

# Metropolitan Water Reclamation District Retirement Fund

## Minutes Regular Meeting Board of Trustees June 27, 2018

Meeting#: 1145  
Called to order: 10:02 a.m.  
Place: Boardroom, 100 E. Erie St., Chicago, IL  
Presiding: Mr. John P. Dalton, President

		<u>Present</u>
Trustees:	John P. Dalton, President	X
	Robert T. Regan, Vice-President	X
	Mariyana T. Spyropoulos, Secretary	X
	Barbara J. McGowan	X
	Joseph F. Kennedy	X
	Stephen J. Carmody	
	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	
	Members of the staff	
	Members of the public	

### **Regular Business:**

#### **Public Comments**

Mr. Dalton solicited public comments; none responded.

#### **Approval of Minutes**

*A motion was made by Mr. Kennedy, seconded by Ms. Meany, to approve the minutes of the Regular Board Meeting held on May 30, 2018. The motion was unanimously approved.*

#### **Consent Agenda**

#### **Expenses**

Administrative expenses to be paid in July 2018 in the amount of \$30,474.90 were presented for approval.

*A motion was made by Mr. Kennedy, seconded by Ms. Meany to approve the Administrative Expenses. The motion was unanimously approved.*

## **Regular Business, continued:**

### **Consent Agenda continued:**

#### ***Employee Annuitants***

The applications for ten new employee annuitants with a total monthly annuity benefit of \$42,324.88 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>
Dillon, Steven	Engineering Technician V	05/01/2018	24.25	5.75
Enyard, Franklin D.	MLAS	05/01/2018	8.99	4.75
Giometti, George J.	Machinist	06/01/2018	13.00	0.00
Micek, James A.	Engineering Technician IV	05/01/2018	27.83	5.42
Morishita, Scott O.	Former Human Resources Manager	07/01/2018	18.00	0.00
Stram, Jo-Ann	Budget & Management Analyst	06/01/2018	29.00	0.00
Topor, John M.	Ironworker Foreman	05/01/2018	22.00	2.50
Vallos, Karen L.	Senior Administrative Specialist	06/01/2018	32.00	0.00
Whitfield, Dorothy R.	MLAS	05/01/2018	10.00	13.00
Zintak, David F.	Pollution Control Technician I	05/01/2018	27.25	3.00

*A motion was made by Mr. Kennedy, 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 spouses with a total monthly annuity benefit of \$18,997.71 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>Annuitant Begins</u>
Georgas, Maria	S	Georgas, Constantine	06/01/2018
Jecha, Alexia	S	Jecha, Ralph L.	06/01/2018
Nash, Barbara	S	Nash, Thomas V.	06/01/2018

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

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

The applications for seven refunds and final payments in the amount of \$211,325.19 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Dillon, Steven	04/30/2018	No Spouse Refund
Morishita, Scott O.	06/03/2016	No Spouse Refund
Stram, Jo-Ann	05/31/2018	No Spouse Refund
Tamosiunas, Eric C.	05/06/2018	Refund to Estate (Debby J. Stovall)
Taylor, Tia T.	04/10/2018	Discharged
Vallos, Karen L.	05/31/2018	No Spouse Refund
Whitfield, Dorothy R.	04/30/2018	No Spouse Refund

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

## **Regular Business, continued:**

### **Consent Agenda continued:**

#### ***Duty Disability***

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

*A motion was made by Mr. Kennedy, seconded by Commissioner Spyropoulos to approve the Duty Disability applications. The motion was unanimously approved.*

#### ***Ordinary Disability***

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

*A motion was made by Mr. Kennedy, seconded by Commissioner McGowan to approve the Ordinary Disability applications. The motion was unanimously approved.*

#### ***Entire Consent Agenda***

*Mr. Dalton 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 – August 2018**

Ms. Boutin made the recommendation for the August 1st transfers required to fund the annuity, staff and disability payrolls in August 2018.

