

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees May 29, 2019

Meeting#: 1156
Called to order: 10:07 a.m.
Place: Boardroom, 100 E. Erie St., Chicago, IL
Presiding: Joseph F. Kennedy

Present

Trustees:	John P. Dalton, President	
	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:	Mary Murphy, Operations Manager
	Brian Gillespie, Financial Analyst
	Ksenija Hrvojevic, Benefits Manager
	Vrinda Kulkarni, Accountant
	Vitaliy Bunimovich, Programmer/Analyst

Also present:	Mr. Kweku Obed, Marquette Associates
	Mr. Alberto Rivera, Marquette Associates
	Ms. Mary Ann Boyle, MWRD Treasurer
	Members of the public

Regular Business

Public Comments

Mr. Kennedy solicited public comments; none responded.

Approval of Minutes

A motion was made by Mr. Regan, seconded by Mr. Carmody, to approve the minutes of the Regular Board Meeting held on April 24, 2019. The motion was unanimously approved by a chorus of ayes.

A motion was made by Mr. Carmody, seconded by Commissioner Spyropoulos, to approve the minutes of the Special Board Meeting held on May 1, 2019. The motion was unanimously approved by a chorus of ayes.

A motion was made by Commissioner Du Buclet, seconded by Mr. Carmody, to approve the minutes of the Special Board Meeting held on May 2, 2019. The motion was unanimously approved by a chorus of ayes.

Regular Business, continued:

Consent Agenda

Expenses

Administrative expenses to be paid in June 2019 in the amount of \$1,122,555.06 were presented for approval.

Ms. Mary Murphy explained one item on the Administrative expense agenda which requires an explicit approval by the Board; the actual PRISM conference attendance costs exceeded the approved costs by approximately \$100 primarily due to an additional fee for late registration. Those additional costs are included in the administrative expenses itemization.

A motion was made by Ms. Meany, seconded by Commissioner Du Buclet to approve the Administrative Expenses. The motion was unanimously approved by a chorus of ayes.

Employee Annuity

The application for forty-five new employee annuitants with a total monthly annuity benefit of \$279,445.93 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>
Alvarez, Manuel	Maintenance Laborer Class A Shift	05/01/19	22.00	0.00
Anderson, Angela	Fireman-Oiler	05/01/19	29.00	0.00
Bansley, Andrew A.	Operating Engineer I	05/01/19	32.00	0.00
Beckman, Robert R.	Information Technology Manager	05/01/19	29.96	0.00
Boline, Kevin L.	Electrical Mechanic	05/01/19	30.00	0.00
Boutin, Susan A.	Executive Director of Retirement Fur	05/01/19	21.50	1.50
Brescia, Stephen A.	Assistant Master Mechanic	05/01/19	19.00	0.00
Brticevich, Mark	Former Pollution Control Officer I	04/01/18	5.00	14.00
Carson, Edward N.	Operating Engineer I	05/01/19	30.76	0.00
Caston, Jacquelyn M.	Engineering Technician V	05/01/19	32.00	0.00
Coleman, Derrick L.	Motor Vehicle Dispatcher Supervisor	06/01/19	15.80	0.00
Day, Darryl	Maintenance Laborer Class A	05/01/19	30.00	0.00
Dazzo, Joann M.	Fireman-Oiler	05/01/19	30.00	0.00
DiGiacomo, Robert A.	Architectural Ironworker	05/01/19	26.00	0.00
Dye, Donald	Maintenance Laborer Class A	05/01/19	19.00	0.00
Flores, Ramon	Maintenance Laborer Class A Shift	05/01/19	29.00	0.00
Ghouleh, Abder R.	Principal Electrical Engineer	05/01/19	30.00	0.00
Haq, Syed Z.	Principal Engineer	05/01/19	31.00	0.00
Hickey, Thomas P.	Operating Engineer I	05/01/19	31.00	0.00
Hicks, Donald	Maintenance Laborer Class A Shift	05/01/19	30.00	0.00
Johnson, Bruce F.	Electrical Mechanic	05/01/19	11.00	0.00
Jones, Scott S.	Senior Mechanical Engineer	05/01/19	28.00	0.00
Kauffman, Lisa A.	Treatment Plant Operator II	05/01/19	33.00	0.00

