

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees August 22, 2018

Meeting#: 1147

Called to order: 10:00 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	X
	Kathleen T. Meany	X

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

Also present: Mr. Kweku Obed, Marquette Associates
Mr. Jesus Jiminez, Marquette Associates
Members of the staff
Members of the public

Regular Business:

Public Comments

Mr. Dalton solicited public comments; Mr. Blakemore, concerned citizen, addressed the Board. Further public comments were heard at the end of the meeting.

(Enter Commissioner McGowan at 10:06 a.m.)

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 July 25, 2018. The motion was unanimously approved by roll call vote.

Consent Agenda

Expenses

Administrative expenses to be paid in September 2018 in the amount of \$519,031.16 were presented for approval.

A motion was made by Mr. Kennedy, seconded by Mr. Regan to approve the Administrative Expenses.

Regular Business, continued:

Consent Agenda continued:

Employee Annuitants

The applications for seven new employee annuitants with a total monthly annuity benefit of \$32,752.93 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>
Bumby, Suzan	Senior Human Resources Analyst	06/01/2018	28.00	2.25
Egan, Brendan J.	Operating Engineer II	08/01/2018	29.67	0.00
Ryan, Michael W.	Hoisting Engineer	08/01/2018	11.00	0.00
Satalic, Anthony G.	Structural Ironworker	08/01/2018	9.00	0.00
Simon, R. Matthew	Former Civil Service Board Member	10/01/2017	13.26	0.00
Spiewak, Steven J.	Environmental Specialist	08/01/2018	28.00	0.00
Stimac, Colleen K.	Fireman-Oiler	08/01/2018	31.84	0.00

A motion was made by Ms. Meany, seconded by Mr. Regan to approve the Employee Annuitant applications.

Surviving Spouse & Child Annuitants

The application for one new surviving spouse with a monthly annuity benefit of \$4,094.50 was presented with the recommendation that it be approved and granted as follows:

<u>Name</u>	<u>Spouse (S) Child (C)</u>	<u>Deceased Retiree/EE</u>	<u>Annuity Begins</u>
Lema, Laura	S	Lema, Charles J.	08/01/2018

A motion was made by Mr. Carmody, seconded by Mr. Kennedy to approve the Surviving Spouse application.

Refunds and Final Payments

The applications for six refunds and final payments in the amount of \$106,766.70 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Hashmi, Shariq H.	07/05/2018	Termination
LeBel, Thomas M.	10/02/2009	Termination
O'Gorman, Patrick K.	06/29/2018	Resignation
Satalic, Anthony G.	07/27/2018	No Spouse Refund
St. Pierre, David R.	06/27/2018	Resignation
Stimac, Colleen K.	07/31/2018	Excess Optional Refund

A motion was made by Ms.Meany, seconded by Mr. Kennedy to approve the Refund applications.

Regular Business, continued:

Consent Agenda continued:

Duty Disability

The eighteen 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 Ms. Meany to approve the Duty Disability applications. The motion was unanimously approved.

Ordinary Disability

The five 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.

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 – October 2018

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

Mr. Kennedy made the motion to transfer a maximum of \$2.1 million from the SSgA S&P 500 Index to supplement funds available to cover the October 2018 payroll and expenses estimated to be \$13.9 million. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Cash Transfers

Ms. Boutin reported the approved vs. actual transfers.

<i>August 2018 Transfers (in Millions)</i>	<u>Approved</u>	<u>Transferred</u>	<u>Difference</u>
SSgA S&P 400	\$4.8	\$4.2	\$0.6
Ariel MCV	3.7	0.0	3.7
LSV LCV	2.8	0.0	2.8
SSgA S&P 500	1.4	0.0	1.4
Total	\$12.7	\$4.2	\$8.5

Administrative, continued:

Novitas PBWeb Project Monthly Status

Ms. Boutin presented the project status report from Novitas stating the 2018 payroll processing module is 72.5% complete.

At the request of Mr. Dalton, Ms. Boutin updated the Board on the BCBS conversations. She reported that both BCBS and the RF are getting a better understanding of the various issues. The District's planned implementation of their newly purchased software, Benefitfocus will result in an electronic enrollment data file for actives that will be incompatible with the RF file format for retirees. Ms. Hrvojevic clarified that after discussions with the District she now receives the required information about the COBRA dental enrollees in hard copy format from the District, and the proper account coding for the enrollment changes was addressed.

Mr. Dalton asked further questions about the manual data input currently being done vs. the possibility of electronic data input. Due to the issues with the BCBS account structure, manual data input by RF and BCBS staff will be necessary for the time being to track all the various changes for COBRA dental and group medical enrollment.

Ms. Boutin noted another option to consider is for the RF to purchase Benefitfocus as the District has done, at an approximate annual cost to the RF (based on number of records) of \$61,000 plus \$5,000 for ACA reporting, and \$20,000 for implementation in the first year.

In response to an inquiry by Commissioner Spyropoulos, Ms. Wilson stated that in the unique case of the District, there are two insurance vendors, BCBS for pre-medicare insurance and UHC for post-medicare insurance. Other government pension funds in the area such as CTPF and Cook County PF have the same pre-medicare and post-medicare health insurance vendors, and thus do not have the same issues.

Further discussion followed about possible use of Benefitfocus, the utilization of the software by the District, and possibilities of a product demo for the Trustees. Mr. Carmody inquired as to the current costs to the RF of manually processing the enrollment changes, and Ms. Hrvojevic described the work involved as staff worker/checker, twice per month, with follow-up emails; Ms. Boutin estimated this takes 4-5 days.

