Meeting #: 1175
Call to order: 10:00 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:

<table>
<thead>
<tr>
<th>Trustees</th>
<th>Present</th>
<th>Present via videoconference</th>
</tr>
</thead>
<tbody>
<tr>
<td>John P. Dalton, President</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Robert T. Regan, Vice President</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Hon. Mariyana T. Spyropoulos, Secreta</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Hon. Kimberly Du Buclet</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Bonnie T. Kennedy</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Kathleen T. Meany</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Kevin Young</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

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
Ms. Colleen Flannery, Marquette Associates, via videoconference
Mary Ann Boyle, MWRD Treasurer, via videoconference
Members of the public, via teleconference:
Zack Cziryak, Financial Investment News
Angela Myers, Loop Capital
**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**
*Motion by Commissioner Spyropoulos, seconded by Trustee Kennedy, unanimously approved by roll call vote.*

Approval of Executive Session Minutes – N/A

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

**Consent Agenda**

Administrative Expenses, $122,212.84
*Motion to approve by Commissioner Spyropoulos, seconded by Commissioner Du Buclet, unanimously approved by roll call vote.*

Investment Expenses, $41,730.75
*Motion to approve by Commissioner Du Buclet, seconded by Trustee Young, unanimously approved by roll call vote.*

Employee Annuitants - 7 new retirees, $44,492.29 total monthly
*Motion to approve by Commissioner Spyropoulos, seconded by Trustee Kennedy, unanimously approved by roll call vote.*

Surviving Spouse and Child Annuitants – 4 new annuitants, $23,355.04 total monthly
*Motion to approve by Commissioner Spyropoulos, seconded by Trustee Young, unanimously approved by roll call vote.*

Refunds - 8 refunds, $172,438.40
*Motion to approve by Vice President Regan, seconded by Trustee Young, unanimously approved by roll call vote.*
**Consent Agenda, continued**

Duty Disability, benefits for 16 persons

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

Ordinary Disability, benefits for 8 persons

*Motion to approve by Commissioner Spyropoulos, seconded by Vice President Regan, 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 January 2021 disbursements of $15.3M*

Mr. Mohler reported that January 2021 disbursements are projected to be $15.3M; the Board approved up to $13.75M to be liquidated from the Fund’s domestic and international equity allocations from Mesirow SCV and SSgA ACWI Index Fund at the November meeting.

*For projected February 2021 disbursements of $15.6M*

Mr. Mohler reported that for February 2021 projected disbursements of $15.6M, Fund staff projects $13.85M will need to be liquidated from investment assets.

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

<table>
<thead>
<tr>
<th>Investment Manager</th>
<th>Investment Mandate</th>
<th>($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFA</td>
<td>Emerging Markets</td>
<td>$8.45M</td>
</tr>
<tr>
<td>SSgA</td>
<td>S&amp;P 400</td>
<td>$5.4M</td>
</tr>
</tbody>
</table>

*Motion by Vice President Regan to approve withdrawal of up to $8.45M from Dimensional Fund Advisors Emerging Markets Fund, and $5.4M from SSgA S&P400 Index Fund to fund the February 2021 disbursements. Motion was seconded by Trustee Young, unanimously approved by roll call vote.*

**Staff Administrative Update**

**Election of RF Officers**

In accordance with 40ILCS 5/13-704, Mr. Mohler recommended the Board appoint officers for the year 2021.

*Motion was made by Vice President Regan to appoint John P. Dalton for President, Kevin Young for Vice-President, and Commissioner Spyropoulos for Secretary for the year 2021. Motion was seconded by Trustee Meany, unanimously approved by roll call vote.*

**Pension Administration System - Project Update**

Ms. Murphy reported that the PAS project with Provaliant has begun with staff compiling a lengthy list of typical requirements for a PAS. Provaliant has reviewed the list and expects to present a draft RFP by the end of the week. Ms. Murphy noted she expects the draft will need substantial amounts of editing, and that the final RFP may be ready to go to market mid-year 2021.

