

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees July 22, 2020

Meeting#: 1170

Call to order: 10:01 a.m.

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

Presiding: John P. Dalton, President

Roll Call:

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

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

Also present: Mr. Kweku Obed, Marquette Associates, via phone
Ms. Amanda Gall, Marquette Associates, via phone
Mary Ann Boyle, MWRD Treasurer, via phone
Lauren Albanese, Financial Investment News, via phone
Angela Myers, Loop Capital, 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 – June 24, 2020.

Motion by Commissioner Spyropoulos, seconded by Vice President Regan, unanimously approved by roll call vote.

Approval of Meeting Agenda – July 22, 2020.

Motion by Trustee Young, seconded by Commissioner Du Buclet, unanimously approved by roll call vote.

Consent Agenda

Administrative Expenses, 9 items, \$4,274.25

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

Employee Annuity - 12 new retirees, \$79,608.89 total monthly

Motion to approve by Commissioner Du Buclet, seconded by Trustee Meany, unanimously approved by roll call vote.

Surviving Spouse and Child Annuity – 7 new annuitants, \$26,978.07 total monthly

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

Refunds - 6 refunds, \$129,667.40

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

Duty Disability, benefits for 6 persons

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

Ordinary Disability, benefits for 7 persons

Motion to approve by Vice President Regan, seconded by Trustee Young, 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 August 2020 disbursements of \$15.2M, and September 2020 disbursements of \$16.6M

Mr. Mohler reported that August 2020 disbursements are projected to be \$15.2M and the Board approved \$13.2M to be liquidated from SSgA US Aggregate Bond Index at the May meeting. We project only approximately \$12.1M will be needed to honor August 2020 disbursements.

For September 2020 projected disbursements of \$16.6M, Fund staff projects \$15.0M will need to be liquidated from investment assets to honor them. Fund staff expects employer contributions to be received before September 1st, so this is a conservative estimate.

Fund staff proposes the following liquidations for the projected September disbursements:

Neuberger Berman Fixed Income Core +	\$ 12.8M
Decatur Large Cap	\$ 2.2M

Motion by Trustee Meany to approve withdrawal of approximately \$12.8M from Neuberger Berman and \$2.2M from Decatur to fund the September 2020 payrolls. Motion was seconded by Commissioner Du Buclet, unanimously approved by roll call vote.

New Trustee Oath of Office – 40 ILCS 5/13-701

Vice President Regan read the Oath of Office to the Board's newly appointed Trustee; Bonnie T. Kennedy took the oath. Mr. Mohler explained that due to social distancing protocols, Trustee Kennedy and the other Trustees as witnesses will sign an individual Oath of Office form. At some point in the future the signatures will be consolidated.

Annual Election of an Employee Trustee - 2020 Rules of Election

The annual election of an employee Trustee will be held in October; the term of Trustee Young expires in November. Mr. Mohler reported that this year the Rules of Election have been drafted to incorporate several changes related to social distancing protocols. The Nominating Petition procedure will allow for electronic collection of the required 60 signatures using the new Fund email address, election2020@mwrdrf.org. Signatures will be verified by staff and confirmed by the Judges of Election. If there is more than one candidate nominated and an election is held, it is likely the procedures related to the gathering of ballots from the post office will be modified to incorporate social distancing protocols, some of which may be imposed by the USPS. Ballot counting procedures will also likely be modified - the Rules of Election allow the Judges to make decisions on the procedures considering the COVID-19 situation in October.

Motion by Commissioner Spyropoulos to adopt the Rules of Election and establish the Judges of Election as President Dalton, Vice President Regan, MWRD Employee Matt Dillon, with alternates Commissioner Du Buclet, Commissioner Spyropoulos, and MWRD Employee Michael Moses. Motion was seconded by Trustee Kennedy, unanimously approved by roll call vote.

2019 Comprehensive Annual Financial Report (CAFR) – Summary Presentation

Ms. Kulkarni reviewed the financial, actuarial and demographic highlights of the 2019 RF CAFR and Mr. Mohler reviewed the YTD investment performance; this summary was a preview of the presentation that Mr. Mohler will be presenting at the next MWRD BOC meeting on August 6th.

Staff Investment Report(s)

MWDBE Broker Utilization Policy update

Mr. Gillespie reported that all managers have confirmed receipt of the recently revised MWDBE Broker Utilization policy and are aware of the new goals for 2020. The revised MWDBE brokerage goals are 40% of commissions for domestic equities, 20% for international equities, and 25% of par for fixed income.

Watchlist Update

Mr. Gillespie updated the Board on the recent performance of the two firms that have been on the Watchlist since 2/29/20 for performance, Ariel and Matarin.

