

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees April 25, 2018

Meeting#: 1143
Called to order: 10:04 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
	Mariyana T. Spyropoulos, Secretary	X
	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:	Mr. Kweku Obed, Marquette Associates	
	Ms. Mary Ann Boyle, Treasurer MWRDGC	
	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. Carmody, to approve the minutes of the Regular Board Meeting held on March 28, 2018. The motion was unanimously approved.

Consent Agenda

Expenses

Administrative expenses to be paid in May 2018 in the amount of \$357,295.97 were presented for approval.

A motion was made by Mr. Carmody, seconded by Ms. Spyropoulos 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 \$4,983.47 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>
Neubauer, Joseph P.	Head Buyer	4/1/2018	19.50	19.50

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

Surviving Spouse & Child Annuitants

The applications for two new surviving spouses and one child annuitant with a total monthly annuity benefit of \$5,856.62 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>Annuitant Begins</u>
Flood, Angeline	S	Flood, Michael L.	2/1/2018
Knightly, Bridget	S	Knightly, Robert A.	4/1/2018
Mardoian, Dylan B.	C	Mardoian, Brian	3/1/2018

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

Refunds and Final Payments

No applications for Refunds and Final Payments.

Duty Disability

The thirteen 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. Carmody to approve the Duty Disability applications. The motion was unanimously approved.

Ordinary Disability

The nine 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. Spyropoulos 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 – June 2018

Ms. Boutin made the recommendations for transfers to fund June 2018 payrolls.

Mr. Dalton made the motion to transfer approximately \$7.4 million from the DFA Emerging Market Portfolio to supplement funds available to cover the June 2018 payroll and expenses estimated to be \$14.7 million. Ms. Meany seconded the motion which was unanimously approved by roll call vote.

Novitas PBWeb Project Monthly Status

Mr. Jim Chang gave an update on the Novitas PBWeb project. He reported that the upgrade of the current system which is over 10 years old will have a web interface. It will be modular and thus take less time and effort to be changed if needed in the future. In 2017 the personal information module was completed but data migration issues were discovered that took time to resolve due to the methodology change. The health insurance module work has been completed but requires approval from the vendor Blue Cross Blue Shield. In 2018 the payroll and deduction module will be developed.

2017 Financial Report

Mr. Paul M. Doetsch, Audit Partner of Legacy Professionals LLP, presented and reviewed the 2017 Financial Statement Report. Legacy gave an unqualified opinion (the highest opinion) on the Fund's financial statements.

2017 Actuarial Report

Mr. Jason Franken of Foster & Foster Consulting Actuaries presented and reviewed the 2017 Actuarial Valuation Report. He reviewed the changes in the Actuarial Liability and the Actuarial Value of Assets, which resulted in an improvement in the funded ratio from 56.2% to 58.3%.

In response to an inquiry by Mr. Carmody, Mr. Franken and Ms. Boyle differentiated between the actuarial funded ratio based on the Illinois Pension Code, the ratio based on the GASB requirements which uses the market value of investments, and the ratio as calculated by the credit rating agencies. Discussion followed.

Ms. Boyle commented on the good news regarding the improved funded ratio reported by Mr. Franken and noted that the "real rate of return" required by the GASB in the financial statements differs from the nominal return which is higher because it includes an inflation adjustment. The assumed rate of return (7.5%), which includes the inflation adjustment will be re-examined during the upcoming experience study.

Report of Retirement Processing

Ms. Hrvojevic reported on the recent and historical retirement processing as follows:

Year	Total Retirements	Non-Reciprocal Retirements	Reciprocal Retirements	# Estimates Provided to Active Members
2014	72	66	6	771
2015	107	91	16	887
2016	90	79	11	889
2017	97	78	19	662
2018	54	45	9	486

This time last year the Fund had a total of 50 retirements and 396 estimate requests. Ms. Hrvojevic commented that the on-site counseling at the plants had a very good response and were scheduled at full capacity. Employees were given a fifteen minute appointment which included a discussion of the estimate, insurance and the retirement process.

Administrative, continued:

Trustee Training and Education

Ms. Boutin reported on an upcoming opportunity for education and training:

- **Northern Trust Institutional Investors Forum** – May 3, 2018^h at 50 South LaSalle St, 6th Floor, Chgo, Time is 11:15 am to 5:30 pm. Cost is \$30 per person and an additional \$15 if you attend the closing session.

Mr. Dalton commented that some Trustees attended the Deutsche training last week which he felt was beneficial.