Regular Business, continued:
Consent Agenda, continued

Employee Annuity, continued

<u>Employee Name</u>	<u>Position</u>	<u>Annuity Begins</u>	<u># Years @ MWRD</u>	<u># Years Reciprocal</u>
King Jr., Harold L.	Machinist	05/01/19	32.00	0.00
Landis, Marcella V.	Assistant Director of Engineering	05/01/19	29.66	0.00
Lau, Robert M.	Senior Architect	05/01/19	30.00	0.00
Law, William J.	Hoisting Engineer	05/01/19	27.95	0.00
Lindo, Pauline V.	Environmental Soil Scientist	05/01/19	18.00	0.00
Marshall, Shawn T.	Former Operating Engineer I	07/01/18	2.00	29.00
Massey, Kenneth A.	Treatment Plant Operator II	05/01/19	32.83	0.00
McNamara, James D.	Master Mechanic	05/01/19	30.00	0.00
Nega, Teresa A.	Management Analyst III	05/01/19	30.00	0.00
O'Connell, Susan	Managing Engineer	05/01/19	28.00	0.00
O'Rourke, Dennis F.	Operating Engineer II	05/01/19	30.00	0.00
Patel, Devendra	Treatment Plant Operator II	05/01/19	34.00	0.00
Randle, Bernadine	Administrative Specialist	05/01/19	12.00	0.00
Robertson, David K.	Carpenter	05/01/19	30.00	0.00
Sakoda, Sidney T.	Electrical Mechanic	05/01/19	30.00	0.00
Schaefer, Udo G.	Treatment Plant Operator I	05/01/19	20.98	0.00
Stolarski, Robert J.	Senior Structural Engineer	05/01/19	16.55	0.00
Thielen, Mark E.	Truck Driver Foreman	05/01/19	30.16	0.00
Tijerina, Antonio J.	Principal Electrical Engineer	05/01/19	28.00	0.00
Trujillo, Susan M.	Administrative Assistant	05/01/19	26.45	0.00
Williams, Larry	Computer Systems Administrator	12/01/18	21.03	9.00
Zirbes, John F.	Truck Driver	05/01/19	27.00	0.00

A motion was made by Mr. Carmody, seconded by Commissioner Spyropoulos to approve the Employee Annuity applications. The motion was unanimously approved by a chorus of ayes.

Surviving Spouse Annuity

The applications for one new surviving spouse annuitant with a monthly annuity benefit of \$181.37 was presented with the recommendation that it approved and granted as follows:

<u>Name</u>	<u>Spouse (S)</u>		<u>Annuity</u>
	<u>Child (C)</u>	<u>Deceased Retiree/EE</u>	<u>Begins</u>
Jorgensen, Betty L.	S	Jorgensen, Ronald H.	05/01/19

A motion was made by Commissioner Spyropoulos, seconded by Mr. Regan to approve the Surviving Spouse Annuity application. The motion was unanimously approved by a chorus of ayes.

Regular Business, continued:
Consent Agenda, continued

Refunds and Final Payments

The applications for eighteen refunds and final payments in the amount of \$371,881.58 were presented with the recommendation that they be approved and granted as follows:

<u>Employee/Annuitant Name</u>	<u>Date</u>	<u>Remarks</u>
Bansley, Andrew A.	04/30/2019	Excess Optional
Bricevich, Mark	03/31/2018	No Spouse Refund
Carson, Edward N.	04/30/2019	Excess Optional
Caston, Jacquelyn M.	04/30/2019	No Spouse Refund
Dazzo, Joann M.	04/30/2019	Excess Optional
Dye, Donald	04/30/2019	No Spouse Refund
Ghouleh, Abder R.	04/30/2019	Excess Optional
Hickey, Thomas P.	04/30/2019	Excess Optional
Hicks, Donald	04/30/2019	No Spouse Refund
Johnson, Bruce F.	04/30/2019	No Spouse Refund
Kauffman, Lisa A.	04/30/2019	Excess Optional
Nega, Teresa A.	04/30/2019	Excess Optional
Nega, Teresa A.	04/30/2019	No Spouse Refund
O'Rourke, Dennis F.	04/30/2019	Excess Optional
Patel, Devendra	04/30/2019	Excess Optional
Sakoda, Sidney T.	04/30/2019	No Spouse Refund
Schaefer, Udo G.	04/30/2019	No Spouse Refund
Smith, Patricia	04/13/2019	Refund to Estate (Adrienne L. Jones)

A motion was made by Mr. Regan, seconded by Ms. Meany to approve the Refund and Final Payment applications. The motion was unanimously approved by a chorus of ayes.

