

# Metropolitan Water Reclamation District Retirement Fund

## Minutes Regular Meeting Board of Trustees November 18, 2020

Meeting#: 1174

Call to order: 10:05 a.m.

Place: Held via Video 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 videoconference</b>
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:  
Maja Ben, Fundmap

## **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 – October 28, 2020.

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

Approval of Meeting Agenda – November 18, 2020.

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

## **Consent Agenda**

Administrative Expenses, \$120,617.10

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

Investment Expenses, \$797,315.03

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

Employee Annuitants - 6 new retirees, \$22,747.01 total monthly

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

Surviving Spouse and Child Annuitants – 5 new annuitants, \$26,024.06 total monthly

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

Refunds - 5 refunds, \$123,872.46

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

Duty Disability, benefits for 11 persons

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

Ordinary Disability, benefits for 7 persons

*Motion to approve by Trustee Young, seconded by Trustee Kennedy, 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 December 2020 disbursements of \$15.8M***

Mr. Mohler reported that December 2020 disbursements are projected to be \$15.8M; the Board approved \$14.7M to be liquidated from the Fund's domestic equity allocations from Decatur Capital LCG and SSgA S&P500 Index Fund. Actual liquidation requirements expected to be less than anticipated at approximately \$13.8M.

#### ***For projected January 2021 disbursements of \$15.4M***

Mr. Mohler reported that for January 2021 projected disbursements of \$15.4M, Fund staff projects \$13.75M will need to be liquidated from investment assets.

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

<b><u>Investment Manager</u></b>	<b><u>Investment Mandate</u></b>	<b><u>(\$M)</u></b>
SSgA MSCI ACWI ex-US	International Equity	\$9.0M
Mesirow Financial	Domestic Equity - SCV	\$4.75M

*Motion by Commissioner Spyropoulos to approve withdrawal of approximately \$9.0M from SSgA MSCI ACWI ex-US International Equity Index Fund, and \$4.75M from Mesirow Financial SCV to fund the January 2021 disbursements. Motion was seconded by Trustee Kennedy, unanimously approved by roll call vote.*

## **Staff Administrative Update**

### **Matter of Elective Trustee – Oath of Office Elective Trustee – Term 12/1/20 to 11/30/24\***

Trustee Young took the Oath of office for a new 4-year term 12/1/20 to 11/30/24. The other Trustees will submit a signed Oath of Office document to Mr. Mohler stating they were witnesses to the oath being taken. The oath will also be filed with MWRDGC Clerk Jackie Torres.

### **Pension Administration System - Project Update**

Ms. Murphy reported that the PAS project with Provaliant is in the very early stages of determining which of the many various functionalities would be appropriate for the Fund. Mr. Mohler added that this project will be discussed with Trustees further in conjunction with the upcoming Budget discussions.

### **Assignment of Benefit – 40 ILCS 5/13-805**

Mr. Mohler reported that discussions continue with President Dalton and Fund counsel regarding payments currently being made from member's refunds or annuities directly to the MWRDECU (Credit Union) or the District. An assignment of benefits is not expressly provided for in Article 13 of the Illinois Pension Code regarding these matters. Mr. Mohler expects that Fund counsel will present a memorandum to Trustees prior to the next Board meeting. If desired by the Board, Joseph Burns will attend the next meeting virtually.

## **5 Year Operating Cash Flow Projections – (2021-2025)**

Mr. Mohler presented a 5-year operating cash flow projection which shows payouts, primarily for benefits, growing at a higher rate than operating cash flows which are EE & ER contributions. This analysis is being presented to the Board as it was last year, in advance of presenting the next year's budget.

## **Staff Administrative Update, continued**

### **Actuarial Sensitivity Analysis**

Following discussions between Foster & Foster, President Dalton, MWRD Treasurer Boyle and Fund staff, Mr. Mohler reported that Foster & Foster is preparing a sensitivity analysis (projections) for various changes in actuarial assumptions. The analysis is projected to be available for January meeting of the Board.

### **Trustee Education Requirements and Opportunities**

Mr. Mohler reminded the Trustees of their annual training requirements. Commissioner Du Buclet and President Dalton noted that while conference attendance may not have worked out due to timing, many of the conferences have on-demand materials available on their websites. Commissioner Spyropoulos thanked Mr. Gillespie for all his assistance with conference information and registration.

