

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees February 27, 2019

Meeting#: 1153

Called to order: 10:05 a.m.

Place: Boardroom, 100 E. Erie St., Chicago, IL

Presiding: John P. Dalton, President

		<u>Present</u>
Trustees:	John P. Dalton, President	X
	Robert T. Regan, Vice-President	X
	Hon. Mariyana T. Spyropoulos, Secretary	X
	Stephen J. Carmody	
	Hon. Kimberly Du Buclet	X
	Joseph F. Kennedy	X
	Kathleen T. Meany	

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. Alberto Rivera, Marquette Associates
Members of the public

Approval of Minutes

A motion was made by Mr. Kennedy, seconded by Commissioner Spyropoulos, to approve the minutes of the Regular Board Meeting held on January 23, 2019. The motion was unanimously approved by roll call vote.

Consent Agenda

Expenses

Administrative expenses to be paid in March 2019 in the amount of \$1,052,108.27 were presented for approval.

A motion was made by Mr. Kennedy, seconded by Mr. Regan 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 two new employee annuitants with a total monthly annuity benefit of \$1,689.61 were presented with the recommendation that they be approved and granted as follows:

<u>Employee Name</u>	<u>Position</u>	<u>Begins</u>	<u>@ MWRD</u>	<u>Reciprocal</u>
Keglovitz, Katherine J.	Former Secretary to Officer	01/01/2019	3.92	19.17
Okal, John H.	IT Support Analyst I	11/01/2018	14.00	11.25

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

Surviving Spouse & Child Annuitants

The applications for six new surviving spouse annuity with a monthly annuity benefit of \$32,802.79, and for two child annuities with a monthly annuity benefit of \$500 each, were presented with the recommendation that they be approved and granted as follows:

<u>Name</u>	<u>Spouse (S) Child (C)</u>		<u>Deceased Retiree/EE</u>	<u>Office #</u>	<u>Annuity</u>
					<u>Begins</u>
Bendler, Lisa A.	S		Bendler, Marc A.	12712	12/01/18
Gallimore, Linda K.	S		Gallimore, Richard R.	08486	02/01/19
Gosciniak, Frieda J.	S		Gosciniak, Henry F.	11313	02/01/19
Irwin, Jean S.	S		Irwin, Richard R.	12739	01/01/19
Majewski, Kathleen A.	S		Majewski, Lawrence L.	13092	02/01/19
Perini, Diane M.	S		Perini, Randall G.	14954	02/01/19
Child	C		Perini, Randall G.	14954	02/01/19
Child	C		Perini, Randall G.	14954	02/01/19

A motion was made by Mr. Regan, seconded by Mr. Kennedy to approve the Surviving Spouse & Child Annuitant applications. The motion was unanimously approved by roll call vote.

Refunds and Final Payments

The applications for two refunds and final payments in the amount of \$9,266.59 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Banks, Lauren D.	12/31/2018	Refund of Contributions
Keglovitz, Katherine J.	12/31/2018	No Spouse Refund

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

Duty Disability

The twelve 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 Mr. Regan to approve the Duty Disability applications. The motion was unanimously approved by roll call vote.

Regular Business, continued:

Consent Agenda, continued

Ordinary Disability

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

A motion was made by Mr. Regan, seconded by Mr. Kennedy to approve the Ordinary Disability applications. The motion was unanimously approved by roll call vote.

Administrative:

Cash Allocation for April 2019 Payrolls

Ms. Boutin made the recommendation for the April 1st transfers required to fund the annuity, staff and disability payrolls to be paid in April 2019.

Mr. Kennedy made the motion to transfer a maximum \$12.35 million from the following portfolios: \$3.3 million from SSgA S&P 500 Index, \$3.05 million from Wasatch Small Cap Value portfolio, \$2.3 million from Ariel Mid Cap Value portfolio, \$2.0 million from Decatur Large Cap Growth portfolio, and the remaining balance of approximately \$1.7 million from LSV Large Cap Value portfolio to supplement funds available to cover the April 2019 payroll and expenses estimated to be \$14.0 million. Commissioner Spyropoulos seconded the motion which was unanimously approved by roll call vote.

Cash Transfers

Ms. Boutin reported the following approved vs. actual transfers.

<i>February 2019 Transfers (in Millions)</i>	<u>Approved 1/23/2019</u>	<u>Transferred</u>	<u>Difference</u>
Wasatch SCV	\$2.60	\$2.60	\$0.00
Mellon Investments FI	2.60	1.85	(0.75)
DFA Emerging Markets	1.50	2.00	0.50
LSV LCV	1.10	1.30	0.20
Total	\$7.80	\$7.75	0.05

Oath of Office – Commissioner Spyropoulos

Ms. Boutin reported that on January 24th, the BOC of the MWRDGC appointed Mariyana T. Spyropoulos as Trustee of the Metropolitan Water Reclamation District Retirement Fund for the 3-year term beginning on February 1, 2019. At this meeting Commissioner Spyropoulos will execute the Oath of Office as Trustee which will be provided to the Clerk of the District.

