

# Metropolitan Water Reclamation District Retirement Fund

## Minutes Regular Meeting Board of Trustees June 24, 2020

Meeting#: 1169

Call to order: 10:04 a.m.

Place: Held via Audio Conference from the 3<sup>rd</sup> Flr. Conference Room, 100 E. Erie St. Chicago, IL

Presiding: John P. Dalton, President

### **Roll Call:**

<b>Trustees:</b>	<b>Present</b>	<b>Present via phone</b>	<b>Absent</b>
John P. Dalton, President	X		
Robert T. Regan, Vice President		X	
Hon. Mariyana T. Spyropoulos, Secretary		X	
Hon. Kimberly Du Buclet		X	
Kathleen T. Meany			X
Kevin Young		X	

Staff present: James Mohler, Executive Director  
Mary Murphy, Operations Manager, via phone  
Brian Gillespie, Financial Analyst, via phone  
Ksenija Hrvojevic, Benefits Manager, via phone

Also present: Mr. Kweku Obed, Marquette Associates, via phone  
Mary Ann Boyle, MWRD Treasurer, via phone

## **Roll Call**

President Dalton conducted a roll call.

## **Public Comment**

President Dalton solicited public comments; there were none.

## **Regular Business**

Approval Regular Meeting Minutes – May 27, 2020.

*Motion by Commissioner Spyropoulos, seconded by Trustee Young, unanimously approved by roll call vote.*

Approval of Meeting Agenda – June 24, 2020.

*Motion by Trustee Young, seconded by Commissioner Spyropoulos, unanimously approved by roll call vote.*

## **Consent Agenda**

Administrative Expenses, 12 items, \$29,043.72

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

Employee Annuitants - 21 new retirees, \$135,069.41 total monthly

*Motion to approve by Commissioner Spyropoulos, seconded by Commissioner Du Buclet, unanimously approved by roll call vote.*

Surviving Spouse and Child Annuitants – 2 new annuitants, \$9,008.09 total monthly

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

Refunds - 14 refunds, \$551,931.52

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

Duty Disability, benefits for 4 persons

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

Ordinary Disability, benefits for 3 persons

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

## **Administrative**

### **Cash Allocation**

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

#### ***For projected July 2020 disbursements of \$15.6M, and August 2020 disbursements of \$16.5M***

Mr. Mohler reported that July 2020 disbursements are projected to be \$15.6M and the Board approved \$13.9M to be liquidated from SSgA US Aggregate Bond Index at the May meeting. We project only approximately \$11.0M will be needed to honor July 2020 disbursements. For August 2020 projected disbursements of \$16.5M, Fund staff projects \$13.2M will need to be liquidated from investment assets to honor them. Fund staff proposes the following liquidations:

SSgA US Aggregate Bond Index	\$12.2M
Neuberger Berman Fixed Income Core +	\$ 1.0M

*Motion by Trustee Young to approve withdrawal of approximately \$12.2M from the SSgA aggregate Bond Index and \$1.0M from Neuberger Berman to fund the August 2020 payrolls. Motion was seconded by Commissioner Spyropoulos, unanimously approved by roll call vote.*

### **2021 Estimated Employer Contribution Request – 40 ILCS 5/13-503**

Mr. Mohler reported that staff had prepared the 2021 Employer Contribution Request in the amount of \$88,754,000 for submission to the MWRD; he requested Board certification after which the request will be sent to the MWRD Executive Director, Treasurer, Director of General Administration and Budget Officer.

*Motion by Trustee Regan to certify the resolution for the 2021 Employer Contribution Request. Motion was seconded by Trustee Young, unanimously approved by roll call vote.*

### **Trustee Vacancy - 40 ILCS 5/13-703**

Mr. Mohler reported on the Trustee vacancy created by the retirement of Stephen Carmody on 4/30/2020. Letters of Interest were collected from seven interested candidates during the two-week response window. After review of submitted letters of interest and resumes, staff prepared a matrix of to assist the Board in the selection of a qualified candidate.

*Motion by Commissioner Spyropoulos to approve the appointment of Bonnie Kennedy to the vacant trustee position to fulfill the remaining three years of the four-year term. Motion was seconded by Trustee Young, unanimously approved by roll call vote.*

The new Trustee will be notified, and notification to the other candidates will be sent, before notification will be posted on the Fund's website.

### **CAFR 2019 Draft**

Mr. Mohler provided the Trustees with the draft of the CAFR 2019 Transmittal letter which summarizes operational and investment highlights of the year. He reported the 132-page document is close to completion, and the expectation is that it will be ready to distribute to the Board, post on the Fund website, and submit to the GFOA by June 30. Mr. Mohler and Commissioner Spyropoulos thanked Vrinda Kulkarni, Brian Gillespie, and Mary Murphy for their efforts toward the completion of this report.

## **Administrative, continued**

### **Department of Insurance Annual Filing**

Mr. Mohler reported the Annual report for the Illinois Department of Insurance is complete and ready for the Board to certify.

