

# Metropolitan Water Reclamation District Retirement Fund

## Minutes Regular Meeting Board of Trustees December 21, 2016

Meeting#: 1127

Called to order: 10:04 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  
Mary Wilson, Operations Manager  
George Kirie, Financial Analyst  
Ksenija Hrvojevic, Benefits Manager

Also present: Kweku Obed, Marquette Associates  
Marisol Reyes, 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 Mr. Regan, to approve the minutes of the Regular Board Meeting held on November 16, 2016. The motion was unanimously approved.*

### **Consent Agenda**

#### ***Expenses***

Administrative expenses to be paid in January 2017 in the amount of \$87,492.94 were presented for approval.

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

### ***Employee Annuitants***

The applications for two new employee annuitants with a total monthly annuity benefit of \$9,025.02 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>
Cullerton, Nancy A.	Adm. Asst. to Commissioner-Sec	12/01/16	19.96	0.00
McGrath, Paul N.	Hoisting Engineer	11/01/16	28.94	0.00

*A motion was made by Ms. McGowan, seconded by Mr. Carmody 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 \$7,961.55 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>
Barbolini, Robert R.	S	Barbolini, Betty M.	10/01/16
Charniak, Adrian M.	S	Charniak, Ronald E.	12/01/16

*A motion was made by Mr. Carmody, seconded by Ms. Meany 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 \$4,613.31 was presented with the recommendation that it be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Courtrell, Melanie E.	03/04/16	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 seventeen applications for Duty Disability benefits were presented with the recommendation that they be approved and granted.

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

### ***Ordinary Disability***

The twelve 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 Ms. McGowan 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 – February**

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

In response to an inquiry by Mr. Carmody, Ms. Boutin, Mr. Obed and Mr. Kirie explained the rationale for the proposed withdrawals.

*Mr. Carmody made the motion to transfer a maximum of \$12.1 million from the over-weights in the following portfolios; \$7.0M from the LSV SC Int'l portfolio and the balance of approximately \$5.1M from the LSV LCV portfolio to supplement funds available to cover the February 2017 payroll and expenses estimated to be \$13.6 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><i>December 1, 2016 Transfers (In Millions)</i></b>	<b><i>Approved</i></b>	<b><i>Transferred</i></b>	<b><i>Difference</i></b>
Wasatch SCV	\$6.1	\$5.8	(\$0.3)
LSV LCV	5.7	5.8	0.1
LSV International SC	0.2	0.0	(0.2)
Total	\$12.0	\$11.6	(\$0.4)

## **Administrative, continued:**

### **2017 Funding Projections for Payrolls**

Ms. Boutin reviewed an analysis prepared by Mr. Kirie estimating investment withdrawals that will be required to fund payrolls in 2017. The total estimated requirement, after accounting for employee contributions and employer contributions (i.e. tax receipts), is \$55.9M.

### **Election of Board Officers for 2017**

Ms. Boutin requested a motion to appoint Retirement Fund officers.

*Mr. Carmody made the motion to retain Mr. Kennedy as President, Mr. Regan as Vice President, and Ms. Spyropoulos as Secretary of the Fund. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.*

### **2017 Meeting Schedule**

Ms. Boutin reviewed the comments submitted by Trustees on the 2017 Board meeting schedule that had been distributed for review at the last meeting. Based on those, she recommended changing the February Board meeting to February 15<sup>th</sup>; the venue would be the 7th Floor Training Room since the Board Room is not available.

*Mr. Regan made the motion to approve the 2017 Board Meeting schedule as revised. Ms. Meany seconded the motion which was unanimously approved by roll call vote.*

### **Business Associate Agreement**

Ms. Wilson reported that the Fund's attorney, Joseph Burns has recommended that the Retirement Fund enter into a Business Associate Agreement (BAA) with the District in order to create guidelines for the handling of sensitive retiree health insurance information. The Fund acts in a capacity as plan administrator for the District's retiree health insurance plan. However, the Fund itself is not a covered entity under HIPAA because we are neither a plan sponsor nor an insurance plan. Major aspects of the agreement include:

- Allowing the Fund to exchange health insurance data with the District for billing, enrollment, reporting and compliance purposes, such as ACA reporting;
- Creating security guidelines for the handling of retiree health insurance information;
- Creating a "Designated Security Official;" and
- Requiring the Fund to perform workforce training in order to assure the protection.

