investment Custodian

Bank of New York Mellon – Mr. Michael Skirtich, Account Manager, presented an organizational update, He commented on the recent custody platform conversion, as well as the NEXEN portal that will become available in 2017. Mr. Skirtich also reviewed the RF service team members and securities lending services.

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 January 2017 annuity payroll.

Market Update & Q3 2016 Performance review

Mr. Obed reviewed the recent market environment and performance of the Fund's investments. Mr. Obed's discussion included comments on October performance being marred by the volatility around the (presidential) election. He suggested a discussion in January to address the reallocation of funds from Pioneer currently being held in the index fund.

In response to an inquiry by Ms. Boutin, Mr. Obed stated that the U.S. markets have seen a strong rebound since the election, while international markets have been more volatile.

In response to an inquiry by Ms. Meany, Mr. Obed commented on the implications of renegotiating trade deals (as the President-Elect has promised) with countries that own our debt. Discussion followed.

Adjournment:

Ms. Meany made the motion to adjourn, and the meeting was adjourned by Mr. Kennedy at 11:58 a.m.

Respectfully submitted,



Hon. Mariyana T. Spyropoulos / Secretary

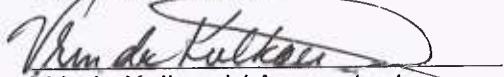


Susan A. Boutin / Executive Director

Prepared by:



Debra Kozlowski / Office Services Assistant



Vrinda Kulkarni / Accountant