

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees January 25, 2017

Meeting#: 1128

Called to order: 10:07 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.	
Stephen J. Carmody	X
Kathleen T. Meany	X

Staff present: Susan Boutin, Executive Director
Mary Wilson, Operations Manager
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 December 21, 2016. The motion was unanimously approved.

Consent Agenda

Expenses

Administrative expenses to be paid in February 2017 in the amount of \$1,090,669.60 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 seven new employee annuitants with a total monthly annuity benefit of \$29,990.24 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>
Cain, Roger D.	MLAS	02/01/17	23.00	0.00
DiPrima, Ursula A.	Adm Asst to Commissioner-Sec	01/01/17	9.77	17.33
Kaminski, James E.	Treatment Plant Operator III	01/01/17	30.00	0.00
Martinez Jr., Gilbert	Adm Asst to Commissioner-Sec	01/01/17	15.51	0.00
McDermott Jr., Patrick J.	Assistant Master Mechanic	01/01/17	26.50	3.75
Moy, Linda T.	Former Assistant Civil Engineer	04/01/16	21.81	0.00
Santos, Cynthia M.	Commissioner	01/01/17	20.24	0.00

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 three new surviving spouse annuitants with a total monthly annuity benefit of \$15,959.66 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>
Maloney, Elizabeth L.	S	Maloney, Martin F.	01/01/17
Ramachandran, Sita	S	Ramachandran, Thayamkula V.	12/01/16
Tomaszkiewicz, Lucia	S	Tomaszkiewicz, Richard P.	01/01/17

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 six refunds and final payments in the amount of \$83,825.45 was presented with the recommendation that it be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Cain, Roger D.	01/06/17	No Spouse Refund
Hudson, Thais V.	05/02/14	Termination
Lawlor, Denis C.	11/09/16	Termination
Martinez Jr., Gilbert	12/11/16	No Spouse Refund
McDermott Jr., Patrick J.	12/31/16	Excess Optional
Nestorovic, Slobodanka B.	01/20/16	Termination

A motion was made by Ms. Meany, seconded by Mr. Dalton 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 eleven applications which included one 30-day waiver 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:

Executive Session December 21, 2016 - Semi-Annual Review of Executive Session Minutes

Ms. Boutin noted that following the Executive Session at the December meeting, a motion was required, but not made, to determine if there is a need for them to remain confidential or if there is no longer a need for confidentiality and the minutes can be available for public inspection.

Mr. Carmody made the motion to maintain the minutes of the Executive Sessions confidential. Ms. Meany seconded the motion which was unanimously approved by roll call vote.

Administrative, continued:

Cash Allocation

Ms. Boutin made the recommendation for investment withdrawals to fund the March 2017 Annuitant Payroll.

Mr. Regan made the motion to transfer a maximum of \$11.2M from the over-weights in the following portfolios: approximately \$6.1M from the Wasatch SCV portfolio and the difference of approximately \$5.1M from the LSV LCV portfolio to supplement funds available to cover the March 2017 payroll and expenses estimated to be \$12.7 million. Ms. Meany seconded the motion which was unanimously approved by roll call vote.

Cash Withdrawals and Approvals

January 1, 2017 Transfers (In Millions)	Approved 11/16/16	Transferred	Difference
Matarin SCV	\$6.00	\$6.00	\$0.00
Mesirow SCV	3.40	3.35	(0.05)
Ariel MCV	1.00	0.00	(1.00)
Total	\$10.40	\$9.35	(\$1.05)

Retiree Trustee Appointment

Ms. Boutin reported that on January 5, 2017, the BOC of the MWRDGC made the recommendation to re-appoint Kathleen Therese Meany as Retiree Trustee of the MWRD RF Board of Trustees for the 3-year term beginning on February 1, 2017. Approval of the RF Board is required.