Resignation – Commissioner McGowan

Ms. Boutin reported that on January 22, 2019, Commissioner McGowan submitted a letter of resignation as Trustee of the Metropolitan Water Reclamation District Retirement Fund. Her current 3 year term began on February 15, 2018. She was appointed to the RF Board of Trustees in December 2007 and re-appointed in 2009, 2012, 2015 and 2018. Ms. Boutin thanked Commissioner McGowan for her many years of service on the Board and for the active and retired members of the Fund.

Oath of Office – Commissioner Du Buclet

Ms. Boutin reported that on January 24th, the BOC of the MWRDGC appointed Kimberly Du Buclet as Trustee of the Metropolitan Water Reclamation District Retirement Fund to fill the vacancy for the unexpired term of Barbara J. McGowan. The unexpired term of 3 years began on February 15, 2018. Commissioner Du Buclet executed the Oath of Office as Trustee, which will be provided to the Clerk of the District.

Administrative, continued:

Email Acquisition Services

Mr. Bunimovich spoke to the Trustees about the recommendation by the Fund's attorney, Joseph Burns, that the Fund have its own email service due to HIPAA and security concerns; currently Retirement Fund employees receive email services through the District. Mr. Bunimovich explained the preferable licensing level (Microsoft 365) and reviewed the search for providers. Omnificent Systems, whose owner was the contractor who built the District's Office 365 infrastructure, is the only vendor of this licensing level that provided a cost estimate. Mr. Bunimovich reviewed the associated costs for the migration; discussion followed including topics of encryption capabilities and address list sharing by the District. Ms. Boutin stated the 18 users to be licensed would include Trustees and staff.

Mr. Kennedy made the motion to approve the acquisition of e-mail services at a cost of \$1,500 for the migration cost and a monthly license cost of \$32 per user, or \$6,912 annually for 18 users at a maximum annual cost not to exceed \$8,412. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Human Resources Services – HRBoost

Ms. Boutin reported that at the January Board meeting, Susan Waldman made a presentation regarding the human resource services that HRBoost can provide the Fund. These services include an evaluation of current FMLA & ADA processes and forms (4-8 hours at \$100/hr), a review of FMLA and/or ADA forms submitted by employees (cost difficult to estimate) and a monthly telephone program at \$99 per month allowing for unlimited advisement for the first 15 minutes. Beyond 15 minutes is billable at the rates stated on the agreement. Each call must be for a different issue to be considered under this program.

Mr. Kennedy made the motion to approve HRBoost services which include monthly phone service, review of FMLA & ADA forms and applications at a maximum cost not to exceed \$2,500 pending legal review. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Novitas Consulting Group – Subcontractor Approval

Ms. Boutin reported that in December, Jim Chang informed us that he entered into subcontractor agreements with Bradley Consulting on December 1st and Chicago Software Solutions on December 14th. The 2019 Novitas agreement states that the agreement must not be subcontracted or assigned without advance written approval of the Fund. Jim Chang informed the Fund that Novitas will only use subcontractors if they are involved with the Pension Administration System project. Ms. Boutin requested approval in case something comes up that Jim Chang would like to utilize their services.

Mr. Kennedy made the motion to approve the use of Bradley Consulting and Chicago Software Solutions on MWRD Retirement Fund projects. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Pension Administration System (PAS) – Next Steps

Ms. Boutin reported that at the IT study session following the January Board meeting, the Trustees heard presentations from four firms who provide RFP Development Services; Agile Progress LLC, Linea Solutions, LRWL Inc., and Provaliant. Following the meeting, Ms. Boutin asked the firms to provide a cost estimate for their services; services include development costs, implementation costs, oversight costs and assessment costs which were given to the Trustees. Provaliant sent the Fund a follow up email offering some free services to help the Fund with the next step; to help the Fund refine the PAS solution vendor list, as several solutions don't scale below a \$10 million dollar price tag, and to assist the Fund in setting-up some PAS vendor solution demonstrations. Ms. Boutin noted that details could be found on page 2 of the Provaliant document on the portal and in Trustee packets. Discussion followed.

Administrative, continued:

Trustee Training and Education

Ms. Boutin stated the opportunities for education and training in the upcoming months as follows:

- **Institutional Investors Forum - Redefining Fixed Income** on May 14th & 15th at the Four Seasons Hotel. The cost is \$125.
- **6th Annual Midwest Institutional Investor Forum** – June 4, 2019 at the Chicago Board of Options Exchange 400 S. LaSalle St. the cost to attend is \$95.
- **P&I Conference** – ESG Investing – May 14, 2019 at the Standard Club, 320 S. Plymouth. 7:30 am to 1:30 pm. Sept 24th – Emerging Markets and Multi-Asset Investing November 12th. No fee to Attend.

