

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees February 28, 2018

Meeting#: 1141
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	

Staff present: Susan Boutin, Executive Director
Mary Wilson, Operations Manager
Ksenija Hrvojevic, Benefits Manager
Brian Gillespie, Financial Analyst

Also present: Kweku Obed, Marquette Associates
Mr. Jesus Jiminez, 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 January 24, 2018. The motion was unanimously approved.

Consent Agenda

Expenses

Administrative expenses to be paid in March 2018 in the amount of \$469,405.79 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.

Regular Business, continued:

Consent Agenda continued:

Employee Annuitants

The applications for three new employee annuitants with a total monthly annuity benefit of \$7,460.39 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>
Clement, Jean A.	Former Telephone Operator	2/1/2018	16.94	0.00
Olowu, Johnson O.	Computer Systems Administrator	2/1/2018	18.15	0.00
Talkington, Liane	Secretary to Officer	1/1/2018	13.00	7.92

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

Surviving Spouse & Child Annuitants

The applications for six new surviving spouse annuitants and two child annuitants with a total monthly annuity benefit of \$22,953.76 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>
Bradford, Mary Ann	S	Bradford, Timothy N.	1/1/2018
Gonzalez, Margaret A.	S	Gonzalez, Carlos A.	2/1/2018
Grant, Dorothy L.	S	Grant, Rueben L.	1/1/2018
Hutson, Gerri E.	S	Bauerlein, Herman P.	2/1/2018
Minor Child	C	Bauerlein, Herman P.	2/1/2018
Minor Child	C	Bauerlein, Herman P.	2/1/2018
McGhee-Bradley, Karen	S	Bradley, Patrick	1/1/2018
Zemanski, Marlene M.	S	Zemanski, Gerald G.	2/1/2018

A motion was made by Mr. Dalton, seconded by Mr. Regan to approve the Surviving Spouse Annuitant application. The motion was unanimously approved.

Refunds and Final Payments

The applications for four refunds and final payments in the amount of \$92,702.29 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Clement, Jean A.	07/23/13	No Spouse Refund
McCurdy, William A.	06/11/08	Resignation
Mullin, Edgar E.	04/19/06	Resignation
Rogers, Trevor A.	01/12/18	Termination

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

Regular Business, continued:

Consent Agenda continued:

Duty Disability

The fifteen 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 Mr. Dalton to approve the Duty Disability applications. The motion was unanimously approved.

Ordinary Disability

The fourteen 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 – April

Ms. Boutin made the recommendation for funding of the April 1st Annuitant Payroll

Mr. Carmody made the motion to transfer a maximum \$11.4 million from the overweights in the following portfolios, \$6.7 million from the LSV Non-US Small Cap portfolio, \$4.3 million from the O'Shaughnessy Large Cap Value, and the difference of approximately \$400K from the Ariel Mid Cap Value portfolio to supplement funds available to cover the April 2018 payroll and expenses estimated to be \$13.1 million. Ms. McGowan seconded the motion which was unanimously approved by roll call vote.

Cash Withdrawals and Approvals

Ms. Boutin reported the approved vs. actual transfers.

<i>February 2018 Transfers (in Millions)</i>	<i>Approved 1/24/2018</i>	<i>Transferred</i>	<i>Difference</i>
Ariel MCV	\$4.2	\$4.0	\$0.2

Oath of Office

Ms. Boutin reported that on February 15th, the BOC of the MWRDGC appointed Honorable Barbara McGowan as Trustee of the RF for the 3-year term beginning on February 15, 2018. Commissioner McGowan executed the Oath of Office as Trustee which will be provided to the Clerk of the District.

Administrative, continued:

Novitas PBWeb Project Monthly Status

Ms. Boutin presented the Novitas status report showing January 2018 progress of 8% total on payroll processing, pay periods, payroll deductions, and tier limits. The main focus continues to be data migration issues from PBMS to PBWeb, and the health insurance enrollment data required by BCBS.

Mr. Carmody inquired as to the monetary effect of possible data errors, if any; Ms. Boutin and Mr. Kennedy responded.

Trustee Training and Education

Ms. Boutin reported on upcoming opportunities for education and training.

- **Deutsche Asset Management 2018 Americas Real Assets Conference – Real Assets and the Fourth Industrial Revolution** – April 18th & 19th at Loews Chicago Hotel, 455 N. Park. Cost to attend is based on the cost of the meals you select.

Mr. Dalton made the motion to approve trustee training with a total cost of \$200.00 which included \$65.00 for Ms. Meany to attend the lunch on April 18th and \$135.00 (\$45.00/ea.) for Mr. Dalton, Mr. Regan and Mr. Carmody to attend the breakfast on April 19th at the Deutsche Asset Management 2018 Americas Real Assets Conference. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Investments

Reports by Staff

Manager Profiles

Mr. Gillespie presented performance and organizational updates on the two managers scheduled to make presentations today – Matarin Capital Management and Decatur Capital Management.

Custodian Report

Mr. Gillespie presented the BNYM Custodial Report which showed assets as of January 31st of \$1.4B. He also presented the report of purchases and sales of securities in January. Reports are on file.

