

**Metropolitan Water Reclamation  
District Retirement Fund**

**Minutes  
Regular Meeting  
Board of Trustees  
December 13, 2017**

Meeting#: 1139

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	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  
Brian Gillespie, Financial Analyst

Also present: Mary Ann Boyle, Treasurer, MWRDGC  
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. Dalton, seconded by Mr. Regan, to approve the minutes of the Regular Board Meeting held on November 15, 2017. The motion was unanimously approved.*

### **Consent Agenda**

#### ***Expenses***

Administrative expenses to be paid in January 2018 in the amount of \$5,138.79 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 three new employee annuitants with a total monthly annuity benefit of \$8,255.22 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>
Dillard, Samella	Administrative Clerk	11/1/2017	18.16	0.00
Feeney, Daniel J.	Truck Driver	11/1/2017	21.00	0.00
Tiffin, Joseph	Treatment Plant Operator II	11/1/2017	24.00	0.00

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

#### ***Surviving Spouse & Child Annuitants***

The applications for one new surviving spouse annuitant with a total monthly annuity benefit of \$4,199.71 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>
Vaughan, Mary	S	Vaughan, Tommy	12/01/17

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

## **Regular Business, continued:**

### **Consent Agenda continued:**

#### ***Refunds and Final Payments***

The applications for seven refunds and final payments in the amount of \$138,632.52 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Dillard, Samella	10/31/17	No Spouse Refund
Feeney, Daniel J.	10/31/17	No Spouse Refund
Geraminejad, Babak	10/31/17	Resignation
Maughan, Catherine A.	03/21/08	Resignation
Patenoude, Terrence A.	10/24/17	Refund to Estate (Wanda M. Patenoude)
Patenoude, Terrence A.	10/24/17	Refund to Estate (Deborah L. Schmidt)
Tiffin, Joseph E.	10/31/17	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 twelve 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 six 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 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 – January**

Ms. Boutin made the recommendation to revise the motion approved at the November meeting to fund the January 1, 2018 payroll and expenses due to a problem with the asset rebalancing schedule prepared last month.

*Mr. Dalton made the motion to transfer a maximum of \$11.8 million from the over-weights in the following portfolios: approximately \$5.1M from the LSV Large Cap Value portfolio and the balance of approximately \$6.7M from the State Street Global Advisors S&P 400 Index to supplement funds available to cover the January 2018 payroll and expenses estimated to be \$13.3M. Ms. Spyropoulos seconded the motion which was unanimously approved by roll call vote.*

## **Administrative, continued:**

### **Cash Allocation – February**

Ms. Boutin made the recommendation to defer motion until the January meeting. Motion was deferred.

### **Cash Transfers [10]**

<b><i>December 1, 2017 Transfers (In Millions)</i></b>	<b><i>Approved</i></b>	<b><i>Transferred</i></b>	<b><i>Difference</i></b>
Wasatch SCV	\$5.5	\$5.5	\$0.0
Ariel MCV	4.5	4.5	0.0
DFA Emerging Markets	2.2	1.2	1.0
Total	\$12.2	\$11.2	\$1.0

### **Election of Board Officers for 2018**

Ms. Boutin requested a motion to elect President, Vice President, and Secretary of the Fund for 2018.

*Mr. Dalton made the motion to retain Mr. Kennedy as President, Mr. Regan as Vice President, and Ms. Spyropoulos as Secretary of the Fund for 2018. Ms. Meany seconded the motion which was unanimously approved by roll call vote.*

### **2018 Meeting Schedule**

After distributing the tentative 2018 Board meeting schedule for Trustee review and comment, Ms. Boutin recommended that we leave the meeting dates as stated on the draft schedule.

*Ms. Spyropoulos made the motion to approve the 2018 Board Meeting schedule. Ms. Meany seconded the motion which was unanimously approved by roll call vote.*

### **Novitas PBWeb 2017 Project Update & 2018 Recommendation – Jim Chang**

Mr. Jim Chang made a presentation to the Board regarding the 2017 PBWeb project and presented his recommendation for 2018. He responded to inquiries about the resiliency of the new architecture by Mr. Kennedy, stating that future changes in health care providers and types of coverages would be able to be addressed quickly and efficiently. In response to an inquiry about reporting by Ms. Boutin, he stated that the reporting features in the new independent reporting module will have standard reports as well as the ability for users to create reports. Further discussion followed on the estimate vs. actual hours for the health care module, the percentage of completion, and status of testing.

(Novitas' 2018 proposal includes a recommendation to work on the 2<sup>nd</sup> PBWeb module on payroll processing, 80 hrs of PBWeb support and 80 hrs of PBMS support. The 2018 work is budgeted at \$223,125 which includes a rate increase from \$160 to \$175 per hour.)