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 Commissioner Du Buclet, seconded by Mr. Carmody to approve the Duty Disability applications. The motion was unanimously approved by a chorus of ayes.

Ordinary Disability

The twelve 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 Commissioner Spyropoulos to approve the Ordinary Disability applications. The motion was unanimously approved by a chorus of ayes.

Entire Consent Agenda

Mr. Kennedy conducted a roll call vote on the entire Consent Agenda. The Consent Agenda was unanimously approved by roll call vote. The itemized reports are on file.

Administrative:

Cash Allocation

Mr. Kennedy reported the staff recommendation for transfers to fund the annuity, staff, and disability payrolls to be paid in July 2019.

Mr. Regan made the motion to transfer a maximum \$6.4 million from the overweights in the following portfolios: \$6.15 million from SSgA S&P 500 Index, and approximately \$250,000 from the asset transition to supplement funds available to cover the July 2019 payroll and expenses estimated to be \$15.2 million. Mr. Carmody seconded the motion which was unanimously approved by roll call vote.

2018 Comprehensive Annual Financial Report

Ms. Kulkarni reported the printing of the 2018 CAFR document was just completed. She thanked her co-workers Brian Gillespie and Mary Murphy for all their contributions to preparing and reviewing the document. The 2018 CAFR will be submitted to the MWRD Clerk, the GFOA, the IL DOI, the IL Committee on Government Forecasting and Accountability, and the Civic Federation. Hard-copies of the document will be distributed to RF Trustees, the MWRD BOC, MWRD department heads, and several copies to the MWRD Finance and Treasury departments. The report will also be posted on the RF website. Ms. Kulkarni requested that Trustees contact her with any questions or comments.

Actuarial Projections Based on 12/31/2018 Valuation

Mr. Kennedy reported that at the April 24, 2019 meeting, the Board deferred approval of two actuarial projections requested by District:

Scenario 1 – Determine the funding amounts required to reach the 90% funding requirement by 2050 as required by statute. Use 4.19 until 90% funding is reached. (Cost \$5,300)

Scenario 2 – Assumes maximum contribution under the District's Funding Policy which is equal to employee contributions 2 years prior multiplied by 4.19 until 100% funding is reached. (Cost \$500)

Mr. Carmody made a motion to commission the two actuarial projections to be prepared by Foster & Foster Actuaries at a cost not to exceed \$5,800. Commissioner Spyropoulos seconded the motion which was unanimously approved by roll call vote.

RFP for Auditing Services

Mr. Kennedy and Ms. Murphy reviewed that though there is no statutory requirement, the Board's recent practice has been to post an RFP for Auditing services every five years. Legacy Professionals has just completed the second 5-year contract providing auditing services to the Fund.

Commissioner Spyropoulos made a motion to approve staff preparation of an RFP for Auditing Services. Ms. Meany seconded the motion with was unanimously approved by roll call vote.

Executive Director Search

Mr. Kennedy reported that on March 8, 2019, Former Executive Director, Susan A. Boutin announced her retirement effective the close of business effective April 30, 2019. The job posting was sent to all District employees and posted on the Fund's website on March 13, 2019, with an April 5, 2019, deadline for resume submission. After undergoing the candidate selection process, the Retirement Fund Board will formally approve the selection of the new Executive Director.

Commissioner Spyropoulos made a motion to approve the selection of Jim Mohler to fill the vacant position of RF Executive Director. Commissioner Du Buclet seconded the motion which was unanimously approved by roll call vote.

Administrative, continued:

Report on PRISM Conference

Mr. Bunimovich reported on the Public Retirement Information Systems Management (PRISM) Association Conference which was held in Indianapolis on May 12 - 15, 2019. Conference topics were centered around the theme of business and customer service improvement. Another point of focus that with any technology implementations, change-management is crucial to the success of the project. Process automation, cyber security challenges, the various pension system administration approaches, and self-serve options for pension system members were other topics covered.