*Mr. Kennedy made the motion to transfer a maximum of \$12.7 million from the overweights in the following portfolios: approximately \$4.8 million from the SSgA S&P 400 Index, \$3.7 million from the Ariel Midcap Value portfolio, \$2.8 million from the LSV Large Cap Value portfolio, and the remaining balance of approximately \$1.4 from the SSgA S&P 500 Index to supplement funds available to cover the August 2018 payroll and expenses estimated to be \$14.2 million. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

### **Novitas PBWeb Project Monthly Status**

Ms. Boutin reported that Novitas completed the requirements of the 2017 project despite delays resulting from BCBS issues. She recommended payment to Novitas of the remaining 10% balance owed on the 2017 PB Web project. The amount represents 10% of the total payment due for 2017 services that was withheld by the Trustees earlier this year pending completion of the required work.

*Mr. Kennedy made the motion to pay Novitas the remaining balance of \$19,872 to complete payment for the 2017 PB Web project. Ms. Meany seconded the motion which was unanimously approved by roll call vote.*

Ms. Boutin stated that Novitas has reported that the 2018 project, which includes payroll processing, payperiods, tier limits and payroll deduction, is 55.75% complete.

Mr. Regan requested a report of when the BCBS issues were 100% resolved, and Mr. Dalton clarified that while that is the goal of the call scheduled later in the day, there is no guarantee that it's going to get resolved, and that any further work required by Novitas to complete the 2017 project after BCBS resolves their issues, will be very minor. He stated that staff will update Trustees at the next meeting.

## **Administrative, continued:**

### **Experience Study – 2014 through 2017**

Ms. Boutin reported that last month this agenda item was deferred pending communication of details related to the actuarial RFP process. She reviewed the July 2017 RFP timeline, the comprehensive actuarial services covered by the RFP, and the results. The selected actuary, Foster & Foster performed the 12/31/17 actuarial valuation, and is now recommending that the Fund conduct an experience study for the 4-year period of 2014 to 2017. Our last study was completed in 2014 for the 5-year period of 12/31/08 to 12/31/13. Mr. Dalton clarified that the cost of the experience study was part of the services bid in the RFP process. Estimated date of completion will be September 2018.

*Mr. Kennedy made the motion to authorize Foster and Foster to perform an experience study for the Fund for the period 2014 to 2017 at a cost of \$16,000. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

### **Authority for Independent Contractor – Elizabeth Cataudella**

Ms. Boutin recommended increasing the hourly contract rate for independent contractor Elizabeth Cataudella. She proposed a 2.7% pay increase to \$48.80 per hour, effective July 1, 2018. Ms. Boutin provided Trustees with a detailed spreadsheet of the work Ms. Cataudella has completed during the past 6 months and the hourly rate she has been paid since 2011.

*Commissioner Spyropoulos made the motion to increase the hourly rate for independent contractor Elizabeth Cataudella effective July 1, 2018 from \$47.50 to \$48.80 per hour with a maximum amount not to exceed \$35,053 in 2018. Ms. Meany seconded the motion which was unanimously approved by roll call vote.*

### **Authority for Parental Leave Policy**

Ms. Boutin reported statistics from an IFEBP survey on parental leave policy implementation by public employers. She referenced examples of parental leave policies of other public agencies in Illinois, and reported that the MWRD Board of Commissioners approved a paid parental leave policy on May 3<sup>rd</sup>, effective June 1<sup>st</sup>, 2018. She reviewed the details of the District policy and proposed a similar policy be implemented for the RF employees, to be effective July 1<sup>st</sup>, 2018. She further stated that the projected cost to the RF would be minimal. Discussion followed.

The proposed policy is to be effective July 1<sup>st</sup>, 2018. Employees of the MWRD Retirement Fund are eligible for paid parental leave benefits to recover from childbirth and for care and bonding. To receive paid parental leave under this policy, an employee must be eligible for leave under the Family and Medical Leave Act (FMLA). The birth mother and father are not required to use available sick leave or other time off to be eligible for the paid parental leave. Salary during the leave is 100% of the employee's regular pay at the time the leave begins.