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

Mr. Mohler reported that draft opinions from Fund counsel has been received 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 stated he expects the Credit Union procedures may not change substantially, but that some of the forms used may need to more clearly state the Fund’s role in the assignment of the benefit. He also stated further dialogue will be necessary with the District and/or the District’s legal counsel as an interested party, to determine concurrence with Fund counsel’s preliminary opinions on the matter.

**Staff Administrative Update, continued**

**Actuarial Sensitivity Analysis**

Mr. Mohler reported that per the Board’s direction, Foster & Foster is continuing work on the sensitivity analysis (projections) for various changes in actuarial assumptions. The analysis is projected to be available for the January meeting of the Board, and after the 2020 valuation is complete, the numbers will be run again and reported to the Trustees. Depending on the expected length of Jason Franken’s presentation, a Special Meeting may be arranged.

**Trustee Education Requirements and Opportunities**

Mr. Mohler reminded the Trustees to submit their competed 2020 training hours by entering them directly in the Excel worksheet for that purpose. He will submit the data and get the Trustee’s certified for completion of the 2020 training requirements. Mr. Obed reminded the Trustees that on the website of Marquette Associates, pre-recorded webinars are available to anyone who wants to access them to complete the required training hours.

**2021 Draft Administrative Budget Presentation*\**

Mr. Mohler reported that small group (non-quorum) meetings took place in early December between himself, Ms. Murphy and the various Trustees to review the proposed 2021 Budget. Inherent in the proposed Budget are the staff accomplishments in 2020 and goals for 2021. Mr. Dalton solicited questions from the Trustees; there were none. He recommended approving a staff salary increase of 1.5%, subject to satisfactory or better written reviews of personnel.

*Motion was made to approve the 2021 RF Budget, including a 1.5% increase to staff salaries, by President Dalton. Motion was seconded by Trustee Kennedy, unanimously approved by roll call vote.*

Trustee Meany commented that the small group presentations of the proposed Budget were very helpful, and she expressed her appreciation to the staff for a job well done in 2020 during very difficult circumstances. Mr. Mohler also acknowledged his reliance on Ms. Murphy’s institutional knowledge to answer his many questions and thanked her for all her hard work preparing the 2021 Budget.

**Legal & Legislative**

**Legislative Agenda Discussion**

Mr. Mohler reported he had forwarded Mr. Walsh’s latest communication to the Trustees this morning. It is likely the Fund will be reintroducing the Fund’s disability bill in 2021. Mr. Mohler asked the Board to consider in advance of the January meeting any other new legislation to introduce for 2021. He reminded the Board that the District has introduced a bill to allow additional sources of revenue to be put into the pension fund; current sources are limited to tax revenues and interest income.

**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)
Monthly Staff Investments Report
Mr. Gillespie reviewed the BNYM Custodian Report which showed the Fund's investments at $1.45B as of 11/30/20. He reviewed the rebalancing schedule, noting the 12/11/20 investment balance of $1.46B and actual asset allocation in line with the target allocation.

Watchlist Update*
Mr. Gillespie gave an update on the watchlist report. At the October meeting DFA Emerging Markets and LSV International SCV were placed on watch for performance reasons, and at the September meeting the UBS Trumbull Property Fund was placed on watch for performance reasons. Mr. Gillespie reviewed the performance, both short-term, and long-term, including performance of the three managers since being placed on watch. Staff will continue monitoring; no action was recommended at this time.

Department of Labor – Final “Pecuniary Factor” Rule
Mr. Gillespie reviewed the progress of the Department of Labor’s preliminary ruling re: investment guidance that applies to ERISA plans. The final ruling came out in October; the DOL removed any language specific to ESG investing and it goes into effect January 12, 2021. President Dalton commented that though the ruling does not apply to the Fund, it is important for the Board to be aware of ERISA changes; this particular change may affect the ESG marketplace.

