

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees August 23, 2017

Meeting#: 1135

Called to order: 10:03 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	X
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
Ksenija Hrvojevic, Benefits Manager

Also present: Kweku Obed, Marquette Associates
Mike Ni, Marquette Associates
Jeremy Zirin, 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 July 26, 2017. The motion was unanimously approved.

Consent Agenda

Expenses

Administrative expenses to be paid in September 2017 in the amount of \$385,438.49 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 nine new employee annuitants with a total monthly annuity benefit of \$49,113.20 were presented with the recommendation that they be approved and granted as follows:

<u>Employee Name</u>	<u>Position</u>	<u>Begins</u>	<u>@ MWRD</u>	<u>Reciprocal</u>
DeLong, Richard E.	Senior Network Engineer	8/1/2017	27.00	0.00
DePass, Martin A.	Operating Engineer I	8/1/2017	11.00	0.00
Diller, Sandra	Environmental Specialist	8/1/2017	25.00	0.00
Dunlap, Linda K.	Senior Human Resources Analyst	8/1/2017	27.00	0.00
Gutierrez, Thomas R.	Former Courier	7/1/2017	13.00	17.50
Harris, Henry	Police Officer	8/1/2017	16.00	2.00
Hawkins, Diane	MLAS	8/1/2017	27.00	0.00
Schrean, Artelia C.	Senior Diversity Officer	8/1/2017	21.00	0.00
Weber, Jeffrey A.	Managing Mechanical Engineer	8/1/2017	29.00	0.00

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

Surviving Spouse Annuitants

The applications for five new surviving spouse annuitants with a total monthly annuity benefit of \$22,944.71 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>
Banhidi, Karen L	S	Banhidi, Robert T.	06/01/17
Grande, Margaret M.	S	Grande, John C.	07/01/17
Jones, Denise R.	S	Jones, Cleo	07/01/17
Kennedy, Mary Jo	S	Kennedy, James W.	08/01/17
Webb, Beverly E.	S	Webb, John J.	08/01/17

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

Regular Business, continued:

Consent Agenda continued:

Refunds and Final Payments

The applications for five refunds and final payments in the amount of \$116,338.02 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Dunlap, Linda K.	07/31/17	No Spouse Refund
Fogarty, Ellen A.	08/04/16	Termination
Gutierrez, Thomas R.	06/06/17	No Spouse Refund
Harris, Henry	07/31/17	No Spouse Refund
Schrean, Artelia C.	07/31/17	No Spouse Refund

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

Duty Disability

The ten 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. The motion was unanimously approved.

Ordinary Disability

The four 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

Ms. Boutin made the recommendation for investment withdrawals to fund the October 2017 payrolls.
(Motion was not made; motion will be made at September 27th meeting)

Cash Transfers

Ms. Boutin reported the actual vs. planned transfers for August 1st.

<i>August 2017 Transfers (in Millions)</i>	<u>Approved</u>	<u>Transferred</u>	<u>Difference</u>
LSV LCV	\$5.00	\$5.00	\$0.00
Ariel	5.00	0	5.00
SSgA S&P400	2.70	0	2.70
Total	\$12.70	\$5.00	\$7.70

Administrative, continued:

Novitas PBWeb Project Monthly Status

Ms. Boutin presented the Novitas PBWeb Project Monthly Status Report, stating that Novitas is currently reporting a 69.5% completion. They are working on the health insurance screens, and are just about done with the P&I, address and contact screens.

Actuarial Services RFP

Ms. Wilson reported that the RFP was posted on 7/13/17; five responses were received from Gabriel Roeder Smith & Co (GRS), Bolton Partners, Cavanaugh Macdonald Consulting LLC, Cheiron, and Foster & Foster Actuaries and Consultants. All firms appear to have capacity and credentials to perform the valuation for the Fund. She requested direction from the Board on which firms to interview.

Following a discussion by the Trustees, Mr. Kennedy gave direction to the staff to interview GRS, Cavanaugh Macdonald, and Foster & Foster; the date for the interviews was set at Thursday September 7th.

