

# Metropolitan Water Reclamation District Retirement Fund

## Minutes Regular Meeting Board of Trustees September 26, 2018

Meeting#: 1148  
Called to order: 10:08 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  
Ms. Mary Ann Boyle, Treasurer MWRDGC  
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 Commissioner McGowan, to approve the minutes of the Regular Board Meeting held on August 22, 2018. The motion was unanimously approved by roll call vote.*

#### **Consent Agenda**

##### ***Expenses***

Administrative expenses to be paid in October 2018 in the amount of \$36,022.92 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 by roll call vote.*

## **Regular Business, continued:**

### **Consent Agenda continued:**

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

The applications for seven new employee annuitants with a total monthly annuity benefit of \$41,231.41 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>
Bartl, Annette M.	Budget & Management Analyst	09/01/2018	22.00	0.00
Bumby, Suzan	Senior Human Resources Analyst	06/01/2018	28.00	2.25
DeFilippis, Michael E.	Fireman-Oiler	09/01/2018	38.00	0.00
Jackowski, Kathleen A.	Laboratory Technician II	09/01/2018	21.00	0.00
McCague, John M.	Chief Operating Engineer I	08/01/2018	21.21	15.79
McMath, Darryl L.	Engineering Technician V	07/01/2018	31.50	2.25
Zerfas, Beth A.	Principal Civil Engineer	09/01/2018	23.98	0.00

*A motion was made by Mr. Carmody, seconded by Mr. Kennedy to approve the Employee Annuitant applications. The motion was unanimously approved by roll call vote.*

#### ***Surviving Spouse & Child Annuitants***

No applications for Surviving Spouse & Child Annuitants.

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

The applications for ten refunds and final payments in the amount of \$184,963.20 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Adams, Sylvia R.	08/06/2018	Resignation
Barfield, John H.	08/08/2018	Resignation
Bartl, Annette M.	08/12/2018	No Spouse Refund
Bumby, Suzan	05/31/2018	Excess Optional Refund
Cairo, Pamela A.	03/02/2018	Termination
Custer, Jeremy R.	08/03/2018	Resignation
Jackowski, Kathleen A.	08/31/2018	No Spouse Refund
Lannan, Thomas R.	07/23/2018	Resignation
McMath, Darryl L.	06/30/2018	No Spouse Refund
Vargas, Yeyzy S.	08/17/2018	Resignation

*A motion was made by Mr. Kennedy, seconded by Ms. Meany to approve the Refund applications. The motion was unanimously approved by roll call vote.*

## **Regular Business, continued:**

### **Consent Agenda continued:**

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

The fourteen 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. Kennedy to approve the Duty Disability applications. The motion was unanimously approved by roll call vote.*

#### ***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. Kennedy, seconded by Ms. Meany to approve the Ordinary Disability applications. The motion was unanimously approved by roll call vote.*

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

*The itemized reports are on file.*

## **Administrative:**

### **Cash Allocation – November 2018**

Ms. Boutin made the recommendation for the November 1<sup>st</sup> transfers required to fund the annuity, staff and disability payrolls to be paid in November 2018.

*Mr. Regan made the motion to transfer a maximum of \$13.0 million from the overweights in the following portfolios; approximately \$7.2M from the SSgA S&P 500 Index, \$5.1 M from the Decatur LCG portfolio, and the balance of approximately \$700,000 from the SSgA S&P 400 Index to supplement funds available to cover the November 2018 payroll and expenses estimated to be \$14.6 million. Mr. Kennedy seconded the motion which was unanimously approved by roll call vote.*

### **Cash Transfers**

Ms. Boutin reported the approved vs. actual transfers.

<b><i>September 2018 Transfers (in Millions)</i></b>	<b><u>Approved</u></b>	<b><u>Transferred</u></b>	<b><u>Difference</u></b>
Decatur LCG	\$4.0	\$0.0	\$4.0
Wasatch SCV	3.3	0.0	3.3
Matarin SCC	3.0	0.0	3.0
SSgA S&P 500 Index	2.5	0.0	2.5
Total	\$12.8	\$0.0	\$12.8

## **Administrative, continued:**

### **Experience Analysis 2013-2017 – Jason Franken**

Mr. Jason Franken, Foster & Foster Actuaries and Consultants presented the recently completed 5-year Experience Analysis report. He reviewed details of actual experience and recommended assumption changes. Mr. Franken noted that recently the Society of Actuaries released new public pension mortality tables. Discussion followed.

