

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees March 27, 2019

Meeting#: 1154
Called to order: 10:04 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	X
Hon. Kimberly Du Buclet	X
Joseph F. Kennedy	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. Alberto Rivera, Marquette Associates
Members of the public

Regular Business

Approval of Minutes

A motion was made by Mr. Carmody, seconded by Mr. Regan, to approve the minutes of the Regular Board Meeting held on February 27, 2019. The motion was unanimously approved by roll call vote.

A motion was made by Commissioner Spyropoulos, seconded by Mr. Kennedy, to approve the minutes of the Special Board Meeting held on March 7, 2019. The motion was unanimously approved by roll call vote.

A motion was made by Commissioner Spyropoulos, seconded by Mr. Regan, to approve the minutes of the Special Board Meeting held on March 13, 2019. The motion was unanimously approved by roll call vote.

Consent Agenda

Expenses

Administrative expenses to be paid in April 2019 in the amount of \$19,747.77 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 four new employee annuitants with a total monthly annuity benefit of \$18,845.76 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>
Garelli, Brett A.	Deputy Director of M & O	03/01/2019	33.28	0.00
Marshall, Shawn T.	Former Operating Engineer I	07/01/2018	2.00	29.00
Ramirez-Duquette, Joseph	Former Police Officer	04/01/2018	13.56	0.00
Rendon, Rick A.	Former Courier	02/01/2019	2.78	27.50

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

Surviving Spouse Annuitants

The applications for four new surviving spouse annuitants with a total monthly annuity benefit of \$12,561.89 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 Begins</u>
Capizzano, Lillian G.	S	Capizzano, Frank M.	10700	04/01/19
Cox, Monica	S	Cox, Rodney W.	14300	03/01/19
Gogolak, Christine A.	S	Gogolak, Joseph E.	15792	03/01/19
Johnson, Joyce L.	S	Johnson, Patrick M.	14485	03/01/19

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

Refunds and Final Payments

The applications for eight refunds and final payments in the amount of \$259,869.33 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Garelli, Brett A.	02/28/2019	Excess Optional
Kowalski, Jody A.	02/04/2019	Refund of Contributions
Micek, James A.	04/30/2018	Excess Optional
Micek, James A.	04/30/2018	No Spouse Refund
O'Brien, Michael A.	10/22/2018	Refund to Estate (Mia B. Bakos)
O'Brien, Michael A.	10/22/2018	Refund to Estate (John S. O'Brien)
O'Brien, Michael A.	10/22/2018	Refund to Estate (Trevor J. O'Brien)
Rogers, Matthew J.	02/22/2019	Refund of Contributions

Ms. Boutin responded to Trustee inquiries about the timing of the refund payments dated in 2018; payment was delayed for legal reasons that were recently resolved, with input from Fund legal counsel Joseph Burns.

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 fifteen 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 by roll call vote.

Ordinary Disability

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

Ms. Boutin clarified for Commissioner Du Buclet that the amounts listed on the consent agenda for disability are daily rates (i.e. as opposed to payment amounts.)

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.

Administrative:

Cash Allocation

Ms. Boutin reported that due to tax levy receipts, no additional funds are needed for the May 2019 payroll and expenses estimated to be \$14.4 million.

Cash Transfers

Ms. Boutin reported the actual vs. planned transfers as follows:

<i>March 2019 Transfers (in Millions)</i>	<u>Approved</u>	<u>Transferred</u>	<u>Difference</u>
SSGA Bond Mkt Index	\$13.5	\$8.7	\$4.8

Tave Risk Management Insurance Renewal

Ruth Tave, Adnan Arain, Clara Gable, and Timothy Gotta of Tave Risk Management presented a review of the Fund's expiring coverages and discussed possible additional coverages.

In 2018 Trustees had approved 3 types of insurance – Commercial Package (Property and General Liability), Non Owned Liability and Hired Auto Liability and Cyber Insurance. The 2019 renewal premium is listed below.