Mr. Gillespie reported the performance of Ariel since it was put on the Watchlist. He reported performance for Matarin as well, noting the firm has lost some clients during the first half of the year; AUM in the small cap core strategy is down 40% from 12/31/19 to 6/30/20.

Mr. Obed commented on a memo prepared by Marquette highlighting that Matarin has been on watch since March, noting that headwinds for their small cap core strategy are expected for the foreseeable future, and recommending termination. *(Note: current balance in the strategy is approximately \$31.9M.)*

Motion by Trustee Young to terminate Matarin and transfer the funds to the two other existing small cap equity managers, Wasatch and Mesirov. Seconded by Vice President Regan, unanimously approved by roll call vote.

Mr. Mohler noted the termination of Matarin which is a woman-owned firm will affect the Fund's MWDBE investment manager utilization, but only slightly as it was a small mandate. The Fund's MWDBE investment manager utilization at of 6/30/20 was at an all-time high.

Monthly Staff Investments Report

Mr. Gillespie reviewed the BNYM Custodian Report which showed the Fund's investments at \$1.33B as of 6/30/20. He reviewed the rebalancing schedule, noting strong performance in July reflected in the 7/21/20 balance of \$1.35B.

Mr. Gillespie also gave a brief performance update on the two managers that were scheduled to present at the meeting *(before COVID-19 social protocols were adopted)*. Wasatch small cap value strategy has outperformed in all periods since-inception in 2002, and O'Shaughnessy large cap value strategy has slightly outperformed the benchmark over the 7 year since-inception period but has slightly lagged in the shorter terms.

Sustainability Investment Policy – Mid-Year Update

Mr. Gillespie reported that all managers are aware of the Sustainability Investment Policy that became effective 1/1/20 and that all managers are signatories of the U.N. Principles for Responsible Investment.

Transition Manager Review Update

Mr. Gillespie reported that the May transition of Hexavest's assets to SSgA utilized State Street's transition management team. Staff is working with legal counsel to draft a template transition manager agreement that can be used to expand the number of providers for consideration.

Staff Investment Report(s), continued

Staff Meetings with Current or Prospective Managers - YTD

Mr. Gillespie reported that YTD staff has met (*in person or virtually*) with 18 prospective managers; 6 of those are MWDBE firms, and 3 are Illinois-based firms. He also reported that he has reached out to several other firms and will update the Board on any resulting meetings.

DWS RREEF real estate fund Board Member Voting Proxy

Mr. Gillespie brought to the attention of the Board that following the retirement of one RREEF director, RREEF has nominated Gregg Gonsalves to fill the vacancy. Mr. Gonsalves would increase the number of diverse directors on the RREEF Board to three of seven. Mr. Mohler and President Dalton have recognized this opportunity for the RREEF Board to add a talented Board member and increase the Board's diversity. They recommend a formal motion to approve.

Motion by Vice President Regan to approve the proxy vote in the affirmative to elect Mr. Gonsalves to the RREEF Board. Seconded by Commissioner Spyropoulos, unanimously approved by roll call vote.

Investment Consultant Report(s)

Introduction of New Client Representative

Mr. Obed introduced the newest member to his team at Marquette – Amanda Gall will be joining him as the client analyst on the MWRDRF relationship. Ms. Gall has been with Marquette for over two years and is progressing through the CFA program.

Monthly Flash Report

Mr. Obed presented the June 2020 Performance Report which presents in detail the recent performance of the Fund's portfolio by asset class and by manager, noting strong performance during the month and quarter.

Market Environment

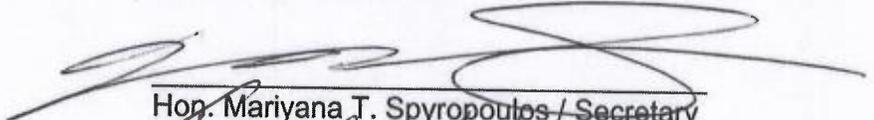
Mr. Obed reviewed the Q2 2020 Market Environment report, noting the impacts of global re-opening of economic activity during this phase of the pandemic. Fiscal policy, including bailouts and commitment to low interest rates, have added liquidity and contributed to the positive sentiment in the market.

Adjournment

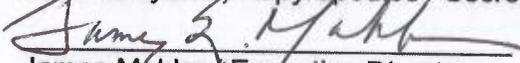
Motion to adjourn was made by Commissioner Spyropoulos, seconded by Vice President Regan, unanimously approved by roll call vote.

President Dalton adjourned the meeting at 11:42 a.m.

Respectfully submitted,



Hon. Mariyana T. Spyropoulos / Secretary



James Mohler / Executive Director

Prepared by:



Vrinda Kulkarni / Accountant