President Spyropoulos noted that though the draft policy states that the goal is to provide employees with time off, it is also to not penalize them (and their families, financially) for taking this time off. Mr. Dalton stated that after approval of the policy, Fund's consulting attorney at JBOH should review before inclusion in the employee handbook currently being prepared.

*Commissioner Spyropoulos made the motion to approve the proposed parental leave policy for the MWRD Retirement Fund. Mr. Kennedy seconded the motion which was unanimously approved by roll call vote.*

## **Legal and Legislative**

### **Tax Levy for 2019**

Ms. Boutin reported the MWRD Retirement Fund tax levy for 2019 is in the gross amount of \$87,319,000. In accordance with the Funding Policy approved by the BOC, the levy is based on the multiple of 4.19 times employee contributions in 2017 of \$20,839,829. Employee contributions in 2017 were relatively close to the 2016 contributions with a difference of only \$9,000 which resulted in an increase in the 2019 levy over 2018 of \$38,000.

*Mr. Kennedy made the motion to approve the MWRD Retirement Fund tax levy for 2019 in the gross amount of \$87,319,000. Ms. Meany seconded the motion which was unanimously approved by roll call vote.*

### **Authority for legal services provided by JBOH**

Ms. Boutin requested authority for the firm of Jacobs, Burns, Orlove & Hernandez (JBOH) to continue to provide general legal services to the Fund for the period of July 2018 through June 2019, in an amount not to exceed \$30,000 for the year. The hourly rate of \$260 is the same as approved in 2017, the hourly paralegal rate will remain the same at \$90 per hour and the hourly law clerk rate will be \$60 per hour. Ms. Boutin noted the annual amount for general legal services is in addition to the \$25,000 expenditure for the Internal Control Project, which was approved by the Trustees at the March 28<sup>th</sup> meeting.

*Mr. Regan made the motion to extend the legal services provided by Jacobs, Burns, Orlove & Hernandez (JBOH) at the hourly rate of \$260 for the period of July 2018 through June 2019 in an amount not to exceed \$30,000 for the year. Mr. Kennedy seconded the motion which was unanimously approved by roll call vote.*

## **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 – Hexavest Inc. and Dimensional Fund Advisors. Reports are on file.

#### **Custodian Report**

Mr. Gillespie presented the BNYM Custodial Report which showed assets as of May 31<sup>st</sup> of \$1.4B. He also presented the report of purchases and sales of securities in May. He reminded the Trustees that the 2<sup>nd</sup> capital call for the Deutsche Asset Management real estate funding is scheduled for Monday July 2<sup>nd</sup>. Reports are on file.

### ***Reports by Managers***

**Hexavest Inc.** – Mr. James McInerney, Relationship Manager and Mr. Etienne Durocher-Dumais, Portfolio Manager of Asian Markets, presented an organizational update, and discussed the recent performance of the international equities portfolio.

In response to inquiries by Mr. Obed and Mr. Gillespie, Mr. Durocher-Dumais spoke on the outlook for North America, and on what factors could lead to a sell-off in the market and a reversal of the trend of rising valuations over the last year. He also addressed Mr. Gillespie's inquiry on Hexavest's view on a possible recession in any part of the world in the next 12-18 months, stating that they are neutral on the macroeconomic environment; the portfolio is positioned defensively and though they do not have expectations of recessions in Europe or Japan, the portfolio could benefit from any trade war that could occur as a result of U.S. policy.

## **Investments , continued**

### ***Reports by Managers, continued***

**Dimensional Fund Advisors** – Mr. Doug Byrkit, Vice President, and Mr. Grady Smith, VP and Sr. Portfolio Manager, presented an organizational update, reviewed the portfolio construction method, and discussed the recent performance of the emerging markets equity mutual fund.

Mr. Smith responded to an inquiry by Mr. Obed about perceived headwinds for this asset class in light of recent geopolitical developments. He stated that a basic tenet of DFA is that the market has taken that information into account, stating that diversification is how DFA deals with the uncertainties.