Insurance	2018 Cost	2019 Cost	Dates	Changes
Property & Liability (CNA)	\$2,866	\$2,865	3/29/19 – 3/29/20	Sublimit for losses increased to \$250K
Non-Owned Auto (CNA)	\$938	\$974	3/29/19 – 3/29/20	None
Privacy & Network Security (Cyber) (AIG)	\$17,732	\$12,682	3/29/19 – 3/29/20	Includes an endorsement covering transaction costs of procuring crypto- currencies
Total	\$21,536	\$16,521		

Administrative, continued:

Tave Risk Management Insurance Renewal, continued

Lengthy discussion on five additional coverage options followed, including topics of system failure, cyber extortion, and social engineering incidents. Ms. Boutin noted the premium cost for existing coverage has gone down and asked Mr. Arain to comment. *(Note: Discussion of this Agenda item was continued after the discussion of the OSA Search.)*

Office Services Assistant (OSA) Search

Ms. Wilson presented a review of the OSA search. On November 28, 2018, the Trustees approved posting of the position of Office Services Assistant for the Retirement Fund due to the resignation of Sandra Hernandez in October. The position was posted on December 3, 2018 with resumes due by January 2nd. Approximately 125 resumes were received for the position of which 59 applicants were invited to take a 35-minute test on Wednesday, February 13th at the Stickney Plant with 34 attending. From the top scorers, 7 applicants were selected for interviews which took place at Fund offices on March 12th & 13th. Ms. Wilson presented the staff recommendation.

Mr. Carmody made a motion to approve extending an offer of employment to Ka Yu Cuchra for the Office Services Assistant Position at a TAM 11 Step1, salary of \$52,263.64 pending pre-employment screening with an anticipated start date of April 15th, 2019. Commissioner Du Buclet seconded the motion which was passed unanimously by roll call vote.

Tave Risk Management Insurance Renewal, continued

After further discussion, Trustees made the decision to increase the coverage limits for Privacy & Network Security insurance (cyber liability) from \$1 million to \$2 million. Mr. Dalton noted that at the Fund's request AIG would likely be able to recommend an outside contractor to review Fund security practices.

Mr. Kennedy made a motion to approve renewal of 3 insurance policies at a total cost of \$23,118 (Property & Liability \$2,865.00, Non-Owned Auto \$974.00, and Cyber Insurance \$19,279.00). Mr. Regan seconded the motion with was passed unanimously by roll call vote.

Trustee Training and Education Opportunities

Ms. Boutin reported on the upcoming opportunities for Trustee education and training as follows:

- **Institutional Investors Forum - Redefining Fixed Income** on May 14th & 15th at the Four Seasons Hotel.. The cost is \$125. (Carmody, Spyropoulos are attending)
- **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. (Carmody, Spyropoulos are attending)
- **P&I Conference** Options– ESG Investing – May 14, 2019 at the Standard Club, 320 S. Plymouth. 7:30 am to 1:30 pm (Gillespie). Sept 24th – Emerging Markets and Multi-Asset Investing on November 12th. No fee to attend. (Carmody, Gillespie)
- **DWS 2019 Americas Real Assets Conference** – May 7th and 8th at the Loews Hotel, 455 N Park Dr., Chicago, IL. The commissioner can attend the 7th or 8th or both days. Cost is based on what meals you select.. Dinner is \$165, breakfast is \$45, lunch is \$65. (Spyropoulos \$65 + \$45 = \$110, Gillespie \$45).

(Motion to approve Trustee training registrations was deferred until the April meeting.)

GFOA Award for 2017 CAFR

Ms. Boutin reported the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Annual Financial Report for the fiscal year ended December 31, 2017 was presented to our staff at the Board of Commissioner's meeting on March 21, 2019. Ms. Boutin acknowledged the hard work of Vrinda Kulkarni and Brian Gillespie on the Fund's financial reporting.