Investments

Reports by Staff

Investment Reports - Fund Investment Comments

Mr. Gillespie presented performance and organizational updates on the two managers scheduled to make presentations today – Wasatch Advisors and Mesirow Financial Equity Management. Reports are on file.

In response to an inquiry by Mr. Carmody, Mr Gillespie and Mr.Obed commented that any favorable downside capture, which is expected from this portfolio, is over a market cycle, as opposed to over a shorter term such as the recent quarter.

Custodian Report

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

Reports by Managers

Wasatch Advisors – Mr. Chuck Stolfa, VP Client Relations and Mr. Jim Larkins, Portfolio Manager, presented an organizational update, commented on the founder's departure, and discussed the recent performance of the small cap value portfolio.

In response to an inquiry about turnover by Mr. Obed, Mr. Larkins commented on the various considerations including the number of names in the portfolio, asset value, and liquidity.

In response to an inquiry by Mr. Gilliespie, Mr. Larkins commented on the impact of the 10-year Treasury rate nearing 3% on the companies held in the portfolio. Mr. Larkins also addressed Mr. Gillespie's inquiry about tax cut impact on share repurchases in the small cap space.

Mesirow Financial Equity Management – Mr. Leo Harmon, Managing Director and Ms. Kathy Vorisek, Sr. Managing Director, presented an organizational update, and discussed the recent performance of the small cap value portfolio.

In response to an inquiry by Mr. Gillespie, Ms. Vorisek commented on the impact of increasing input costs on the companies in the portfolio, and on analyst's expectations for earnings.

Ms. Vorisek addressed Mr. Carmody's inquiry about the changing regulatory environment's effect on small cap. Mr. Harmon addressed Mr. Dalton's inquiry about the impact on the portfolio of consumers moving from buying "things" to buying "experiences".

Other Investment Related Issues

Reports by Consultant

Asset Allocation Rebalancing Schedule

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

Marquette Market Environment and Performance Report for 1st Quarter ending March 31, 2018

Mr. Obed reviewed the recent market environment and performance of the Fund as presented in the Q1 2018 Performance Report.

Deutsche Core Open-End Real Estate Allocation Funding

Ms. Boutin stated that at the March Board meeting, the Trustees discussed the final changes to the Deutsche side letter and the reasons for the delay. Due to the absence of 2 Trustees, the Board made the decision to defer funding the Deutsche capital call until all of the Trustees had an opportunity to review the side letter changes. At that point, we assumed that Deutsche would just defer the capital call of \$5.25M until June 1, 2018. Following the Board meeting, Deutsche informed us that the delay would put us into queue 27 which would be called after queue 26 was funded. The result could be a delay of funding the allocation until 2019. Following the meeting the Trustees made the decision to go ahead with the funding of the capital call of \$5.25M in the Deutsche RREEF Reit II core real estate portfolio.

Mr. Dalton made the motion to ratify the approval to fund the Deutsch RREEF REIT II capital call of \$5.25M on April 2, 2018. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

Joseph F. Kennedy – President

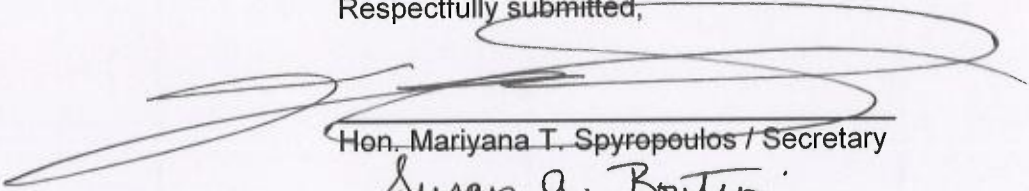
Mr. Kennedy informed the Trustees that he was stepping down as President of the Retirement Fund Board effective immediately, but would remain on the Board. As Vice President, Mr. Regan called for a motion to nominate a new President of the Board.

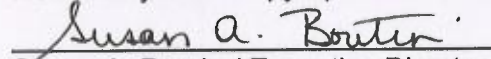
Ms. Spyropoulos made the motion to nominate John Dalton as President of the Retirement Fund Board of Trustees following the decision by Mr. Kennedy to step down as President. Mr. Kennedy seconded the motion which was unanimously approved by roll call vote.

Adjournment:


Ms. Spyropoulos motion to adjourn, seconded by Mr. Kennedy, whereupon the meeting was adjourned by Mr. Kennedy at 12:22 p.m.


Respectfully submitted,


Hon. Mariyana T. Spyropoulos / Secretary


Susan A. Boutin / Executive Director

Prepared by:


Sandra Hernandez / Office Services Asst.


Vrinda Kulkarni / Accountant