Legal and Legislative

Discussion of increase in fees for legal services provided by JBOH

Mr. Kennedy reported that legal services provided by Jacobs, Burns, Orlove & Hernandez (JBOH) have been approved through June 30, 2019. Legal services are reviewed annually; for the next 1 year period, JBOH proposes an increase to the hourly rate to \$270 from the current \$260. JBOH last increased fees in 2017 from \$250 to \$260 hourly. The last time that the fund issued an RFP for legal services was 2012. The matter will be offered for approval at the June 19, 2019 Board meeting.

Legislation

Mr. Kennedy provided an update on the current legislative initiatives as follows:

SB1264 - Unclaimed property, Fund is trying to include language that exempts the MWRD RF

HB2460 - Sustainable investing

SB 1582 - Final Average Salary technical correction, awaiting Governor's signature

Investments

Reports by Staff

Custodian Report

Mr. Gillespie presented the BNYM Custodial Report which showed assets as of April 30th of \$1.37B. He also presented the report on purchases and sales of securities in April 2019. Reports are on file.

Minority Broker/Dealer Commissions for 1st Quarter ending March 31, 2019

Mr. Gillespie presented the Q1 2019 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.

Securities Lending Report

Mr. Gillespie presented the Q1 2019 Securities Lending Report which showed income from the SSgA lending program in the Aggregate Bond Fund was \$6,723. Income from the BNYM securities lending program was \$61,150. Report is on file.

Other Investment Related Issues

Reports by Consultant

Formal Investment Policy Update

Mr. Obed reviewed the need for a formal Investment Policy update to accommodate an increased allocation from 8% to 12% to Core Plus with a 5% allocation to an MWDBE manager and an increase of the allocation to core open-end real estate from 5% to 10%.

Mr. Carmody made a motion to approve the formal investment policy incorporating the recent changes to the approved asset allocation and the change to the assumed target rate of return from 7.50% to 7.25% which was approved in December 2018. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Core Open-End Real Estate

Mr. Kennedy reported that at the April 24, 2019 Board Meeting, the Board moved to terminate Standish's global fixed income portfolio of approximately \$90M, and to increase the allocation to core open-end real estate by \$60M, splitting the allocation between UBS Trumbull Property Fund and the DWS RREEF America REIT II Fund. The remaining approximately \$30M will fund an emerging (MWDBE) core plus fixed income manager. Approximately \$30M from the SSgA Aggregate Bond Index and from asset class overweights in the portfolio will fund a July 1, 2019 capital call for the UBS Trumbull Property Fund. (Note; the next capital call by the DWS RREEF will occur later in the year, possibly by October 1st.)

Mr. Carmody made a motion to liquidate approximately \$30M from the SSgA Aggregate Bond Fund Index and from asset class overweights in the portfolio to fund a July 1, 2019 capital call in the amount of \$30M for the UBS Trumbull Property Fund. Commissioner Du Buclet seconded the motion which was unanimously approved by roll call vote.

Investment Consultant Search

Mr. Kennedy reported that on January 2, 2019, the Fund issued an RFP for investment consulting services. On March 13, 2019, the Board heard presentations from NEPC, Meketa and Marquette. We need a motion to approve the agreement between Marquette and the Fund for the period from June 1, 2019 through May 31, 2024.

Ms. Meany made a motion to approve the Investment Consultant agreement between Marquette and the Fund for the period from June 1, 2019 through May 31, 2024. Mr. Regan seconded the motion which was unanimously approved by roll call vote.

Rebalancing to Preferred Asset Allocation

Mr. Obed expressed agreement with the planned transfers for the July 2019 payrolls.

Marquette Annual Symposium

Mr. Obed invited the Trustees and staff to the Marquette Annual Symposium to be held October 4; two of the of the keynote speakers will be Mohamed El-Erian formerly of PIMCO, and Laurie Greiner of Shark Tank.

Marquette Market Environment and Performance Report for April 2019

Mr. Obed of Marquette Associates reviewed the strong market results in April, and key economic factors. He commented on the recent political changes in the U.K. at the request of Commissioner Spyropoulos. Report is on file.