Mr. Obed noted that the asset class return assumptions do not include active management, which would be expected to produce higher returns. In response to an inquiry by Mr. Dalton, Mr. Obed noted that public funds as a whole are typically using rates from 7.0% to 7.5%. Mr. Franken explained the impact of a rate reduction, along with the other recommended assumption changes, on the accrued actuarial liability. He responded to inquiries by Ms. Boyle, MWRDGC Treasurer, explaining the impact of the recommended changes on the contribution requirement in the short term are negligible since the District has been funding at the 4.19 multiple maximum, with no anticipated impact on meeting the funding goal of 100% by 2050.

Recommended assumption changes are as follows:

- Retirement rate – increase retirement rates at younger ages and lower rates at many of the older ages to better reflect experience
- Withdrawal rate – small increases to the withdrawal rates
- Mortality rates – small update to RP-2000 table for females, none for males
- Reciprocal benefit load- no change to current load of 1.50%
- Salary increase – slight increases at specific service years (i.e. 5, 10, 15, and 20 years of service)
- Payroll growth rate – lower rate from 3.7% to 3.0% (this assumption affects the MWRD contribution requirement, not the funded ratio)
- Tier 2 Cost-of- living adjustment – no change to current 1.25% payroll growth rate assumption
- Investment return – lower from 7.5% to 7.25%

*Mr. Kennedy made a motion to accept the recommended actuarial assumption changes. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.*

The newly adopted actuarial assumptions will be used for the December 31, 2018 actuarial valuation.

### **Novitas PBWeb Project – Update from Jim Chang**

Mr. Jim Chang addressed the Board, reporting a recent development with one of the four Chicago area pension clients for which he was developing PB-Web, and its possible impact on future development of the pension administration system. He learned in August that after reviewing RFP responses, Cook County pension fund has decided to acquire a new system and discontinue development of PB-Web.

Mr. Chang reported that Novitas has been able to support clients by leveraging pension business knowledge as well as sharing development resources across all four clients to provide support for the current PBMS system. With Cook County pension fund not participating in future systems development, it will be difficult for Novitas to maintain the level of resources required to support the new development effort.

## **Administrative, continued:**

### **Novitas PBWeb Project – Update from Jim Chang, continued**

In the short-term, Jim Chang recommends Novitas provide support services to maintain the current PBMS system and establish a data cleanup interim solution. Jim Chang also made a recommendation that Novitas start investigating alternate pension administration systems and assisting with requirement/process review and documentation. Beyond 2019, Novitas would be able to continue to maintain the current PBMS system, and serve as an extension of RF staff providing PMO, Analytical and QA services; RFP preparation and vendor selection assistance; and data migration assistance.

Discussion followed; in response to an inquiry by Mr. Dalton, Mr. Chang comments on the reasons for Cook County Pension Fund making a change to a new system. In response to an inquiry by Mr. Carmody, he stated there were 5-6 major Pension Administration System (PAS) vendors that might respond to an RFP and be able to meet the requirement. Mr. Carmody and Commissioner Spyropoulos commented they would like to see what PAS other pension funds of comparable size across the country were using. Ms. Wilson commented that she has collected some data from cold-calling a few funds, and she suggested that staff and/or Trustees attend the next annual PRISM conference to meet possible vendors in one place. Commissioner McGowan expressed interest in the PRISM conference.

### **Report on Candidates for Trustee Election - Certify Voter List**

Ms. Boutin reported that two candidates are running in the 2018 Trustee election. In order of appearance on the ballot are Richard J. Peslak (Systems Dispatcher, MOB) and incumbent Robert T. Regan (Principal Mechanical Engineer, Stickney). Their submitted petitions have been certified. Ballots will be mailed to all eligible employees on Friday, September 28<sup>th</sup> and will be counted on Tuesday, October 16<sup>th</sup>.

In accordance with the Rules of Election, Ms. Boutin presented the master voters list to the President for certification. The list was created on 08/29/18 reflecting all eligible voters as of 8/19/18, and will continue to be updated by RF staff as employees enter and leave service or change their address. The current list has a count of 1,814.

*Mr. Kennedy made a motion to certify the list of voters. Ms. Meany seconded the motion, which was approved by roll call vote (1 abstain; Regan).*

### **Senate Hearings**

Ms. Boutin reported the Senate Special Committee on State and Public Pension Fund Investments hearings have been scheduled for October 16<sup>th</sup> and 17<sup>th</sup>. Our response to the 28 questions and 3 required data tables were submitted on September 17<sup>th</sup>. Senator Martinez requested that the Executive Director, Chief Investment Officer, the Chairman of the Board of Trustees and the CEO's of the consulting firm be present to testify. Additional trustees are encouraged to attend.

### **Reciprocal Conference**

The Illinois Public Retirement Systems Annual Conference was held on August 27<sup>th</sup> & 28<sup>th</sup> in Oak Lawn. Five members of our staff attended the conference. The agenda included sessions on sexual harassment, effective communication tactics, a federal and state legislative update and a website roundtable. The conference will be held in Champaign, IL next year.

