

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees March 28, 2018

Meeting#: 1142
Called to order: 10:06 a.m.
Place: Boardroom, 100 E. Erie St., Chicago, IL
Presiding: Mr. Joseph F. 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.	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: Ms. Nichole Roman-Bhatty, Marquette Associates
Mr. Jesus Jiminez, Marquette Associates
Mr. 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 February 28, 2018. The motion was unanimously approved.

Consent Agenda

Expenses

Administrative expenses to be paid in April 2018 in the amount of \$48,222.58 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 application for one new employee annuitant with a total monthly annuity benefit of \$2,921.63 was presented with the recommendation that it 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>
Nelson, Scott R.	Former Soil Scientist II	3/1/2018	10.00	15.34

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

Surviving Spouse & Child Annuitants

The applications for three new surviving spouse annuitants with a total monthly annuity benefit of \$9,175.43 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>
Fraser, Patricia	S	Fraser, Jr., Thomas I.	2/1/2018
Shyne, Coretha	S	Shyne, Jr., Elroy V.	2/1/2018
Turner, Georgia	S	Turner, Robert E.	2/1/2018

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

Refunds and Final Payments

The application for one refund and final payment in the amount of \$15,911.71 was presented with the recommendation that it be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Nelson, Scott R.	5/5/2002	No Spouse Refund

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

Duty Disability

The eight applications for Duty 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 Duty Disability applications. The motion was unanimously approved.

Regular Business, continued:

Consent Agenda continued:

Ordinary Disability

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

A motion was made by Mr. Carmody, seconded by Ms. Meany 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

(Discussion was deferred to end of meeting)

Cash Transfers

Ms. Boutin reported the approved vs. actual transfers.

<i>March 2018 Transfers (in Millions)</i>	<u>Approved</u>	<u>Transferred</u>	<u>Difference</u>
SSGA MSCI ACWI ex US	\$6.4	\$4.5	\$1.9
DFA Emerging Markets	5.6	0.0	5.6
Total	\$12.0	\$4.5	\$7.5

Novitas PBWeb Project Monthly Status

Ms. Boutin presented the Novitas status report showing February 2018 progress of 23.75% total on the payroll processing, pay periods, payroll deductions, and tier limits modules of PB Web. There continues to be focus on the health insurance enrollment data required by BCBS; BCBS requires COBRA data for the dental plan members, which is maintained by the District.

In response to an inquiry by Mr. Kennedy, Ms. Wilson stated that until PB Web is fully functional, PBMS is being used for all insurance-related reporting requirements.

Tave Risk Management Insurance Insurance Renewal

Ms. Boutin reported that last year the Trustees approved 3 types of insurance – Commercial Package (Property and General Liability), Non Owned Liability and Hired Auto Liability and Cyber Insurance. The renewal is March 28, 2018 for the commercial and auto and March 29, 2018 for the cyber insurance.

Administrative, continued:

Tave Risk Management Insurance Insurance Renewal, continued

Ms. Boutin recommended approval of the following insurance coverage and costs:

Insurance	2017 Cost	2018 Cost	Dates	Changes
Property & Liability	\$2,863	\$2,863	3/28/18 – 3/29/19*	Sublimit for losses increased to \$250K
Non-Owned Auto	\$915	\$938	3/28/18 – 3/29/19*	None
Privacy & Network Security (Cyber)	\$17,732	\$17,732	3/29/18 – 3/29/19	Includes an endorsement covering transaction costs of procuring cryptocurrencies
Total	\$21,510	\$21,533	*extra \$3 to extend 1 day	

Mr. Dalton made the motion to approve renewal of three insurance policies at a total cost of \$21,536 (Property & Liability \$2,863.00, Non-Owned Auto \$938.00 and Cyber Insurance \$17,732.00) plus an additional \$3.00 charge related to P&L and Non-Owned Auto to change renewal date so all three policies will renew on the same date in the future. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

Internal Controls and Fiduciary Risks Project

Ms. Boutin reported that the Fund's consulting attorney, Joseph Burns, is recommending a long term project to enhance the Fund's best practices relating to internal controls focusing on areas such as IT/Cyber Security practices, benefit payments and Fund administrative rules. Trustees were provided with an initial outline of the project which would be a framework for inserting specific policies and rules approved by the Board. The final version of the Administrative Code would be ratified by the Board. A recommendation was made to create an Employee Handbook, a Harassment Policy, an IT/Cyber Security Policy and to update the Executive Director duties to reflect additional and explicit obligations and authority in 2018. The estimated cost for the 2018 project is a maximum not to exceed \$25,000. Each year, we would identify projects for the upcoming year and include the cost in the budget.

Mr. Dalton made the motion to approve a long term project on internal controls and fiduciary risks to enhance the Fund's best practices. The project will focus on areas such as IT/Cyber Security practices, benefit payments and Fund administrative rules. In 2018, Fund employees in conjunction with Jacobs, Burns, Orlove & Hernandez will create an Employee Handbook, a Harassment Policy, an IT/Cybersecurity Policy, and update the Executive Director duties to reflect additional and explicit obligations. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Mr. Regan made the motion to approve the anticipated cost of the internal control project at a maximum amount not to exceed \$25,000 for the 2018 portion of the project. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

Harassment Policy

Ms. Boutin discussed a draft Harassment Policy recommended by the Fund's consulting attorney, Joseph Burns. Mr. Burns has identified the risks and believes it is in the best interest of the fund to have a policy. PA100-554 which was passed on November 16, 2017 addresses this issue. It is however unclear as to whether this public act applies to all funds or just state employees. The law states that beginning January 1, 2018 each officer, member and employee must complete at least annually, a sexual harassment training program. A person who fills a vacancy in an elective or appointed position must complete training within 30 days after commencement of his or her office or employment. Ms. Boutin made the recommendation to approve the policy.