Discussion about Trustee training requirements and dates followed.

Mr. Kennedy made the motion to approve training at a maximum cost of \$440 for Mr. Carmody & Commissioner Spyropoulos to attend the Institutional Investors Forum on May 14th & May 15th (\$125 per person) and the 6th Annual Midwest Institutional Investors Forum on June 4, 2019 (\$95 per person). Commissioner Spyropoulos seconded the motion which was unanimously approved by roll call vote.

Legal and Legislative

Ms. Boutin provided a report on the status of the Tier 1 Final Average Salary legislation.

- **HB 2582** sponsored by Rep. Michael J. Zalewski was filed on February 13, 2019. We have informed the Speaker's staff that this is a technical correction only and that it has no impact on the final average salary of our members.
- **SB 1582** sponsored by Sen. John F. Curran was Filed on February 15, 2019.
- We have informed President Steele that the bills have been filed and that it is a technical correction only. I have asked Jason Franken to prepare a cost impact which may be needed when it is called in the Pension Committee.

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 – Ariel Investments. Performance update includes statistics on upside/downside capture, percent rank as reported by eVestments, and rolling returns; reports are on file.

Custodian Report

Mr. Gillespie presented the BNYM Custodial Report which showed assets as of January 31st of \$1.32B. He also presented the report on purchases and sales of securities in January 2019. Reports are on file.

Minority Broker/Dealer Commissions – Year Ended 12/31/18

Mr. Gillespie presented the 2018 Commissions Summary report which showed that overall our managers met or exceeded the Fund's minority brokerage goals. Goals are 30%, 10% and 20%-of-par, respectively for equities, international equities, and fixed income. Report is on file.

Investments, continued

Securities Lending Report

Mr. Gillespie presented the Q4 2018 Securities Lending Report which showed income from the SSgA lending program in the Aggregate Bond Fund was \$8,439. Income from the BNYM securities lending program was \$103,990. Report is on file.

Reports by Managers

Ariel Investments - Mr. John Rogers, Mr. Tim Fidler and Ms. Valerie King presented an organizational update and reported in detail on the recent performance of Ariel's small cap value portfolio.

Mr. Rogers responded to Trustee and staff inquiries including the rationale for the Sydney office, thoughts on Brexit, the portfolio's overweight in producer durables, and Ariel's ESG initiatives. He responded to Mr. Obed's request that he comment on any indicators of an impending end to the market's infatuation with growth stocks.

Other Investment Related Issues

Reports by Consultant

January 2019 Market Environment & Performance Report

Mr. Obed of Marquette Associates reviewed the recent market environment including the strong performance in January and February, and the possibility of upcoming headwinds such as Brexit. He reported the recent performance of the Fund's portfolio, overall and by manager. In response to an inquiry by Mr. Gillespie, Mr. Obed commented on the 10-year numbers that will be affected by the positive 2009 (i.e. post-crash) performance numbers, dropping off the calculation. Discussion followed to address inquiries by Trustees on the topics of infrastructure, additional real estate allocations and ESG.

Investment Consultant RFP

Mr. Gillespie reviewed a summary of key facts about the RFP respondents; discussion followed. Trustees made the decision to hear presentations from three firms on Wednesday March 13th – Marquette Associates, Meketa Investment Group and NEPC, LLC.

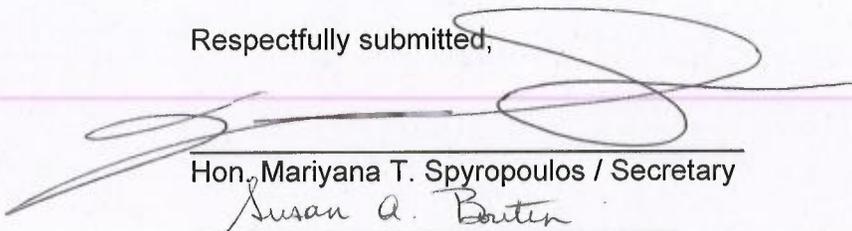
Best Practices Consultant

Mr. Dalton requested a special meeting the following week to make a motion regarding the hiring of a consultant for best practices, since it was not an agenda item for today's meeting. Trustees decided to hold a Special Meeting Thursday March 7th at 9:00 a.m.

Adjournment

Commissioner Spyropoulos motioned to adjourn, seconded by Mr. Kennedy; whereupon the meeting was adjourned by Mr. Dalton at 12:06 p.m.

Respectfully submitted,



Hon. Mariyana T. Spyropoulos / Secretary

Susan A. Boutin
Susan A. Boutin / Executive Director

Prepared by:


Vrinda Kulkarni / Accountant