

**Metropolitan Water Reclamation
District Retirement Fund**

**Minutes
Regular Meeting
Board of Trustees
September 27, 2017**

Meeting#: 1136

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	X
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 August 23, 2017. The motion was unanimously approved.

Consent Agenda

Expenses

Administrative expenses to be paid in October 2017 in the amount of \$143,653.97 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 three new employee annuitants with a total monthly annuity benefit of \$7,911.42 were presented with the recommendation that they be approved and granted as follows:

<u>Employee Name</u>	<u>Position</u>	<u>Annuity Begins</u>	<u># Years @ MWRD</u>	<u># Years Reciprocal</u>
Riley, Rosemary F.	Former Administrative Assistant to Comm.	8/1/2017	1.00	13.08
Serbanescu, Aruna R.	Senior Civil Engineer	9/1/2017	26.00	0.00
Wang, Xiaobai	Former EI & TM	4/1/2017	11.00	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 & Child Annuitants

The applications for two new surviving spouse annuitants and two new child annuitants with a total monthly annuity benefit of \$8,649.36 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>
Cowan, Tyreek D.	C	Cowan Jr., Robert	08/01/17
Kowalsky, Sylvia	S	Kowalsky, John	09/01/17
McCorker, Christine V. L..	C	Hoskins Jr., William K.	08/01/17
Tayag-Kron, Teresa	S	Kron, Kenneth	09/01/17

A motion was made by Ms. Spyropoulos, seconded by Mr. Dalton 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 thirteen refunds and final payments in the amount of \$447,435.76 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Fitzpatrick, Aaron J.	07/25/17	Resignation
Gilmore, Ricardo E.	08/02/17	Resignation
Hoskins Jr., William K.	07/22/17	Refund to Estate (Christine V. L. McCorker)
Hoskins Jr., William K.	07/22/17	Refund to Estate (Kenard D. Williams)
Hoskins Jr., William K.	07/22/17	Refund to Estate (Kandice N. Watkins-Hill)
Hoskins Jr., William K.	07/22/17	Refund to Estate (Lydell C. Hoskins)
Lewis, Mary C.	07/15/16	Resignation
Riley, Rosemary F.	07/31/17	No Spouse Refund
Serbanescu, Aruna R.	08/31/17	No Spouse Refund
Tibebu, Solomon	09/01/17	Resignation
Trotter, Darryl R.	6/30/2017	No Spouse Refund (revised)
Turner, John R.	8/17/2017	Resignation
Wang, Xiaobai	4/16/2013	No Spouse Refund

A motion was made by Mr. Regan, seconded by Mr. Carmody to approve the Refund applications. The motion was unanimously approved.

Duty Disability

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

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

Ordinary Disability

The thirteen applications for Ordinary 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 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 – October

Ms. Boutin reported that at last month's meeting a motion was inadvertently not made to approve the recommendation for investment withdrawals to cover the October 2017 payroll. In light of recent tax receipts she revised the recommendation.

Mr. Dalton made the motion to transfer a maximum of \$1.9M from the overweight in the DFA Emerging Market portfolio to supplement funds available to cover the October 2017 payroll and expenses estimated to be \$13.5 million. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

Cash Allocation – November

Ms. Boutin made the recommendation for investment withdrawals to fund the November 2017 payrolls.

Mr. Regan made the motion to transfer a maximum of \$12.7M from the over-weights in the following portfolios: approximately \$7.0M from the LSV Non-US SC, 593K from the BNY transition account and the balance of approximately \$5.1M from the DFA Emerging Market portfolio to supplement funds available to cover the November 2017 payroll and expenses estimated to be \$14.2M. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

Cash Transfers

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

September 2017 Transfers (in Millions)	Approved	Transferred	Difference
DFA Emerging Market	\$11.0	\$0.0	\$11.0
SSgA S&P400	1.4	0.0	1.4
Total	\$12.4	\$0.0	\$12.4

Novitas PBWeb Project Monthly Status

Ms. Boutin stated that Novitas is currently reporting a 78.2% project completion. Ms. Wilson gave further details about the progress on the Novitas PBWeb project, stating that Novitas, staff and BCBS/UH are working together to automate the enrollment process, but the insurers have been slow on giving feedback on the completed work. Vitaliy is working on creating scripts to load the data from the insurers.

Ms. Wilson responded to inquiries by Mr. Dalton on the BSBS & UH enrollment automation.

Report on Candidate for Trustee Election

Ms. Boutin reported that an election for MWRDRF Trustee for the four-year term commencing December 1, 2017 was to be held on Tuesday, October 17, 2017. John Dalton was the only employee who filed petitions which were examined by the Executive Director of the MWRDRF as to eligibility of the employees and genuineness of the signatures. In conformance with the Rules of Election, the RF Board is required to examine the report certifying the validity of the petitions submitted by Mr. Dalton and declare John P. Dalton, Jr. the duly selected member of the Retirement Fund Board of Trustees for the 4-year term beginning December 1, 2017.

The Oath of Office will be administered to Mr. Dalton at the November Board meeting.

Administrative, continued:

Actuarial Services for 2017 Valuation

Ms. Boutin reported that on September 7, 2017, the Trustees heard presentations from three actuarial firms who responded to our RFP. Presentations were made by Cavanaugh Macdonald Consulting, LLC, Gabriel, Roeder, Smith & Co. and Foster & Foster Actuaries and Consultants. A copy of the comparison sheet prepared by Mary Wilson was included in the Trustee packets and on the portal.