Mr. Regan made the motion to approve the proposed Harassment Policy. Ms. Meany seconded the motion which was unanimously approved by roll call vote.

Administrative, continued:

GFOA Award for 2016 CAFR

Ms. Boutin reported that the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016 will be presented to our staff at the Board of Commissioner's meeting on April 5, 2018. She acknowledged the hard work of Vrinda Kulkarni on the Fund's financial reporting.

Trustee Training and Education

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

- **IFEBP – CAPPP Certificate Program in Employee Pensions – Part I**, June 12 – 13, 2018, Gleacher Center Cost \$1,125 before May 3, 2018. Topics include Governance, Legal Environment, Legislative/Regulatory Developments and Actuarial Principles. **Part II**, June 14-15, 2018, Cost is \$1,125. Topics include Plan Design, Investments, Business Improvements and Emerging Issues.
- **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 meal. Breakfast \$45 & lunch \$65.

Mr. Carmody made the motion to approve \$1,215.00 for Training and Education. \$1,125.00 for President Spyropoulos to attend Part I of the IFEBP CAPPP certificate program in employee pensions on June 12-13, 2018 and \$90.00 for Susan Boutin & Brian Gillespie to attend the Deutsche Asset Management 2018 America Real Assets Conference on April 19, 2018. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.

Legal and Legislative

Tier 2 Final Average Salary – Policy and Procedure

Ms. Wilson reported that staff, legal counsel, and the Board committee drafted an Administrative Policy formalizing the calculation of Tier 2 Final Average Salary. A discussion followed regarding the suggested calculation. A recommendation was made to approve the proposed policy.

Mr. Regan made the motion to approve the proposed policy for calculating Tier 2 Final Average Salary. For retirement annuities, final average salary will be calculated as the average monthly salary obtained by summing total salary during the 96 consecutive months of service within the last 120 months of service that yields the highest total for that period and dividing that total by 96. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

Investments

Reports by Staff

Custodian Report

Mr. Gillespie presented the BNYM Custodial Report which showed assets as of February 28th of \$1.4B. He also presented the report of purchases and sales of securities in February. Reports are on file.

Deutsche Core Open-End Real Estate Update

Mr. Gillespie gave an update on the progress of the Deutsche real estate allocation, reporting that the side-letter was finally agreed upon. Ms. Boutin noted that some of the issues were related to disclosures required by PA 98-1022, which Deutsche did not at first believe applied to commingled funds. After several communications, they have agreed to provide the disclosures.

Mr. Dalton inquired about Subsection C on page 7 of the side letter; discussion followed.

Ms. Meany suggested deferring the decision to fund the allocation until Trustees Spyropoulos and McGowan were present. A discussion followed regarding deferring the decision to fund the \$5.25 million allocation to Deutsche Asset Management RREEF America REIT II, Inc. until the April Board Meeting.

Mr. Kennedy made the motion to defer the funding of RREEF America REIT II, Inc. allocation until the April Board Meeting. Mr. Dalton seconded the motion which was unanimously approved by roll call vote.

Other comments

Mr. Gillespie addressed Mr. Carmody's inquiry about reduction in State Street's securities lending income in Q4 vs. Q3 2017. The difference was related to a reduction in demand for individual bonds within the comingled fund during Q4 compared to Q3. As interest rates were rising in Q3 2017, there was more demand for the bonds meaning State Street was able to charge more to lend out the securities in Q3 relative to Q4. The end result was securities lending income was higher in Q3 2017 vs. Q4 2017.

Cash Allocation

Ms. Boutin reported that due to tax levy receipts, no additional funds are needed for the May 2018 payroll and expenses estimated to be \$13.9 million.

Reports by Consultant

Asset Allocation Rebalancing

Ms. Roman-Bhatty of Marquette Associates stated no concerns with the funding (from tax receipts) planned for the May 2018 annuity payroll.

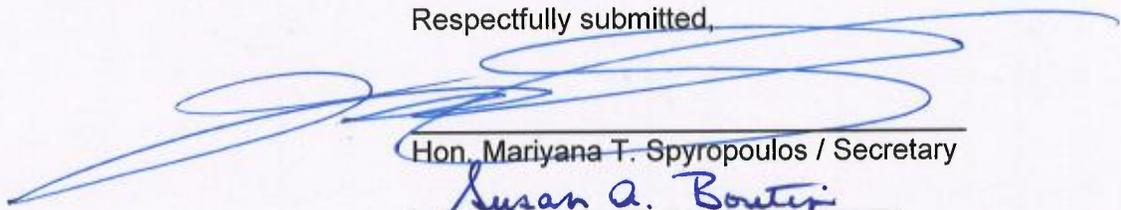
Marquette Market Environment & Monthly Flash February 2018

Ms. Roman-Bhatty reviewed the recent market environment and performance of the Fund.

Adjournment:

Mr. Carmody made a motion to adjourn, seconded by Mr. Dalton, whereupon the meeting was adjourned by Mr. Kennedy at 10:55 a.m.

Respectfully submitted,



Hon. Mariyana T. Spyropoulos / Secretary

Susan A. Boutin
Susan A. Boutin / Executive Director

Prepared by:

Sandy Hernandez
Sandy Hernandez / Office Services Asst.

Vrinda Kulkarni
Vrinda Kulkarni / Accountant