In response to an inquiry by Mr. Dalton, Ms. Wilson commented on the discussions at the Website Roundtable.

## **Investments**

### ***Reports by Staff***

#### **Investment Reports - Fund Investment Comments**

Mr. Gillespie presented a performance and organizational update on the manager scheduled to make a presentation today – State Street Global Advisors. Reports are on file.

#### **Custodian Report**

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

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

#### **State Street Global Advisors**

Ms. Mary Guy, Relationship Manager, presented an organizational update and reported on the recent performance of the Aggregate Bond Index, S&P 400, S&P500 and ACWI-ExUS portfolios.

## **Other Investment Related Issues**

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

#### **Rebalancing to Preferred Asset Allocation**

Mr. Obed expressed no objection to the planned transfers to fund the November 2018 payrolls.

#### **Market Environment & Monthly Flash August 2018**

Mr. Obed reviewed the recent market environment. He commented upon the type of market “correction” expected in response to an inquiry by Commissioner Spyropoulos. In response to an inquiry by Mr. Dalton, he commented on the Fed’s expected moves to raise rates and the potential for inversion of the yield curve.

Mr. Obed also reported the recent performance of the Fund’s various asset classes.

#### **Garcia Hamilton – Emerging Manager Utilization Program - deferred**

As of August 31<sup>st</sup>, GH&A’s Total Assets Under Management were \$11.2 billion. Discussion regarding Garcia’s eligibility for the Emerging Investment Manager Utilization Program was deferred to next meeting.

#### **Ratify Deutsche Core Open-End Real Estate Allocation Funding**

Ms. Boutin reported that at last month’s board meeting, a motion to fund the October 1<sup>st</sup> RREEF Capital Call was made. The amount of the capital call at the time of the meeting was anticipated to be \$17.5 Million. The motion during the board meeting did not indicate where the funds would be transferred from to cover the capital call. Subsequent to the board meeting we were notified by DWS that the October 1<sup>st</sup> capital call will be for \$8.75 million instead of \$17.5 million. Due to time constraints related to trade settlement, we needed to instruct State Street to redeem the funds to cover the capital call before today’s board meeting. Steve Carmody, Robert Regan, Kathleen Meany, Commissioner McGowan, President Spyropoulos and Joseph Kennedy approved the transfer by email response of a maximum of \$8,750,000 from the SSgA Aggregate Bond Index to meet the October 1, 2018 Capital Call for the DWS RREEF America REIT II, Inc.

*Commissioner McGowan made the motion to ratify the decision to transfer a maximum of \$8,750,000 from the SSgA Aggregate Bond Index to meet the October 1, 2018 Capital Call for the DWS RREEF America REIT II, Inc. Mr. Regan seconded the motion, which was unanimously approved by roll call vote.*

## Legal and Legislative

**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.*

Mr. Dalton requested the attendance of Marisol Hernandez of JBOH and Ms. Boutin.

*(The Regular Session was recessed at 12:16 p.m. The Executive Session was recessed and the Regular Session was reconvened at 12:56 p.m.)*

### Reminders:

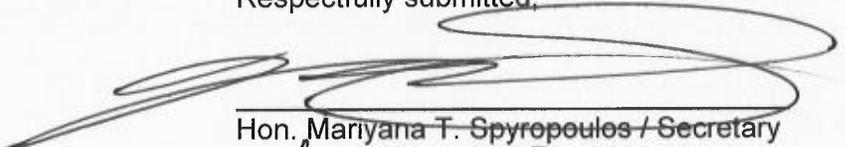
Following the Board Meeting: BenefitFocus health insurance enrollment software demonstration scheduled at 1:00 p.m. in the 7<sup>th</sup> Floor Training Room.

Marquette Annual Symposium to be held on Friday September 28<sup>th</sup> at the Union League Club.

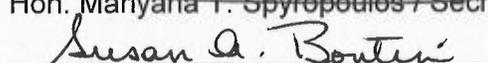
### Adjournment

Commissioner McGowan motioned to adjourn, seconded by Mr. Regan, whereupon the meeting was adjourned by Mr. Dalton at 12:57 p.m.

Respectfully submitted,

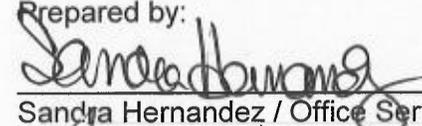


Hon. Mariyana T. Spyropoulos / Secretary

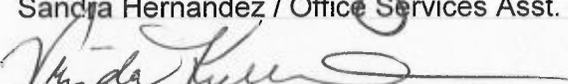


Susan A. Boutin / Executive Director

Prepared by:



Sandra Hernandez / Office Services Asst.



Vrinda Kulkarni / Accountant