Ms. Wilson reported that Mr. Burns and the District's Law Department have reviewed the document. Discussion followed. Mr. Regan noted that edits would need to be made as the RF signature lines were missing; it was decided that the Executive Director would be the appropriate signer.

*Mr. Dalton made the motion to approve the Business Associate Agreement with the agreed upon edits. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

### **Retirement Fund General Salary Increase**

Ms. Boutin reported that on December 8, 2016, the District Board of Commissioners approved a general salary increase of 1.0% in 2017 for District employees and made the recommendation to grant a similar salary increase of 1.0% to RF employees.

*Ms. Meany made the motion to grant the Retirement Fund's employees a salary increase of 1.0% in 2017. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

### **Annual Audit**

Ms. Boutin made the recommendation to retain Legacy Professional's to perform the 2016 annual audit for an annual fee not to exceed \$32,000.

*Mr. Dalton made the motion to retain Legacy Professionals to perform the 2016 annual audit for an annual fee not to exceed \$32,000.00. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

## **Administrative, continued:**

### **Actuarial Services**

Ms. Boutin made the recommendation to renew the Fund's contract with Foster & Foster to provide comprehensive actuarial services for the fiscal year ending 12/31/17 at an annual fee of \$49,173 plus an additional 10% or \$4,917 for completion of the GASB Statement No. 67 financial statement or a total not to exceed \$54,090.

*Mr. Carmody made the motion to extend the agreement with Foster & Foster for comprehensive actuarial services for the fiscal year ending 12/31/17 at an annual fee of \$49,173 plus an additional 10% or \$4,917 for completion of the GASB Statement No. 67 financial statement or a total not to exceed \$54,090. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

### **Extension of Services – Legislative Lobbyist**

Ms. Boutin made the recommendation to extend the agreement with Thomas Walsh to serve as the Fund's lobbyist in Springfield for six months of active legislative activity for a monthly fee of \$3,500 or a total not to exceed \$21,000.

*Mr. Dalton made the motion to extend the lobbyist agreement with Thomas Walsh to serve as the Fund's lobbyist in Springfield for six months of active legislative activity in 2017 at a monthly fee of \$3,500 or a total not to exceed \$21,000. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

### **Extension of Services – IT Consulting**

Ms. Boutin reported that Novitas submitted a 2017 Budget Proposal of \$227,200 which is based on the same hourly rate of \$160 per hour as the past four years. This proposal addressed our urgent needs to manage the UHC Insurance program data file and a recommendation to transition our Health Insurance Module in 2017 to a Web application. The cost to transition the Health Insurance and Personal Information Modules is \$198,720. The budget also includes 8 hours or \$1,280 for a trackit that is needed & 80 hours (or \$12,800) for enhancements that may be needed and 90 hours or \$14,400 for PBMS maintenance and support. She recommended approval of the Novitas proposal.

Ms. Wilson answered questions by Mr. Dalton and Ms. Meany about the healthcare module and required ACA reporting. In response to an inquiry by Mr. Carmody, Ms. Boutin stated the project requirements will be detailed further after the project is approved, after which Ms. Wilson and Novitas can begin working together.

Further discussion followed about proposal costs, ownership of code, and software alternatives.