In response to a statement by Mr. Dalton, Ms. Boutin confirmed that Foster & Foster had sent information by email about the firm's activities in regards to their affirmative action policy. Discussion followed clarifying that firm's fee breakout between actuarial valuation, GASB 67 reporting, and legislative cost analyses.

Motion was made by Mr. Dalton to retain Foster & Foster for actuarial services for 2017 at a rate of \$45,500, and an additional \$2,500 for GASB 67 reporting, for a total not to exceed \$48,000. Mr. Carmody seconded the motion, which was passed unanimously by roll call vote.

Senate Hearings

Ms. Boutin reported the Senate Special Committee on State and Public Pension Fund Investments hearings have been scheduled for October 16th and 17th. She is working on our response to the 38 questions which must be submitted no later than October 6th. Senator Raoul requested that the Executive Director, Chief Investment Officer, the Chairman of the Board of Trustees and the CEO's of the consulting firm be present to testify. Additional trustees are encouraged to attend.

Reciprocal Conference

Ms. Boutin reported the Illinois Public Retirement Systems Annual Conference was held on August 28th & 29th in Tinley Park. Five members of our staff attended the conference. The agenda included topics on, a state legislative update, disability retirement, Medicare, ESG Investing, Cyber Security and an attorney roundtable. The conference will be held in the Chicago area next year.

In response to an inquiry by Mr. Dalton, Ms. Boutin stated that there was not much discussion about Tier III.

Executive Session to Consider Employment and Compensation Matters for Assistant Benefits Analyst and Financial Analyst Positions and for Potential Litigation – In accordance with 5 ILCS 120/2(c)(1) and 120/2(c)(11)

Motion by Mr. Dalton at 10:20 a.m. to go into Executive Session to Consider to (a) Consider Employment and Compensation Matters for Assistant Benefits Analyst and Financial Analyst Positions and (b) for Potential Litigation. Mr. Carmody seconded the motion, which was passed unanimously by roll call vote.

At 11:31, a motion made by Mr. Dalton to resume the Regular Board Meeting. Ms. Meany seconded the motion, which was passed unanimously by roll call vote.

Waiver of Guardianship

Ms. Spyropoulos made a motion to defer the legal matter of Waiver of Guardianship; motion was seconded by Mr. Dalton and passed unanimously by roll call vote.

Administrative, continued:

Assistant Benefits Analyst Search

Ms. Spyropoulos made a motion to promote Debra Kozlowski from Office Services Assistant to the Assistant Benefits Analyst position at a TAM 13, Step 4, salary of \$77,875.61. Mr. Dalton seconded the motion which was passed unanimously by roll call vote.

Financial Analyst Search

Ms. Meany made a motion to approve extending an offer of employment to Brian Gillespie for the Financial Analyst Position at a TAM 15 Step 1, salary of \$76,035.30 pending pre-employment screening with an anticipated start date of October 16th. Mr. Dalton seconded the motion which was passed unanimously by roll call vote.

Office Services Assistant Job Posting

(Pursuant to the promotion of Debra Kozlowski) Ms. Meany made the motion to advertise to fill the vacant position of Office Services Assistant. Ms. McGowan seconded the motion which was passed unanimously by a chorus of ayes.

Investments

Reports by Staff

Manager Profiles

Ms. Hrvojevic gave performance and organizational updates on the two managers scheduled to make presentations today - LSV Asset Management and O'Shaughnessy Asset Management .

Custodian Report

Ms. Hrvojevic presented the BNYM Custodial Report which showed assets as of August 31st of \$1.35B. She also presented the report of purchases and sales of securities in August. Reports are on file.

Reports by Investment Managers

LSV Asset Management - Mr. Scott Kemper presented the recent performance of the large cap value and international small cap portfolios, along with an organizational update and review of the respective strategies.

O'Shaughnessy Asset Management - Mr. Chris Meredith and Mr. Chris Loveless reported the recent performance of the large cap value portfolio. He gave an organizational update and review of the investment strategy.

Mr. Meredith responded to Mr. Dalton's inquiry about the reduced overweight in industrials.

Other Investment Related Issues

Reports by Investment Consultant

Comments on Rebalancing

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

Other Investment Related Issues, continued

August 2017 Flash Report and Market Environment

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

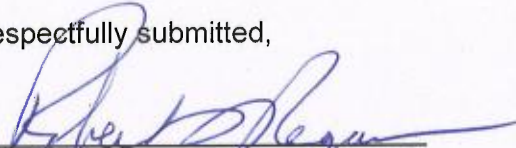
Core Real Estate Manager Search Interviews

Reminder: Presentations will be heard by four Core Real Estate Investment Managers following today's meeting.

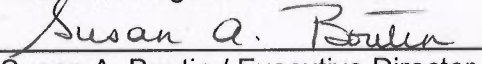
Adjournment:

Mr. Carmody made a motion to adjourn, seconded by Mr. Dalton; the meeting was adjourned by Mr. Kennedy at 12:02 p.m.

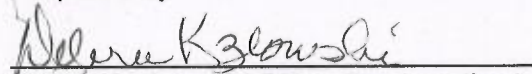
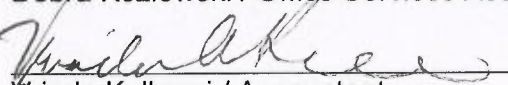
Respectfully submitted,



Robert T. Regan / Vice President


Susan A. Boutin / Executive Director

Prepared by:


Debra Kozlowski / Office Services Asst.
Vrinda Kulkarni / Accountant