Employee Sick Leave Act

Mr. Dalton deferred the discussion on the Employee Sick Leave Act to a later date.

2018 Pre-Retirement Seminars

Ms. Boutin reported that RF staff are working in conjunction with the District's Human Resources Department (HR) in preparation of the 2018 Pre-Retirement Seminars which will be held in September and October. HR sent out 805 (946 in 2015) employees who will be eligible for retirement by the end of 2021. Two types of invitations were sent out. The first invitation was sent to the 570 employees who will be eligible for an undiscounted annuity in the next 3 years. 235 employees were sent the second invitation, which will state that although they are eligible for retirement, their annuity would be subject to an early retirement discount because they will not have at least 30 years of MWRDGC service, or be at least 60 years old.

In addition to retirement benefits, the seminars will include explanations of separation pay and retiree insurance options. Due to the length of the seminar, Social Security will be provided in a separate series of presentations at the beginning of 2019.

Ms. Boutin requested that one Trustee attend each seminar and say a few words of welcome.

Investments

Reports by Staff

Investment Reports - Fund Investment Comments

Mr. Gillespie presented a performance and organizational update on the managers scheduled to make presentations today – LSV Asset Management and O’Shaughnessy Asset Management. Reports are on file.

Custodian Report

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

Minority Broker/Dealer Commissions for YTD through 2nd Quarter ending June 30, 2018

Mr. Gillespie presented the Q2 2018 Commissions Summary report which showed that overall our managers are exceeding the Fund’s minority brokerage goals; the exception is Standish in fixed income, and it is expected that by year-end they also will meet the goal. Goals are 30%, 10% and 20%-of-par, respectively for equities, international equities, and fixed income. Report is on file.

Securities Lending Report

Mr. Gillespie presented the Q2 2018 Securities Lending Report which showed income from the BNYM securities lending program was \$51,342. Income from the SSgA lending program in the Aggregate Bond Fund was \$15,341. Report is on file.

Reports by Managers

LSV Asset Management

Mr. Scott Kemper presented an organizational update and reported on the recent performance of the LCV and International SCV portfolios.

In response to an inquiry by Mr. Obed, Mr. Kemper stated that the current market environment favors value stocks relative to growth stocks over the next 3-5 years. LSV does anticipate a reversion to the mean which favors value stocks as well. He also stated that small cap stocks, particularly value stocks have been negatively affected by headline news on trade wars and tariffs.

O’Shaughnessy Asset Management

Mr. Chris Loveless and Mr. Ehren Stanhope presented an organizational update and reported on the recent performance of the LCV portfolio.

Other Investment Related Issues

Reports by Consultant

Rebalancing to Preferred Asset Allocation

Discussion was deferred.

Market Environment & Monthly Flash July 2018

Discussion was deferred.

Other Investment Related Issues, continued

Deutsche Core Open-End Real Estate Allocation Funding

Mr. Kennedy made the motion to fund the \$17.5 million Capital Call due October 1st, 2018 for the DWS RREEF America REIT II, Inc. open-end real estate product. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Ariel – Restricted Investments

Mr. Dalton deferred the discussion concerning Ariel investment guidelines.

Garcia Hamilton – Emerging Manager Utilization Program

Mr. Dalton deferred the discussion concerning Garcia Hamilton's eligibility for the Emerging Investment Manager Utilization Program.

Legal and Legislative

Legislative Update – Tom Walsh, deferred

Tom Walsh legislative update will be given at the next board meeting, Wednesday, September 25, 2018.

Executive Session for Personnel Matters – In accordance with 5 ILCS 120/2(c)(1)

Mr. Kennedy made the motion to go into Executive Session to discuss personnel matters. Commissioner McGowan seconded the motion.

(The Regular Session was recessed at 11:08 a.m. The Executive Session was recessed and the Regular Session was reconvened at 12:25 p.m.)

Mr. Kennedy made the motion to exit Executive Session and reconvene the regular session. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

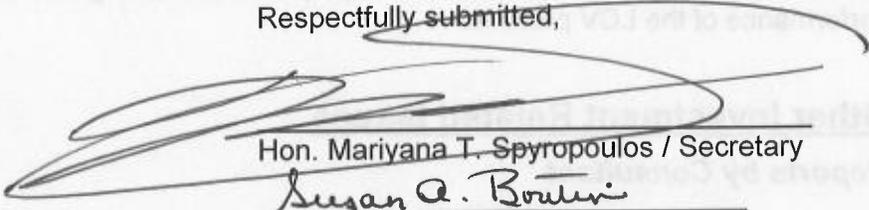
Reminder:

Following the Board Meeting: Roundtable of Investment Managers

Adjournment

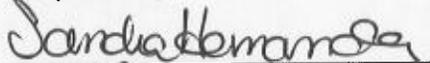
Mr. Kennedy motioned to adjourn, seconded by Mr. Carmody, whereupon the meeting was adjourned by Mr. Dalton at 12:27 p.m.

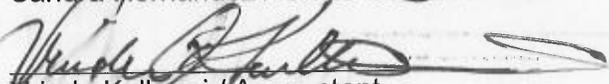
Respectfully submitted,


Hon. Mariyana T. Spyropoulos / Secretary


Susan A. Boutin / Executive Director

Prepared by:


Sandra Hernandez / Office Services Asst.


Vrinda Kulkarni / Accountant