Trustee & Staff Training and Education

Ms. Boutin presented 3 upcoming opportunities for training:

- Institutional Investor Institute - Roundtable for Consultants and Institutional Investors on October 4th – 6th at the Four Seasons Hotel Chicago. Cost \$195 per day.
- Marquette 2017 Investment Symposium – September 29, 2017 at the Union League Club.
- P&I Pension Risk Strategies – September 26th or Multi-Asset Investing on November 7th

Investments

Reports by Staff

Custodian Report

Ms. Hrvojevic presented the BNYM Custodial Report which showed assets as of July 31st of \$1.367B. She also presented the report of purchases and sales of securities in July. Reports are on file.

Minority Broker/Dealer Commissions for 2nd Quarter ending June 30, 2017

Ms. Hrvojevic presented the Q2 2017 commissions summary which showed that overall our managers are exceeding the Fund's minority brokerage goals. During the 2nd quarter, managers directed 71.9% of commissions for domestic equity trades, 20.4% for international equity trades, and 29.3% of par for fixed income trades to MWDOB broker-dealers. Goals are 30%, 10% and 20% of par, respectively. Report is on file.

Securities Lending Report

Ms. Hrvojevic presented the Q2 2017 Securities Lending Report which showed income from BNYM securities lending program of \$71,137. Income from the SSGA lending program in the Aggregate Bond Fund was \$16,800.

Reports by Investment Managers

Wasatch Advisors - Mr. Charles Stolfa and Mr. James Larkin presented the recent performance of the small cap value portfolio, along with an organizational update and review of the portfolio strategy.

At the request of Mr. Obed, Mr. Larkins commented on how the portfolio has avoided the headwinds other small cap value managers have experienced this year.

Other Investment Related Issues

Reports by Investment Consultant

Comments on Rebalancing

Mr. Obed expressed agreement with the planned withdrawals for benefit payments.

Core Real Estate Manager Search

Mr. Jeremy Zirin reviewed the 19 submissions gathered in response to the Fund's core real estate manager search, including performance characteristics and a review of the due diligence performed by Marquette Associates. Conclusions are summarized in a formal memo from Marquette to the Board. He recommended interviews to further examine JPMorgan Strategic Property Fund, Morgan Stanley's PRIME Property Fund, Deutsche Bank's RREEF America II and UBS' Trumbull Property Fund.

Mr. Zirin responded to inquiries regarding leverage percentages by Mr. Carmody.

Mr. Obed described the remaining steps of the process to hire a core real estate manager; Marquette would conduct meetings with each of the 4 finalists, and summarize findings before the time of interviews.

Mr. Zirin responded to Ms. Spyropoulos' inquiry about the selection process/screens for selection of the 4 finalists.

Mr. Dalton made the motion to accept Marquette's recommendation to interview 4 firms; UBS, JPMorgan, RREEF, and Morgan Stanley. Mr. Regan seconded the motion which was unanimously approved by a chorus of eyes.

After some discussion, it was decided that interviews will be held directly following the September 27th Board Meeting.

July 2017 Flash Report and Market Environment

Mr. Obed reviewed the current market environment and recent performance of the Fund.

Mr. Obed responded to an inquiry by Mr. Dalton and commented on possible Fed action after ending its' easing program.

Q2 2017 Performance Report

Mr. Obed briefly reviewed the performance summary page in the Marquette Q2 2017 Performance Report.

Regular Business, continued

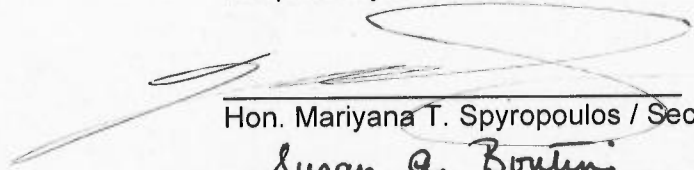
Public Comments

Mr. Blakemore made a public comment at the end of the meeting.

Adjournment:

Mr. Dalton made a motion to adjourn, seconded by Mr. Regan; the meeting was adjourned by Mr. Kennedy at 11:08 a.m.

Respectfully submitted,



Hon. Mariyana T. Spyropoulos / Secretary

Susan A. Boutin
Susan A. Boutin / Executive Director

Prepared by:

Debra Kozlowski
Debra Kozlowski / Office Services Asst.

Vrinda Kulkarni
Vrinda Kulkarni / Accountant