*Mr. Dalton made the motion to approve the Novitas proposal for 2017 at a total cost of \$227,200; the proposal addresses the RF's urgent needs to manage the UHC Insurance program data file and a recommendation to transition our Health Insurance Module in 2017 to a Web application. The cost to transition the Health Insurance and Personal Information Modules is \$198,720. The budget also includes 8 hours or \$1,280 for a trackit that is needed & 80 hours or \$12,800 for enhancements that may be needed and 90 hours or \$14,400 for PBMS maintenance and support. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

### **Independent Contractor – Elizabeth Cataudella**

Ms. Boutin made the recommendation to extend the independent contractor agreement with Elizabeth Cataudella to work on special projects for the period of January 1, 2017 to June 30, 2017. She reported that Liz has been working with the Fund since June 2011 on special projects 2 days per week. During the 6 month period, Liz normally works a maximum of 52 days. Due to the absence of one of our staff for an estimated period of 6-8 weeks for a scheduled surgery at the end of January, Ms. Boutin requested that Liz be allowed to work an additional 13 days during the next 6 month period if needed.

## **Administrative, continued:**

### **Independent Contractor – Elizabeth Cataudella, continued**

Discussion followed and it was agreed to make a motion covering the full year of services (as opposed to only 6 months).

*Ms. McGowan made the motion to extend the independent contractor agreement with Elizabeth Cataudella for the one-year period of January 1, 2017 to December 31, 2017 at the hourly rate of \$47.50 in an amount not to exceed \$38,903. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.*

### **Retirement Fund Annual Budget**

Mr. Kennedy requested a motion to approve the RF 2017 Annual Budget.

*Mr. Carmody made the motion to approve the 2017 Annual Budget. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

## **Investments**

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

#### **Custodian Report**

Mr. Kirie presented the BNYM Custodial Report which showed assets as of November 30th totaling \$1.263B. He also presented the report of purchases and sales of securities in November. He also reported a more recent asset balance of \$1.271B as of December 14<sup>th</sup>. 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 February 1<sup>st</sup> annuity payroll.

#### **Market Update & Monthly Flash November 2016**

Mr. Obed reviewed the recent market environment. He responded to Mr. Dalton's comment about considering entering into real estate investments in a period of rising interest rates. Mr. Obed reviewed in detail the recent performance of the portfolio.

**Other Investment Related Issues, continued:**

**Illinois Public Fund Collective on Diversity and Inclusion in Financial Services**

Ms. Boutin reported that on November 30, 2016, the Illinois Public Fund Collective on Diversity and Inclusion in Financial Services was held at the Hotel Allegro. The Collective was a half day gathering of Illinois Public Funds committed to supporting and expanding opportunities for MWBE managers and brokers. Five Illinois Retirement Funds, which included SURS, IMRF, Municipal, ISBI and MWRD sponsored the event in conjunction with NASP. Topics included asset allocation trends and their effect on diverse firms and the importance of specific asset class challenges and opportunities. Ms. Boutin requested approval for MWRD's (i.e. the RF) portion of the cost for the event is \$645.00.

*Mr. Dalton made the motion to approve the Fund's portion of the cost for the Illinois Public Fund Collective on Diversity and Inclusion in Financial Services event in the amount of \$645.00. Ms. McGowan seconded the motion which was unanimously approved by roll call vote.*

At the request of Mr. Dalton Ms. Boutin gave a brief review of the IFEBP conference she attended in Orlando in November.

**Executive Session - Semi-Annual Review of Executive Session Minutes**

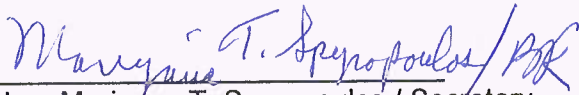

*Ms. McGowan made the motion to go into Executive session to discuss Semi-Annual Review of Executive Session Minutes; motion which was unanimously approved by roll call vote.*

*Ms. McGowan made the motion to exit the Executive session; motion which was unanimously approved by roll call vote.*

**Adjournment:**

The meeting was adjourned by Mr. Kennedy at 11:26 a.m.

Respectfully submitted,

  
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Hon. Mariyana T. Spyropoulos / Secretary  
  
\_\_\_\_\_  
Susan A. Boutin / Executive Director

Prepared by:

  
\_\_\_\_\_  
Debra Kozlowski / Office Services Assistant  
  
\_\_\_\_\_  
Vrinda Kulkarni / Accountant