Mr. Regan made the motion to approve the re-appointment of Kathleen Therese Meany as Retiree Trustee of the MWRD RF Board of Trustees for the 3-year term beginning on February 1, 2017, as recommended by the BOC of the MWRDGC. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

Ms. Meany will execute the Oath of Office as Trustee which will be provided to the Clerk of the District.

Legal and Legislative

Legislative Initiative – Modifications to Surviving Spouse Language in Statutes

Mr. Kennedy made the motion to defer the discussion of the legislative initiative until all Board members are present. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

Trustee Education Certification for 2016

Ms. Boutin stated that in accordance with PA 96-0006, all Board members of a retirement system must attend ethics training of at least 8 hours per year. Each board shall annually certify its members' compliance and submit an annual certification to the Division of Insurance of the Department of Financial and Professional Regulation. Ms. Boutin requested that each trustee sign a certification form which states that you have attended at least 8 hours of training in 2016. This form will be sent to the Dept of Financial and Professional Regulation.

Legal and Legislative, continued

Trustee Training and Education

Ms. Boutin reported on an upcoming opportunity for education and training.

- **P&I Conference** – Generating Returns in a Low Yield Environment – February 28, 2017 at the Gleacher Center. 7:45 am to 4:35 pm. No fee to Attend.

Reminder: PA 97-0651 Requirement to Report Fraud

Ms. Boutin made the annual reminder that Trustees and staff are required to report any fraud of which they become aware to either the Board or to the State's Attorney.

Investments

Manager Update

Ms. Boutin presented a performance update on the Ariel Investments. Report is on file.

Custodian Report

Ms. Boutin presented the BNYM Custodial Report which showed assets as of December 31st totaling \$1.271B. She also presented the report of purchases and sales of securities in December. Reports are on file.

Reports by Investment Managers

Ariel Investments – Mr. Malik Murray , VP Institutional Marketing and Client Services, and Mr. Charles Bobrinskoy, Vice Chairman of Investment Group, presented an update on the firm and the recent performance of the mid cap value portfolio.

Mr. Bobrinskoy responded to an inquiry by Mr. Carmody; he acknowledged the recent performance lags, and pointed out the longer term returns are beating the benchmark comfortably.

Mr. Bobrinskoy also responded to an inquiry by Mr. Kennedy regarding expectations for the market environment, considering the presidential election and oil prices.

Other Investment Related Issues

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 March 1st annuity payroll.

Other Investment Related Issues, continued

Marquette Report for 4th Quarter for Year Ended December 31, 2016

Mr. Obed reviewed the Q4 market environment. He also reviewed the 2016 manager changes and performance of the portfolio, which for the total portfolio was 9.6% net of fees.

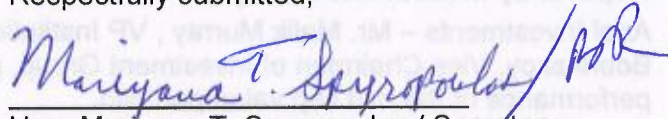
Mr. Obed responded to inquiries from Ms. Boutin and Mr. Kennedy about Mesirow's (formerly FMA) recent underperformance, noting there have been no staffing changes, and that the underperformance is expected in this market environment given they are a value manager.

In reponse to an inquiry by Mr. Kennedy, Mr. Obed also commented on the recent surge of the Dow to over 20,000. He also responded to a request by Mr. Carmody to review Ariel's performance numbers, noting calendar year returns that vary from outperformance to underperformance, as expected. He also explained the two benchmarks used by Ariel, vs. the Russel Mid Cap Value index used by the Fund.

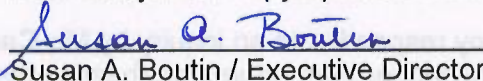
Adjournment:

Ms. McGowan moved that the meeting be adjourned. The meeting was adjourned by Mr. Kennedy at 10:53 a.m.

Respectfully submitted,



Hon. Mariyana T. Spyropoulos / Secretary



Susan A. Boutin / Executive Director

Prepared by:



Vrinda Kulkarni / Accountant