Securities Lending Report

Mr. Gillespie presented the Q4 2017 Securities Lending Report which showed income from the BNYM securities lending program was \$67,681. Income from the SSgA lending program in the Aggregate Bond Fund was \$16,861.

Mr. Carmody inquired as to the increase in the percent of market value on loan for State Street; Mr. Kennedy noted the percent on loan went up but actual revenue decreased for the quarter. Mr. Gillespie agreed to query State Street and get back to the Board.

Investments, continued

Minority Broker/Dealer Commissions Report for YE December 31, 2017

Mr. Gillespie presented the 2017 Commissions Summary report which showed that overall our managers are exceeding the Fund's minority brokerage goals. In 2017, managers directed 66.6% of commissions for domestic equity trades, 21.1% for international equity trades, and 28.1 % of market value (*subsequently reported as 27.6% of par*) for fixed income trades to MWDOB broker-dealers. Goals are 30%, 10% and 20% of par, respectively.

Discussion followed about the implications of global fixed income managers reporting brokerage on market value vs. par value.

Report is on file.

Reports by Managers

Matarin Capital Management – Ms. Marta Cotton and Mr. Stuart Kaye presented an organizational update, noted the firm's move from Stamford CT to Manhattan, and discussed the recent performance of the small cap value portfolio.

Mr. Gillespie requested Mr. Kaye comment on which of their 4 fundamental concepts will drive performance in 2018.

Ms. Cotton responded to an inquiry by Mr. Carmody regarding the gross returns reported by Evestment that are included in the presentation booklet.

Reports by Managers, continued

Decatur Capital Management – Mr. Degas Wright and Ms. Elizabeth Crenshaw presented an organizational update and reported the recent performance of the large cap portfolio.

Mr. Wright responded to an inquiry by Mr. Obed regarding the increase in volatility and the market pullback. He also responded to Mr. Gillespie's inquiries regarding their process that factors in EPS revisions and surprises, and the value vs. growth tilt of the portfolio.

Other Investment Related Issues

Asset Allocation Rebalancing Schedule Review

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

Marquette Market Environment & January Flash Report

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

Mr. Obed clarified for Ms. Boutin that the fee schedule will include a separate asset class for real estate in next month's report.

Other Investment Related Issues, continued

Core Open-End Real Estate Allocation Funding - Deutsche RREEF America REIT II

Ms. Boutin reported that at the October 25, 2017 Board meeting the Trustees approved a 2.5% allocation or approximately \$35M to the Deutsche Asset Management in the RREEF America REIT II Fund subject to fee schedule and investment management agreement acceptance. Currently staff is in the process of finalizing the agreement and have been notified by Deutsche that the next capital call will be April 2nd.

The Fund was notified by Deutche that we will not be able to invest the full \$35M on April 2nd and that it may take us a year to invest the full amount of our capital call. Deutsche is estimating that we will be able to invest 10% to 15% of our capital call or a maximum of \$5.25M but will notify us of the amount that we will be able to invest on April 2nd.

Ms. Boutin asked the Trustees to confirm the amount to be invested in light of recent market volatility; in October 2.5% was about \$35M but on February 22nd it was \$34.5M. She made the recommendation to transfer a maximum of \$5.25M from the SSgA Aggregate Bond Market Index to invest in the Deutsche RREEF America REIT II on April 2, 2018.

Trustees confirmed commitment amount for the Deutsche RREEF America REIT II product will be \$35 million. Mr. Regan made the motion to fund the Deutsche RREEF America REIT II with \$5.25 million from the State Street Aggregate Bond Index. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.

Legal and Legislative

Executive Session for Potential Litigation in accordance with 5 ILCS 120/2(c)(11) and for Internal Controls in accordance with 5 ILCS 120/2(c)(29)

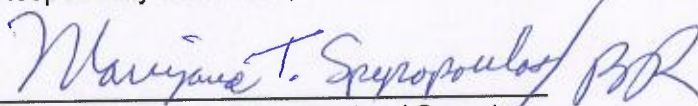
At 11:40 a.m. Ms. Spyropoulos made the motion to go into Executive Session for Potential Litigation in accordance with 5 ILCS 120/2c(11) and for Internal Controls in accordance with 5 ILCS 120/2(c)29. Mr. Dalton seconded the motion which was unanimously approved.

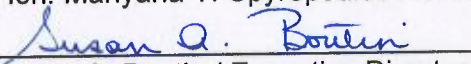
(The regular meeting was resumed at 1:18 p.m.)

Adjournment:

Ms. Spyropoulos made a motion to adjourn, whereupon the meeting was adjourned by Mr. Kennedy at 1:19 p.m.

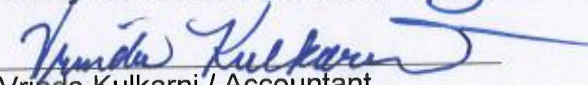
Respectfully submitted,


Hon. Mariyana T. Spyropoulos / Secretary


Susan A. Boutin / Executive Director

Prepared by:


Sandy Hernandez / Office Services Asst.


Vrinda Kulkarni / Accountant