

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees October 28, 2020

Meeting#: 1173

Call to order: 10:03 a.m.

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

Presiding: John P. Dalton, President

Roll Call:

Trustees:	Present	Present via videoconference
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, present
Mary Murphy, Operations Manager, via videoconference
Brian Gillespie, Financial Analyst, via videoconference
Ksenija Hrvojevic, Benefits Manager, via videoconference

Also present: Mr. Kweku Obed, Marquette Associates, via videoconference
Ms. Amanda Gall, Marquette Associates, via videoconference
Mary Ann Boyle, MWRD Treasurer, via videoconference
Members of the public, via teleconference

Roll Call

President Dalton conducted a roll call.

Meeting Notice

President Dalton stated for the record that since Governor Pritzker has issued a disaster declaration regarding public health concerns from COVID-19, the monthly meeting of the MWRDRF Board will be conducted remotely and in accordance with section ILCS 120 7(e) of the Illinois Open Meetings Act.

Meeting attendance

To ensure that the minutes of the meeting are properly recorded, anyone attending the meeting via teleconference outside the Board members, Fund consultants, and pertinent Fund staff, were asked to identify themselves and affiliation, if any.

Public Comment

President Dalton solicited public comments; there were none.

Regular Business

Approval Regular Meeting Minutes – September 23, 2020

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

Approval Special Meeting Minutes – September 19, 2020

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

Approval of Meeting Agenda – October 28, 2020.

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

Consent Agenda

Administrative Expenses, \$120,897.64

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

Investment Expenses, none

Employee Annuitants - 12 new retirees, \$51,776.02 total monthly

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

Surviving Spouse and Child Annuitants – 3 new annuitants, \$8,536.37 total monthly

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

Refunds - 6 refunds, \$147,004.59

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

Consent Agenda, continued

Duty Disability, benefits for 14 persons

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

Ordinary Disability, benefits for 4 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 necessary investment withdrawals and funding of upcoming payrolls.

For projected November 2020 disbursements of \$15.3M

Mr. Mohler reported that November 2020 disbursements are projected to be \$15.3M; the Board approved \$13.0M to be liquidated from the Fund's domestic and international equity allocations from Decatur Capital LCG and SSgA MSCI ACWI ex-US Index.

For December 2020 disbursements of \$16.3M

Mr. Mohler reported that for December 2020 projected disbursements of \$16.3M, Fund staff projects \$14.7M will need to be liquidated from investment assets.

Fund staff recommends the following sources for the projected December disbursements:

Decatur Capital Large Cap Growth \$ 5.4M

SSgA S&P500 Index Fund \$ 9.3M

Motion by Commissioner Spyropoulos to approve withdrawal of approximately \$5.4M from Decatur Capital and \$9.3M from SSgA S&P500 Index Fund to fund the December 2020 disbursements. Motion was seconded by Trustee Kennedy, unanimously approved by roll call vote.

Annual Election of an Employee Trustee – Election Update

Mr. Mohler reported that the annual election was held on October 20, 2020; Trustee Young was elected.

Approximately 34% of the active membership participated in the election. Mr. Mohler thanked the Election Judges for their service and Officer Quezada for running. He congratulated Trustee Young on his election, and requested the Board certify the results of the election.

Motion to approve the Certified results of the election by President Dalton, seconded by Commissioner Spyropoulos, approved by roll call vote. (6 Ayes, 1 Abstain- Young)

Mr. Mohler expressed appreciation for the efforts of Ksenija Hrvojevic in leading the election process successfully despite the challenges presented by the current COVID-19 climate.

Administrative, continued

Trustee Education Requirements and Opportunities

Mr. Mohler reported that the Department of Insurance has extended the date by which Trustee annual training requirements must be completed, from December 31, 2020 to June 30, 2021. Trustees have been provided with their log of training time for YTD 2020.

Mr. Gillespie provided an update on upcoming training opportunities. He reported that the NCPERS virtual conference will be rescheduled for a later date. The IFEBP is offering an on-demand virtual event December 8th - 10th entitled Retirement Plan Investments and Vendor Management.

To ensure Trustees are able to attend trainings for which attendance fees may not have yet been finalized by the organizers, Mr. Mohler recommended the Board approve a not-to-exceed dollar amount for attendance of training in advance of registrations.

Motion was made by Vice President Regan, seconded by Trustee Kennedy to approve up to \$10,000 of Trustee conference and training registration expense that may occur before year end. Motion was unanimously approved by roll call vote.

Unclaimed Property Reporting Requirement

Ms. Murphy reported that Fund staff has prepared and expects to submit the report by November 1 to fulfill the reporting requirements of PA 101-0546. She described challenges in entering the data for the Fund's approximately 80 records per the State's reporting criteria and data fields. Criteria for reporting unclaimed property to the State includes the elapse of a 3-year holding period and reaching age 70 1/2 in the cases of unrefunded contributions for inactive members; the State did not include any de minimis rules. Ms. Murphy noted in general the Fund's unclaimed property had arisen prior to 2008 due to prorates and other circumstances where beneficiaries were not found; there have been very few additions to the list in recent years due in large part to staff formally requesting updated Employee Information every few years. She also noted the importance of Fund members keeping their beneficiary forms up to date. Mr. Mohler stated he will email the statute for Trustees to review.

40 ILCS 5/1-113.8 Trustee Training

Mr. Mohler reviewed the Board Determined Curriculum Memorandum, to explicitly state the types of training the Board has determined will fulfill the training requirements of 40 ILCS 5/1-113.8.

