

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees February 26, 2020

Meeting#: 1165

Call to order: 10:02 a.m.

Place: 100 E. Erie St, MWRD Board Room, Chicago IL

Presiding: John P. Dalton, President

Roll Call:

Trustees:	Present	Absent
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	
Kathleen T. Meany	X	
Kevin Young	X	

Staff present:

James Mohler, Executive Director
Mary Murphy, Operations Manager
Brian Gillespie, Financial Analyst
Ksenija Hrvojevic, Benefits Manager

Also present:

Mr. Kweku Obed, Marquette Associates
Mr. Anthony DiSanto, Marquette Associates
Ms. Mary Ann Boyle, MWRDGC Treasurer
Members of the public

Roll Call

President Dalton conducted a roll call.

Public Comment

President Dalton solicited public comments; there were none.

Commissioner Spyropoulos and Commissioner Du Buclet joined the meeting.

Regular Business

Approval Regular Meeting Minutes – January 22, 2020.

Motion by Trustee Young, seconded by Trustee Meany, unanimously approved by roll call vote.

Approval of Executive Session Minutes – January 22, 2020.

Motion by Trustee Meany, seconded by Trustee Young, unanimously approved by roll call vote.

Approval of Meeting Agenda – February 26, 2020.

Motion by Trustee Regan, seconded by Trustee Carmody, unanimously approved by roll call vote.

Consent Agenda

Administrative Expenses \$119,586.89

Motion to approve by Trustee Carmody, seconded by Trustee Young, unanimously approved by roll call vote.

Investment Expenses \$1,023,550.11

Motion to approve by Trustee Carmody, seconded by Trustee Regan, unanimously approved by roll call vote.

Employee Annuitants - 1 new retiree, \$2,010.29 monthly

Motion to approve by Trustee Meany, seconded by Trustee Young, unanimously approved by roll call vote.

Surviving Spouse and Child Annuitants – 4 new annuitants, \$18,463.92 total monthly

Motion to approve by Trustee Carmody, seconded by Commissioner Spyropoulos, unanimously approved by roll call vote.

Refunds - 3 refunds, \$266,252.65

Motion to approve by Trustee Regan, seconded by Commissioner Spyropoulos, unanimously approved by roll call vote.

Duty Disability, benefits for 12 persons

Motion to approve by Trustee Carmody, seconded by Trustee Regan, unanimously approved by roll call vote.

Ordinary Disability, benefits for 10 persons

Motion to approve by Trustee Young, seconded by Trustee Carmody, unanimously approved by roll call vote.

Administrative

Appointment of Retiree Trustee – 40 ILCS 5/13-701

Mr. Mohler reported that the MWRD BOC recommended Kathleen Meany to begin a new 3-year term as Retiree Trustee, beginning February 1, 2020. Mr. Mohler asked the Board for their approval of the recommendation.

Motion to approve by President Dalton, seconded by Commissioner Spyropoulos, approved by roll call vote (6 Ayes, 1 abstain-Trustee Meany).

The Oath of Office was administered to Trustee Meany.

Cash Allocation

Mr. Mohler reported the following regarding investment withdrawals and funding of the upcoming payrolls.

For projected March 2020 disbursements of (\$16.1M)

At the January meeting the Board approved the aggregate total transfers of \$14.4M; based on current over weights and operating receipts, staff is currently projecting the following funds transfers:

	<u>Approved at prior mtg</u>	<u>Recommendation</u>
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State Street S&P500		\$8.75M
Aggregate	\$14.4M	

For projected April 2020 disbursements of (\$14.95M)

Fund staff recommends the transfer of up to \$13.25M from the Fund's investment portfolio to supplement February projected operating receipts, as follows:

Recommendation

State Street Bond Index	\$ 5.50M
State Street S&P400	\$ 4.50M
Ariel Mid Cap Value	<u>\$ 3.25M</u>
	\$13.25M

Motion to approve recommended transfers by Trustee Carmody, seconded by Trustee Regan, unanimously approved by roll call vote.

Trustee Education Opportunities – YTD 2020

Mr. Gillespie reported on upcoming educational opportunities, including those presented by Connect Global Benefits, P&I and the IFEBP. Discussion ensued; no action taken.

Pension Administration System – Vendor Review Update

Mr. Mohler and Ms. Murphy reviewed the Fund's efforts to obtain a consultant to create a PAS RFP and gap analysis. Mr. Mohler stated that since the last meeting the two finalists, Linea and Provaliant, provided slide decks with additional information about their services. He and Ms. Murphy reviewed the information provided, including the boilerplate contracts that were requested from each firm, and based on several factors the recommendation is to hire Provaliant for the services. Project management and implementation oversight costs, and timelines were discussed. Trustees gave direction to staff to begin contract negotiations with Provaliant. Mr. Mohler stated that the dollars for the project were already budgeted for 2020, and next steps will include working with Fund counsel Joseph Burns on negotiating a service agreement.