*Motion by Trustee Young to certify the annual Illinois Department of Insurance report. Motion was seconded by Trustee Regan, unanimously approved by roll call vote.*

### **Administrative Staff On-Site Utilization**

Mr. Mohler updated the Board on the status of staff's return to work in the Fund offices. In June the Benefits staff had priority for on-site work to process retirements; the weekly schedule is being prepared by Ms. Hrvojevic with input from Ms. Murphy and Mr. Mohler, and up to three people in the office at one time. Ms. Murphy continues to work from Stickney to process payments among other things, while the rest of staff remains productive working from home. Mr. Mohler expects to gradually increase the number of staff in the office at one time to four, then five, over the next few weeks, if circumstances allow. He has been in close contact with Beverly Sanders, MWRD HR Director, for information as to how the District is handling the evolving COVID-19 situation and continues to solicit input from President Dalton on the necessary procedural changes.

Mr. Mohler stated that currently Fund offices will not be open to visitors, but that staff continues to serve our membership remotely. Certain customary foot-traffic that the Fund sees, e.g. from MWRD new hires, is not being seen since the District has not had new hires in the past few months.

Commissioner Spyropoulos inquired as to what changes to the buildings ventilation system may have been made; some discussion followed with Ms. Mary Ann Boyle, District Treasurer, reporting that the fresh air intake had been increased in the MWRD buildings. Mr. Mohler will contact the Building Engineer and report back to the Board.

### **Staff Administrative Reports**

Mr. Mohler and Ms. Hrvojevic reported on the processing of retirements that has been accomplished by the Benefits Staff; 25 cases for 4/30 retirement, 21 cases for 6/30 retirement, and 12 cases currently being worked on for 7/31 retirement.

Mr. Mohler also commented that year-to-date staff has seen what seems to be an escalated number of retiree deaths as compared to previous years.

### **Remote Site Utilization (Stickney Plant)**

Mr. Mohler reported that Ms. Murphy continues to use the Stickney office which now has a fax machine which increases its functionality.

### **Pension Administration System Update**

Mr. Mohler reported that with the work of staff and legal counsel, the contract with Provaliant is complete. He expects work to begin in August or September on the gap analysis and building the RFP for a new system. Provaliant has provided examples of a Statement of Work and review guidelines, which will be discussed next week by Ms. Murphy and himself.

### **IFEBP Conference Call (6/17) – Strong Organizations – Your Role in Diversity and Inclusion**

Mr. Mohler reported the virtual conference sponsored by the IFEBP was very interesting and he encouraged Trustees and staff to replay the conference at their own convenience.

## **Staff Investment Report(s)**

### **Monthly Performance Data**

Mr. Gillespie reported that during this time of high market volatility, monthly as opposed to the usual quarterly performance information is being posted on the Fund website for the Fund's membership and interested parties.

### **Monthly Staff Investment Report**

Mr. Gillespie presented current portfolio information to the Trustees. Markets have been volatile; investments have increased in June and were valued at \$1.33B at 6/19/20.

### **Watchlist Update**

Mr. Gillespie updated the Board on the recent performance of two firms that remain on the Watchlist; Ariel and Matarin. Detailed analysis presented by Mr. Gillespie included upside/downside capture, ten-year performance trend, and a since-inception growth chart.

Mr. Obed commented on a memo prepared by Marquette that provides a snapshot of Matarin including their team and investment strategy, and the investment process that has not provided the expected results. Fund staff and Marquette will continue to monitor the firm's performance.

### **International Equity Post Transition Report**

Mr. Gillespie reported on the asset transition that followed the termination of Hexavest is complete. He reviewed some of the communication challenges due to the international nature of the securities and the COVID-19 situation. He and Mr. Mohler commented that going forward the Fund would like to work towards having relationships with a few transition management firms, to prepare for any future transition. President Dalton gave direction for staff to follow through.

### **Annual Brokerage MWDBE Utilization Goals**

Mr. Gillespie reported on the Q1 MWDBE asset manager and brokerage utilization. Mr. Gillespie presented the Q1 MWDBE 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.

Discussion ensued about increasing the brokerage goals.

*Motion by Commissioner Du Buclet to approve increasing the MWDBE brokerage goals to 40%, 20% and 25% respectively for equities, international equities, and fixed income. Motion was seconded by Trustee Regan, unanimously approved by roll call vote.*

## **Investment Consultant Report(s)**

### **Comments on Core Plus Fixed Income Managers**

In view of the recent market volatility, Mr. Gillespie reported on recent calls conducted by Mr. Mohler and himself for updates from the Fund's Core Plus fixed income managers, Neuberger Berman and Ramirez Asset Management. Mr. Obed also reported that Marquette had recently held similar calls with the firms and presented formal memos summarizing the discussions about the firm's teams, assets, performance attribution and outlook/positioning. Reports are on file.

**Investment Consultant Report(s), continued**

**Market Environment**

Mr. Obed presented the May 2020 Market Environment report, commenting on the factors of the extended COVID-19 economic lockdown, recent social unrest, and the upcoming presidential election.

**Monthly Flash Report**

Mr. Obed presented the May 2020 Monthly Flash report which presents in detail the recent performance of the Fund's portfolio by asset class and by manager.

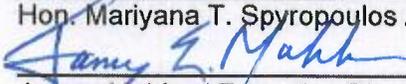
**Adjournment**

*Motion to adjourn was made by Trustee Young, seconded by Commissioner Spyropoulos, unanimously approved by roll call vote.*

President Dalton adjourned the meeting at 11:54 a.m.

Respectfully submitted,

  
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Hon. Mariyana T. Spyropoulos / Secretary

  
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James Mohler / Executive Director

Prepared by:

  
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Vrinda Kulkarni / Accountant