*Mr. Regan made the motion to approve the 2018 PBMS Protect Proposal in an amount not to exceed \$223,125 which includes PB Web implementation project - the payroll processing modules in the amount of \$195,125 and \$28,000 for additional support. Ms. Meany seconded the motion which was unanimously approved by roll call vote.*

*(Enter Mr. Carmody at 10:31 a.m.)*

## **Administrative, continued:**

### **Novitas PBWeb 2017 Project Update & 2018 Recommendation, cont.**

Ms. Boutin stated the 2017 project is about 95% completed; the balance due for 2017 is \$39,744. After further discussion about the anticipated remaining work on the healthcare module, Trustees instructed staff to pay 50% of the amount due or \$19,872 and the balance of \$19,872 when the project is completed. Trustees also commented on the 2018 proposal instructing staff to have Novitas make a Board presentation quarterly and submit a monthly written report on the project status. Trustees requested staff to report to the Board upon completion of the project.

*Mr. Dalton made the motion to approve the payment of 50% of the remaining 2017 balance due to Novitas, or a total of \$19,872. Ms. Spyropoulos seconded the motion which was unanimously approved by roll call vote.*

Trustees also discussed the payment schedule for the 2018 project, and informed staff that they would like the same payment schedule as 2017 which is 20% of PBWeb project of at the beginning and end of the project and the remaining balance divided up between the other 10 months.

*Mr. Dalton made the motion to approve the 2018 Novitas payments in an amount not to exceed \$195,125 with 20% paid the first month, 20% paid the last month, and the remaining 60% divided between the remaining 10 months. Ms. Meany seconded the motion which was unanimously approved by roll call vote.*

Discussion continued; Ms. Boutin responded to inquiries by Ms. McGowan requesting clarification about the hourly rate increase; the hourly rate of \$160 was in effect from 2013 – 2017, with an increase to \$175 proposed for 2018.

### **Annual Audit**

Motion required to retain Legacy Professional's to perform the 2017 annual audit for an annual fee not to exceed \$32,000.

*Mr. Regan made the motion to retain Legacy Professional's to perform the 2017 annual audit for an annual fee not to exceed \$32,000.00. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.*

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

Motion required 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.

*Ms. Spyropoulos 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 for a monthly fee of \$3,500 or a total not to exceed \$21,000. Ms. Meany seconded the motion which was unanimously approved by roll call vote.*

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

Recommendation to extend the independent contractor agreement with Elizabeth Cataudella to work on special projects for the period of January 1, 2018 to December 31, 2018. Liz has been working with the Fund since June 2011 on special projects 2 days per week. Recommendation to extend the independent contractor agreement with Elizabeth Cataudella for the period of January 1, 2018 to December 31, 2018 at the same hourly rate of \$47.50 for a maximum of 14 hours per week in an amount not to exceed \$34,580.

*Mr. Carmody made the motion to extend the independent contractor agreement with Elizabeth Cataudella for the period of January 1, 2018 to December 31, 2018 at the same hourly rate of \$47.50 for a maximum of 14 hours per week in an amount not to exceed \$34,580. Mr. Dalton seconded the motion which was unanimously approved by roll call vote*

## **Administrative, continued:**

### **Retirement Fund Annual Budget**

Motion required to approve the Retirement Fund Annual Budget which includes a general salary increase in 2018 to Retirement Fund employees as approved by the MWRDGC Board of Commissioners.

*Mr. Carmody made the motion to approve the Retirement Fund Annual Budget as prepared by staff. COLA to be approved pending the MWRDGC Board of Commissioners approval of COLA's for 2018. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.*

Ms. Wilson responded to Mr. Dalton's inquiries about the budgeted hardware/software items, stating new servers were purchased in 2015 and put in service in 2016, and the 2018 budget includes replacement of our big printer, some new PC's and maintenance of printers. In response to an inquiry by Mr. Kennedy, she also stated she anticipates the useful life of the servers to be about 5 years, after which she anticipates we would move to the cloud.

*(Exit Ms. McGowan and Ms. Meany at 10:55 a.m.)*

## **Legal and Legislative**

### **Pubic Act 100-0244 Surviving Spouse Annuity Policy**

Ms. Wilson reviewed in detail the progress on the formulation of a policy for the implementation of PA 100-0244. (Note: This law extends surviving spouse annuity eligibility to the spouse or civil union partner of certain annuitants who retired prior to June 1, 2011.) Discussion followed.

*Mr. Regan made the motion to approve Public Act 100-0244 Surviving Spouse Annuity Policy and Procedure as presented by staff. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.*

(Note: The adopted Policy/Procedure includes the following requirements:

- Eligible retirees to repay spouse contributions and to provide the Fund with an original civil union or marriage certificate.
- An Irrevocable Election Form must be signed and received by January 21, 2019. Death of the member or spouse does not void the election, nor does divorce. If the spouse or civil union partner predeceases the retiree, the retiree is still obligated to repay the refund of spouse contributions with interest.
- If the retiree dies before repayment is made in full, the balance due will be collected from the monthly annuity payable to surviving spouse or civil union partner.
- Repayments may be made in partial payments or a lump sum.
- Interest will be applied from the date of refund of the spousal contribution to the date of repayment at the actuarially assumed rate of return at the time of election (currently 7.5%). Interest will be applied on any balance remaining until the payment is made in full. There is also an option for the member to pay a reduction of the annuity over 24 months. )

## **Investments**

### **Custodian Report**

Mr. Gillespie presented the BNYM Custodial Report which showed assets as of November 30<sup>th</sup> of \$1.41B. He also presented the report of purchases and sales of securities in November. Reports are on file.

