

**Metropolitan Water Reclamation
District Retirement Fund**

**Minutes
Regular Meeting
Board of Trustees
October 25, 2017**

Meeting#: 1137

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	
	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
Brian Gillespie, Financial Analyst

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 September 27, 2017. The motion was unanimously approved.

Consent Agenda

Expenses

Administrative expenses to be paid in November 2017 in the amount of \$840,816.85 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 \$10,095.26 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>
Lynch, John J.	Operating Engineer II	9/1/2017	30.00	0.00
Lyubkina, Irina	Laboratory Technician II	10/1/2017	13.86	0.00
Rodriguez, Xavier A.	Architectural Ironworker	9/1/2017	13.00	2.50

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

Surviving Spouse & Child Annuitants

The applications for three new surviving spouse annuitants with a total monthly annuity benefit of \$15,870.26 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>
Driscoll, Carol A.	S	Driscoll, Michael W.	10/01/17
Edwards, Birdie M.	S (E)	Edwards, Thomas M.	09/01/17
Hinds-Yadron, Paula K.	S	Yadron Sr., William	10/01/17

(E) Estimated Annuity

A motion was made by Mr. Regan, seconded by Mr. Carmody 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 three refunds and final payments in the amount of \$139,320.31 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Lynch, John J.	08/31/17	No Spouse Refund
Schultze, William G.	03/18/17	Refund to Estate (Maureen E. Beaver)
Williams, Terrence L.	09/29/17	Resignation

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

Ordinary Disability

The ten 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 – December

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

Mr. Carmody made the motion to transfer a maximum of \$12.2M from the over-weights in the following portfolios: approximately \$5.5M from the Wasatch SCV portfolio, \$4.5M from the Ariel MCV portfolio and the balance of approximately \$2.2M from the DFA Emerging Market portfolio to supplement funds available to cover the December 2017 payroll and expenses estimated to be \$14.4M. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Cash Transfers

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

<i>October 2017 Transfers (in Millions)</i>	<u>Approved</u>	<u>Transferred</u>	<u>Difference</u>
DFA Emerging Market	\$1.9	\$1.9	\$0.0

Administrative, continued:

Novitas PBWeb Project Monthly Status

Ms. Boutin stated that Novitas is currently reporting a 82.3% project completion. Ms. Wilson gave further details about the progress on the Novitas PBWeb project, stating that BCBS continues to be slow on giving feedback on the completed work, and that BCBS is using a federally recommended format for their file which is complex. Testing of the completed screens which are available for data entry is in progress.

Health Insurance Newsletter

Ms. Boutin reported that on October 21, 2017 a newsletter was mailed to 2,400 retirees and surviving spouses notifying them about the Insurance Open Enrollment period which runs from October 23rd to November 17th. Any changes to their benefits for 2018 must be made during this open enrollment period. A copy of this newsletter can be found in your meeting packets.

Premiums for health insurance increased 3.4% for 2018. The annuitant contribution rate is currently 42.5% of the cost while the District is paying 57.5%. This year there will be no coverage changes to the existing annuitant plans.

The benefits staff have been fielding calls from annuitants who have questions, complaints about United Healthcare, or would like to change insurance coverage. Ms. Boutin and Ms. Hrvojevic responded to Mr. Kennedy's comments on the choices available to retirees 65 and older, stating that many retirees find that United Healthcare is preferable because of the lower out-of-pocket threshold, and prescription drug coverage.

Investments

Reports by Staff

Manager Profiles

Mr. Gillespie gave performance and organizational updates on the two managers scheduled to make presentations today – Mesirow Financial and State Street Global Advisors.

Custodian Report

Mr. Gillespie presented the BNYM Custodial Report which showed assets as of September 30th of \$1.378B. He also presented the report of purchases and sales of securities in September. Reports are on file.

Reports by Investment Managers

Mesirow Financial - Mr. Leo Harmon and Mr. Eric Welt presented the recent performance of the small cap value, along with an organizational update.

Mr. Harmon responded to inquiries by Mr. Obed, and Mr. Kennedy about the current market cycle drivers and length. Mr. Carmody requested, and Mr. Harmon agreed, to provide net of fees performance numbers going forward.

State Street Global Advisors – Ms. Mary Guy reported the recent performance of the Aggregate Bond Index, the S&P500 Index, the S&P400 Index, and the MSCI ex US ACWI Index strategies. She gave an organizational update and reviewed the pricing, benchmark characteristics and investment strategies.

Ms. Guy responded to Ms. Boutin's inquiry about SSgA's efforts toward increased minority brokerage utilization.

Other Investment Related Issues

Reports by Investment Consultant

Comments on Rebalancing

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

September 2017 Flash Report and Market Environment

Mr. Obed reviewed the YTD cash flows, the current market environment and the recent performance of the Fund. He explained that the term "MSCI Frontier" refers to very small emerging markets, such as Tahiti, states in the UAE and Nigeria, in response to an inquiry by Mr. Kennedy.

Core Real Estate Manager Search recommendation

Mr. Obed presented Marquette's memo containing the summary of the search process and the resulting recommendation for the Core Real Estate Investment Manager search. He recommended a total 5% allocation split evenly between two managers.

Some discussion followed on the timeline and the required rebalancing, which will be a reduction in the core fixed income allocation and equities.

A motion was made by Mr. Regan to approve a 5% allocation to a Core Open-End Real Estate portfolio to be managed by the following 2 managers: 2.5% of total Fund assets to be managed by UBS in the Trumbull Property Fund and 2.5% of total Fund assets to be managed by Deutsche Asset Management in the RREEF America REIT II portfolio subject to fee schedule and investment management agreement acceptance. Mr. Carmody seconded the motion which was unanimously approved by roll call vote

Funding and implementation is to be discussed in the next few months. Mr. Carmody noted his preference that the Fund retain a constant, as opposed to increasing, number of managers.

Adjournment:

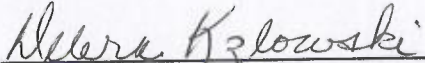
Mr. Carmody made a motion to adjourn, seconded by Ms. Meany; the meeting was adjourned by Mr. Kennedy at 11:08 p.m.

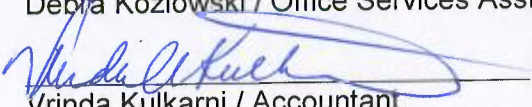
Respectfully submitted,


Hon. Mariyana T. Spyropoulos / Secretary

Susan A. Boutin / Executive Director

Prepared by:


Debra Kozlowski / Office Services Asst.


Vrinda Kulkarni / Accountant