Legal & Legislative

Legal

Matter of Legal Services Agreement

Mr. Mohler requested the Board consider a retainer agreement with legal counsel, JBOH, similar to agreements with their other consultants such as the actuary and auditor. He presented a draft agreement document. Discussion ensued; President Dalton requested the Trustees review for further discussion at the next meeting.

Matter of Trustee Training – Sexual Harassment

Mr. Mohler discussed opportunities for annual sexual harassment training for the Trustees. Discussion on possible formats of the training ensued. Mr. Mohler recommended that Fund counsel provide the training to Trustees, similar to what was provided to staff last year, and that the Fund independent contractor also participate. Tentative training date and time would follow the March Board meeting.

Legislative

Matter of Legislative Lobbyist Agreement

Mr. Mohler presented an updated legislative lobbyist agreement that is more consistent in format with other Fund consultant agreements. There was no objection from the Board.

101st Meeting of the Illinois General Assembly

Mr. Mohler summarized bills that may affect the Fund including:

- SB 3749
- SB 3750
- SB 3747
- SB 3748
- SB 2747
- HB 4076
- HB 3990
- SB 2756 – the Fund's disability bill

Staff Investment Report(s)

BNYM NEXEN Platform

Mr. Gillespie informed the Trustees that staff is working with BNYM to begin using their NEXEN platform to streamline the Fund's process of directing transfers. Staff will begin online authorizations and move away from paper and fax directions.

Monthly Staff Investment Report

Mr. Gillespie presented an updated report format for presenting portfolio information to the Trustees. The new format is a work-in-progress and contains more data for the Trustee's consideration; Mr. Gillespie requested feedback on the report. He reviewed the report in detail; investments were \$1.39B at 1/31/20.

Staff Investment Report(s), continued

MWDBE Utilization Goals Review

Mr. Gillespie reviewed the current MWDBE Brokerage utilization goals, along with 2019 actual utilization. Mr. Mohler recommended the Board consider increasing the brokerage goals; discussion ensued. Mr. Mohler stated staff would provide a draft document to the Trustees prior to the next meeting. Mr. Gillespie reviewed the currently stated manager goals based on total assets, and presented information based on actively managed assets. The matter will be reviewed by the Trustees for further discussion at the next meeting of the Board.

Manager Profile – Hexavest Inc.

Mr. Gillespie presented a performance review on the manager scheduled to present at the meeting. Discussion ensued.

Report by Investment Manager(s):

Hexavest Inc. – International Equities

Mr. James McInerney and Mr. Vincent Delisle presented the status of the account managed by Hexavest Inc. on behalf of the Fund. Discussion ensued; no action taken.

Investment Consultant Report(s)

Market Environment

Mr. Obed presented the January 2020 Market Environment report. Discussion ensued, no action taken.

Monthly Flash Report

Mr. Obed presented the January 2020 Monthly Flash report. Discussion ensued, no action taken.

Investment Portfolio Review

Mr. Obed reviewed the active vs. passive allocation of the Fund's investments, and asked the Board to consider indexing its large cap value allocation currently under management by LSV Investments.

Motion made by Trustee Carmody to liquidate large cap value assets of approximately \$68,789,000 currently managed by LSV Investments, and invest the funds in the (SSgA) S&P 500 Index. Seconded by President Dalton, unanimously approved by roll call vote.

Mr. Obed also recommended a formal watch list process in addition to ongoing interaction with, and oversight of, managers. Discussion ensued.

Motion made by President Dalton to put Ariel Investments, Hexavest Inc., and Matarin on the watch list for performance issues, and UBS on the watch list for organizational issues. Seconded by Trustee Carmody, unanimously approved by roll call vote.

Staff Investment Report(s), continued

Investment of Additional Employer Contributions

Mr. Mohler reported the MWRD BOC has stated its intention to provide additional monies in the amount of approximately \$20M to the Fund, expected to be received by March 7, 2020. He recommended investing the monies in the SSgA index funds in the same ratio as the current allocation, with the real estate portion going to the bond index.

Motion made by Trustee Regan, to invest any additional employer contributions received from the MWRD in March in the SSgA index funds as presented by Fund staff. Seconded by Mr. Young, unanimously approved by roll call vote.

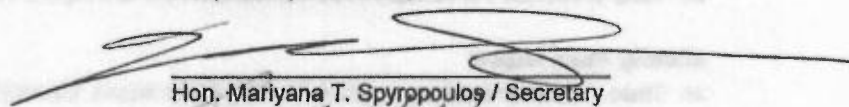
Executive Session* (deferred until next meeting)

*** Items may be discussed in closed session in accordance with applicable Open Meeting Act provisions.


Adjournment

Motion to adjourn was made by Trustee Regan, whereupon President Dalton adjourned the meeting at 1:10 p.m.

Respectfully submitted,



Hon. Mariyana T. Spyropoulos / Secretary



James Mohler / Executive Director

Prepared by:



Vrinda Kulkarni / Accountant