Assignment of Benefit

Mr. Mohler reported that he will continue discussions with Ms. Hrvojevic, Ms. Murphy and Fund counsel regarding payments currently being made from member's refunds or annuities directly to the MWRDECU (Credit Union) or the MWRDGC. An assignment of benefits is not expressly provided for in Article 13 of the Illinois Pension Code regarding these matters.

Legal & Legislative

Annual Illinois Training Requirements for Fiduciaries - Update

Mr. Mohler reported harassment prevention training requirements for staff and Trustees should be fulfilled before year-end. As in prior years, District training resources will be used by MWRD employee Trustees and Fund staff; other venues will be provided if necessary.

Legal & Legislative, continued

Veto Session Dates

Mr. Mohler reported that veto session is tentatively scheduled for 11/17 -11/19 and 12/1-12/3. Commissioner Du Buclet also commented on the uncertainties about the schedule, due to there being no bills to veto, and due to rising coronavirus cases.

Meeting attendance (reminder)

To ensure that the minutes of the meeting are properly recorded, anyone attending the meeting via teleconference outside the Board members, Fund consultants, and pertinent Fund staff, were asked to identify themselves and affiliation, if any.

Staff Investment Update(s)

Reports by Investment Manager

LSV Asset Management - Mr. Scott Kemper and Mr. Bhaskaran Swaminathan presented an updated on the firm's international small cap equities strategy, including the headwinds faced over the last 2 years. Mr. Kemper responded to inquiries from Mr. Obed and Mr. Gillespie on the possible effect of a COVID-19 vaccine on the markets. Additional details about the presentation slide on firm-specific characteristics was requested. President Dalton thanked them for their presentation.

DFA - Mr. Jeffrey Antonacci and Mr. Robert Deere presented an update on the DFA Emerging Markets Core Equity Portfolio. Mr. Antonacci responded to Mr. Obed's inquiry about country exposure. President Dalton thanked them for their presentation.

Diversification – Asset Allocation

Mr. Mohler and Mr. Obed recapped the recent Trustee training (Infrastructure and Low Volatility) and discussions about asset allocation; they recommended the Board consider different allocation scenarios at the December meeting. President Dalton directed staff and consultant to prepare detailed discussion materials showing the risk/return characteristics of various allocation scenarios.

Active vs Passive Management – Indexing Opportunities

Mr. Obed discussed a Marquette Associates memorandum about indexing opportunities in the large cap space, and the estimated fee savings of \$154,000 associated with a transition from active to passive management. The memorandum concluded in a recommendation to transition out of the current large cap value mandate into the SSgA Large Cap Value Index Fund.

Motion was made by Commissioner Du Buclet, seconded by Vice President Regan, to transition approximately \$36M from O'Shaughnessy Large Cap Value to the SSgA Large Cap Index. Motion was unanimously approved by roll call vote.

Illinois Senate Hearings

Mr. Mohler reported that Mr. Gillespie prepared and sent responses to the Senate Hearings Questionnaire which was due Friday October 23rd. Currently there are no dates set for hearings, and if they were to occur before year-end, it is likely they will be in virtual meeting format. To prepare for any possible hearings, a summary of the Fund's MWDBE utilization will be prepared and forwarded to the Board for their review.

Staff Investment Update(s), continued

Monthly Staff Investments Report

Mr. Gillespie reviewed the BNYM Custodian Report which showed the Fund's investments at \$1.37B as of 9/30/20. He reviewed the rebalancing schedule, noting the 10/23/20 investment balance of \$1.4B.

Watchlist Update

Mr. Gillespie updated the Board on the recent performance of the Ariel Mid Cap mandate, which has been on the Watchlist for performance reasons since March.

Mr. Obed reviewed a Marquette Memorandum recommending that LSV International Small Cap and DFA Emerging Markets be placed on the Watchlist for performance reasons.

Motion made by Trustee Young, seconded by Trustee Kennedy, to place LSV International Small Cap and DFA Emerging Markets on watch for performance reasons. Motion was unanimously approved by roll call vote.

Mr. Gillespie noted that last month the Board placed UBS Trumbull Property Fund on watch due to performance – no update will be given at this time as the fund is valued only quarterly.

Investment Consultant Report(s)

Market Environment

Mr. Obed reviewed the September 2020 Market Environment report.

Monthly Flash Report

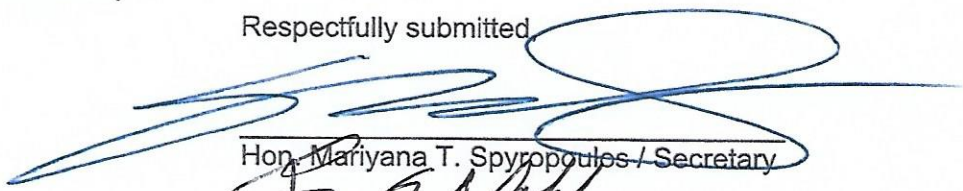
Mr. Obed presented the September Performance Report, which presents in detail the recent performance of the Fund's portfolio by asset class and by manager.

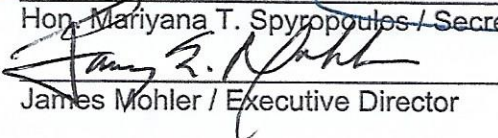
Adjournment

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

President Dalton adjourned the meeting at 12:58 p.m.

Respectfully submitted,


Hon. Mariyana T. Spyropoulos / Secretary


James Mohler / Executive Director

Prepared by:


Vrinda Kulkarni / Accountant