Legal and Legislative

Springfield Legislative Update

Ms. Boutin reported on and answered Trustee questions on the following pending legislation:

- **SB 1582 & HB 2582** - MWRD Tier 1 Final Average Salary bills - (On Calendar for 3rd Reading 3/21/19)
- **SB 2060** – Goals for Emerging Managers based on fees paid - - (On Calendar for 2nd Reading 3/21/19)
- **SB 1264 (HB 2664)** - Unclaimed Property Act. Exemption for some funds regarding forwarding abandoned funds to the State Treasurer. Required to report funds presumed abandoned which are held by the Fund to the administrator. - (On Calendar for 2nd Reading 3/21/19)
- **HB 2460** – Sustainable Investing Act - - (On Calendar for 3rd Reading 3/19/19)
- **SB 1671** – Provides that emerging investment manager means a manager that manages an investment portfolio of at least \$10M but less than \$10B at the time of the initial contract. (On Calendar for 3rd Reading 3/21/19)
- **SB 1698** – Provides that any open meeting of the board of trustees of a RF must be broadcast to the public and maintained on the fund's website. (On Calendar for 3rd Reading 3/7/19)

Investments

Reports by Staff

Investment Reports - Fund Investment Comments

Mr. Gillespie presented a performance and organizational update on the managers scheduled to make a presentation today – Garcia Hamilton & Associates and Matarin Capital Management. Reports are on file.

Custodian Report

Mr. Gillespie presented the BNYM Custodial Report which showed assets as of February 28th of \$1.3B. He also presented the report on purchases and sales of securities in February 2019. Reports are on file.

Reports by Managers

Garcia Hamilton & Associates - Mr. Gilbert Garcia, Ms. Ruby Munoz Dang, and Ms. Stephanie Roberts presented an organizational update and reported in detail on the recent performance of GH&A's core fixed income portfolio.

Mr. Garcia highlighted the firm's commitment to taking action toward opening up the investment management industry to women and minorities, and the charitable giving by firm employees and the generous match by the firm. Mr. Kennedy inquired about the AUM or capital required by a minority fixed investment management company in order to be viable in the long term; discussion followed.

Matarin Capital Management – Ms. Marta Cotton and Mr. Stuart Kaye presented an update on Matarin's small cap core equity portfolio. Mr. Kaye and Ms. Cotton responded to concerns voiced by Mr. Kennedy about the portfolio's value bias and underperformance during the down market.

Other Investment Related Issues

Reports by Consultant

February 2019 Market Environment & Performance Report

(Via teleconference) Mr. Obed of Marquette Associates reviewed the recent market environment including the strong performance of the equity markets, and the unremarkable performance of fixed income. He reported on the recent strong absolute performance of the Fund's portfolio, which is slightly lagging relative to the benchmark. Mr. Kennedy asked Mr. Obed to comment on the performance of Matarin and Mesirow in the recent downmarket. Mr. Obed commented as requested, and noted that with respect to the broader portfolio, Marquette will review tracking error and make appropriate recommendations.

(Exit Mr. Obed via teleconference, and exit Mr. Alberto Rivera who was in attendance at the meeting)

Investment Consultant RFP

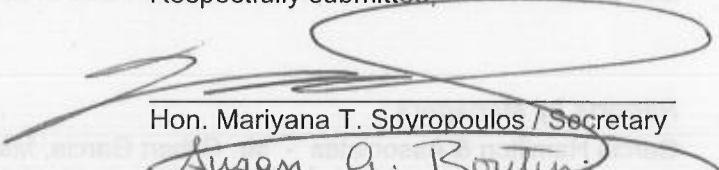
Mr. Gillespie reviewed the progress on the Investment Consultant RFP. Presentations were heard from 3 firms (Marquette, Meketa, and NEPC) on March 13th. He presented a summary of key points from the RFP responses and presentations for each of the 3 firms. At the request of Mr. Dalton he reviewed the fee proposals of each firm.

Mr. Kennedy made a motion to hire Marquette Associates for general investment consulting services for a five-year period effective June 1, 2019. Ms. Meany seconded the motion with was passed unanimously by roll call vote

Adjournment

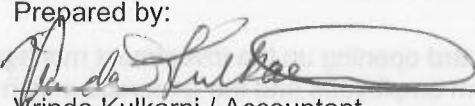
Mr. Carmody motioned to adjourn, seconded by Mr. Kennedy; motion was unanimously approved by roll call vote, whereupon the meeting was adjourned by Mr. Dalton at 12:42 p.m.

Respectfully submitted,


Hon. Mariyana T. Spyropoulos / Secretary

Susan A. Boutin / Executive Director

Prepared by:


Vrinda Kulkarni / Accountant