## **Other Investment Related Issues**

### **Asset Allocation Rebalancing Schedule**

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

### **Marquette Market Tracker & Monthly Flash November 2017**

Mr. Obed reviewed the YTD cash flows, the current market environment and the recent performance of the Fund. In response to an inquiry by Mr. Dalton, he differentiated between global and universal fixed income indices.

Mr. Dalton noted the good recent performance numbers, vs. the longer term performance numbers; discussion was had regarding the actuarial assumed rate-of-return.

### **Investment Policy Review**

Mr. Obed proposed a revised Investment Policy incorporating the recent allocation to Real Estate.

In response to a comment by Mr. Carmody, Mr. Obed agreed to add additional verbiage noting "open end" to properly describe the allocation on page 13 of the policy document.

*Mr. Carmody made the motion to approve the Investment Policy with changes to reflect addition of Core/Open-End Real Estate with a 5.0% allocation. Benchmark policy index will be changed to add the NCREIF Open-End Diversified Equity (NFI-ODCE Index) with a 5% weight to reflect Core Real Estate allocation. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.*

### **Core Open-End Real Estate Allocation Funding**

Mr. Obed made a recommendation for funding the Real Estate allocation. Discussion followed on funding, timing, and a possible earnings adjustment. Preferred timing for funding the capital call is January 2, 2018; deadline is January 5, 2018.

*Mr. Dalton made the motion to allocate 2.5% of the Fund's total assets or approximately \$34.0 million to the UBS Core Real Estate investment to be funded from the overweights in the following portfolios: approximately \$4.0 million from Mesirow Small Cap Value, \$4.0 million from Wasatch Small Cap Value, \$3.0 million from SSgA MSCI ACWI ex US Index, \$3.0 million from Decatur Large Cap Core, \$5.0 million from Matarin Small Cap Core, and the balance of approximately \$15.0 million from SSgA US Aggregate Bond Index, pending signed IMA. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

*(Whereupon the Administrative Agenda items were resumed)*

## **Administrative, continued:**

### **Executive Session to Consider Employment and Compensation Matters for Office Services Assistant In accordance with Open Meetings Act 5 ILCS 120/2(c)(1) and a Semi-Annual Review of Executive Session Minutes – In accordance with 5 ILCS 120/2(c)(21)**

*Mr. Regan made the motion to go into Executive Session to discuss annual review of executive session minutes and consider employment and compensation matters for Office Service Assistant in accordance with Open Meetings Act 5 Illinois compiled statutes 120/2(c)(1) and for the semi-annual review in accordance with 5 Illinois Compiled Statutes 120/2(c)(21). Mr. Dalton seconded the motion.*

*(Regular meeting was recessed at 11:46 a.m.)*

**Administrative, continued:**

**Executive Session to Consider Employment and Compensation Matters for Office Services Assistant  
In accordance with Open Meetings Act 5 ILCS 120/2(c)(1) and a Semi-Annual Review of Executive  
Session Minutes – In accordance with 5 ILCS 120/2(c)(21) - continued**

Mr. Dalton made the motion to exit Executive Session and go back to regular meeting. Mr. Regan seconded the motion.

(Regular meeting was resumed at 11:56 a.m.)

Mr. Dalton made the motion to approve the minutes of the Executive Sessions held on June 20, 2017 and September 27, 2017. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Mr. Dalton made the motion to maintain the minutes of the Executive Session confidential. Commissioner Spyropoulos seconded the motion which was unanimously approved by roll call vote.

**Office Services Assistant Search**

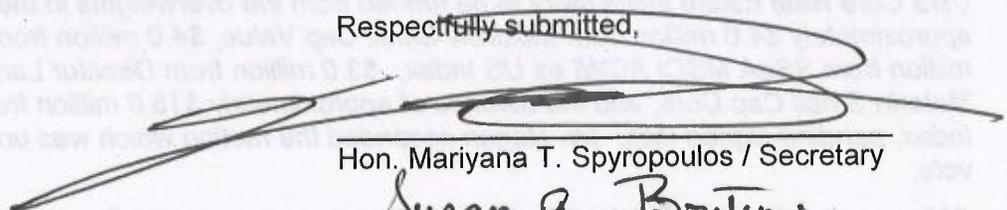
Mr. Regan made the motion to approve extending an offer of employment to Sandra Hernandez for the Office Services Assistant position at a TAM 11 step 1 salary of \$50,234.33 pending pre-employment screening. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

Ms. Boutin reported that Ms. Hernandez will give 30 days notice at her current position and will be able to start by the middle of January 2018 at the earliest.

**Adjournment:**

Ms. Spyropoulos made a motion to adjourn, seconded by Mr. Dalton; the meeting was adjourned by Mr. Kennedy at 11:58 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