### **Proposed 2021 Retirement Board Meeting Schedule\***

Mr. Mohler presented the proposed 2021 Board Meeting Schedule.

*Motion to approve the 2021 Board Meeting Schedule by Commissioner Spyropoulos, seconded by Vice President Regan, unanimously approved by roll call vote.*

## **Legal & Legislative**

None

### **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.

### **Manager Presentation to Trustees**

**Ariel** – Ms. Valerie King, Mr. Timothy Fidler and Mr. John Rogers gave a brief organizational update and a detailed update on the performance of the Mid-Cap Value (MCV) Portfolio since being put on the Fund's watchlist for performance reasons in February 2020. Mr. Mohler requested information (i.e. reasoning) on holdings new to the portfolio as well as on holdings removed from the portfolio in the last year. Mr. Rogers responded to an inquiry by Commissioner Spyropoulos about the possible impact, if any, on the portfolio if student debt was forgiven by the next White House administration. Mr. Rogers and Mr. Fidler responded to Mr. Gillespie's inquiry about the factors contributing to the recent improvement in downside capture exposure.

## **Staff Investment Update(s)**

### **Watchlist Update\***

Mr. Gillespie noted the watchlist report he had prepared for the Trustees, summarizing the performance of Ariel's Mid-Cap Value mandate since 2/2020.

## **MWDBE Utilization – Investment Management and Broker Utilization**

Mr. Gillespie presented the YTD report which showed MWDBE brokerage exceeding policy goals for all asset categories. Mr. Mohler pointed out that the MWDBE investment management utilization for active mandates of 32.5% was among the highest in Illinois and the country. Discussion followed; no action taken by the Board.

## **Staff Investment Update(s), continued**

### **Monthly Staff Investments Report**

Mr. Gillespie reviewed the BNYM Custodian Report which showed the Fund's investments at \$1.35B as of 10/31/20. He reviewed the rebalancing schedule, noting the 11/17/20 investment balance of \$1.42B and actual asset allocation in line with the target allocation.

### **Security Lending Report**

Mr. Gillespie presented the Q3 2020 Securities Lending report, which showed securities lending income from SSgA of \$12,167, and from BNYM of \$32,134.

### **MWDBE Investment Manager Utilization Policy Revisions – Preliminary Discussion**

Mr. Mohler reported that internal discussions on consolidating the Fund's utilization goals have been had, and he hopes to send a draft policy to Trustees before the next meeting.

### **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.

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

### **Market Environment**

Mr. Obed reviewed the October 2020 Market Environment report.

*(At which point Trustee Meany left the virtual meeting)*

### **Monthly Flash Report**

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

### **Watchlist Discussion**

Mr. Mohler recommended the Board consider removing Ariel from the Watchlist in light of their improved performance over the watch period. Mr. Mohler also asked the Board to give direction to bring information on Ariel's SMID product to compare to the Mid-Cap mandate.

Motion made by Commissioner Du Buclet, seconded by President Dalton to remove Ariel from the Watchlist due to improved performance. Motion passed by roll call vote (6 ayes, 0 nays)

President Dalton gave direction to staff to work with Ariel and Marquette to bring information to the Board on Ariel's SMID product.

**Other Comments**

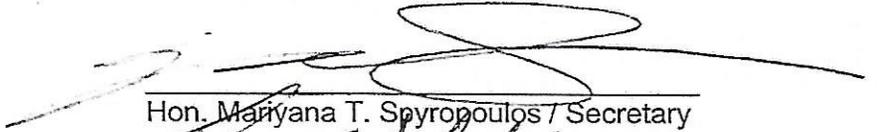
Mr.Mohler stated that he and Ms. Murphy will be contacting Trustees individually to review the proposed 2021 Budget in the coming few weeks.

**Adjournment**

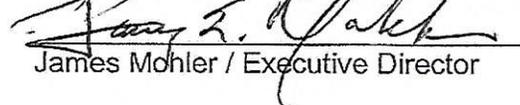
*Motion to adjourn was made by Commissioner Spyropoulos, seconded by Vice President Regan, approved by roll call vote.(6 ayes, 0 naves)*

President Dalton adjourned the meeting at 12:08 p.m.

Respectfully submitted,



Hon. Maryana T. Spyropoulos / Secretary



James Mohler / Executive Director

Prepared by:



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Vrinda Kulkarni / Accountant 