## **Other Investment Related Issues**

### ***Reports by Consultant***

#### **Asset Allocation Rebalancing Schedule**

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

#### **Other Comments**

Mr. Obed presented a paper he authored, “A Crash Course in Behavioral Economics” recently published in the IFEBP Benefits Magazine. The paper describes the emotional and cognitive biases that effect the investment decisions pension plan fiduciaries make, and offers tips for avoiding them. He noted the 2019 Marquette Symposium, to be held September 28<sup>th</sup>, will feature Richard Thaler, Nobel Prize winner in economics for behavioral finance.

#### **Marquette Market Environment and Performance for May 2018**

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

In response to an inquiry by Mr. Kennedy, Mr. Obed stated that we currently have a unique scenario where the general consensus is that we will have additional rate hikes between now and the end of the year, but volatility in the equity markets has led to spreads narrowing.

In response to an inquiry by Mr. Dalton on the rate hikes possibly resulting in an inverted yield curve, Mr. Obed commented that the broad consensus is that an economic slowdown is looming, which coupled with rising interest rates, could trigger a recession.

At Mr. Kennedy's request, Mr. Obed also commented on the implications on a possible global recession due to full trade war. He stated that though the U.S. carries more weight due to importing more than it exports, its negotiation clout may be weakened as a result of opting out of large geopolitical groups.

#### **Roundtable**

Mr. Obed commented that he has reached out to a few minority/emerging managers for participation in a roundtable discussion, and is waiting for their response. He agreed to reach out to Garcia Hamilton and Ariel in response to a request by Mr. Dalton.

## Other Comments

### **Reminder: Harassment Training**

Mr. Dalton reminded Trustees of upcoming harassment training to be presented by Marisel Hernandez of Jacobs Burns Orlove & Hernandez. Training will be presented on July 25<sup>th</sup> for trustees after the Board meeting & on August 8<sup>th</sup> at 3:00 p.m. for Retirement Fund employees.

### **Executive Session - Semi-Annual Review of Executive Session Minutes In accordance with Open Meetings Act 5 ILCS 120/2.06 [101-103]**

*Commissioner Spyropoulos made the motion to go into Executive session to discuss Semi-Annual Review of Executive Session Minutes. Mr. Kennedy seconded the motion which was unanimously approved by roll call vote.*

*(Regular Meeting was recessed at 12:00 p.m.)*

Trustees made the decision to exit the executive session. Mr. Dalton reconvened the meeting at 12:04 p.m.

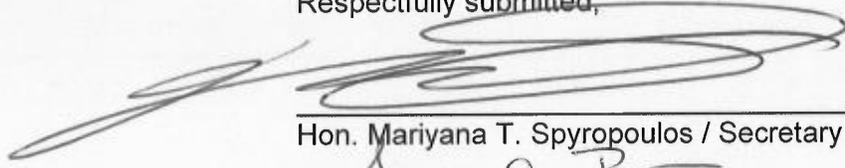
*Mr. Regan made the motion to approve the minutes of the Executive sessions held on December 13, 2017 and February 28, 2018. Commissioner Spyropoulos seconded the motion which was unanimously approved by roll call vote.*

*Mr. Kennedy made the motion to maintain the minutes of the Executive sessions confidential. Mr. Regan seconded the motion which was unanimously approved by roll call vote.*

### **Adjournment:**

Mr. Kennedy motioned to adjourn, seconded by President Spyropoulos, whereupon the meeting was adjourned by Mr. Dalton at 12:05 p.m.

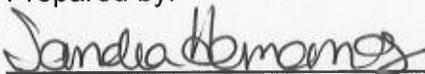
Respectfully submitted,



Hon. Mariyana T. Spyropoulos / Secretary

  
Susan A. Boutin / Executive Director

Prepared by:



Sandra Hernandez / Office Services Asst.



Vrinda Kulkarni / Accountant