Illinois Senate Special Committee on Pension Investments Hearings (12/11/20) – Update
Mr. Mohler reported that the hearings were held virtually this year, split up over 4 days; the RF hearing was on the fourth day, Friday December 11, 2020, led by Chairman Harris. President Dalton, Mr. Mohler, Mr. Gillespie, Mr. Obed and Mr. Wrubel were in attendance. The 2-page summary Mr. Gillespie had prepared was submitted to the committee prior, for review. The hearing went well, lasting about 15 minutes. Mr. Mohler came away with the impression that Chairman Harris will be considering revisions to the guidance to focus on women and minority owned firms, and possibly re-focus the hearings accordingly.

(At which point Commissioner Spyropoulos exited the virtual meeting)

MWDBE Investment Manager Utilization Policy Revisions – Draft Consideration
Mr. Mohler presented the draft revised policy with the purpose of making it more in-line with the spirit of the public policy of the State of Illinois. The revisions include goals for the utilization of women and minority owned active management firms (Minority Investment Managers or MIM) with changes to quantifiable goals based on ownership structure and asset class. In addition, there are changes to quantifiable goals for MIM’s that are defined as Emerging within the Illinois Pension Code (AUM < $10B.) to be a subset of MIM utilization goals. The draft policy encompasses increases to active management by minority and women owned firms from ranges of 12-22% to 25-35%.

Motion was made to approve the revised MWDBE Investment Manager Utilization Policy, by Trustee Young. Motion was seconded by Vice President Regan, unanimously approved by roll call vote.
Investment Consultant Report(s)

Mandate Review – Ariel Capital

Mr. Obed introduced Ms. Colleen Flannery to review the Marquette Associates memorandum she prepared comparing the Fund’s current MCV mandate and Ariel Capital’s SMID strategy. Both portfolio’s portfolio managers include John Rogers, the co-CEO of Ariel Investments. Each have co-portfolio managers, and both are supported by the same team of analysts. The main differentiator between the strategies is the benchmark, going from Russell Mid Cap Value to the Russell 2500 Value. She reviewed asset allocation, sector diversification, concentration and fee structure.

Mr. Obed made the recommendation to transition from the Ariel Mid Cap Value strategy to the SMID Cap Value strategy. Mr. Mohler commented that the transition would be expected to be easy and will be discussed with Ariel prior if the Board approved the change.

*Motion was made to approve the transition from the Ariel Mid Cap Value strategy to the Ariel SMID Cap Value strategy, by President Dalton. Motion was seconded by Vice President Regan, unanimously approved by roll call vote.*

Market Environment

Mr. Obed reviewed the November 2020 Market Tracker, as the Market Environment report was not yet available.

Monthly Flash Report

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

Diversification – Asset Allocation Study Review

Mr. Obed reviewed the key points of the Asset Allocation Study that was provided to the Trustees two weeks prior. He reviewed the expected returns for the various asset classes provided by the various Monte Carlo simulations that were run; the asset classes included Global Low Volatility and infrastructure. He reviewed the overall expected return from a risk management viewpoint, and made a recommendation for a new target allocation, “Portfolio A” in the Study document.

At Mr. Dalton’s request, Mr. Obed reviewed the downside risk section on p.2 of the Study document and explained the downside probabilities. The Board deferred making a decision on the recommended asset allocation until the January meeting, but asked staff to prepare the draft RFP for Global Low Volatility that would be necessary if the recommended change is approved.

Other Comments

Mr. Mohler thanked the Board for their support during a historic year and thanked the consultants for all their hard work on the Asset Allocation Study and throughout the year. He thanked Rhonda Weiland, the transcriber from Veritext, for her service this year. Mr. Dalton thanked staff for carrying out the mission of the Fund without lapse during a very challenging year.

Ms. Mary Ann Boyle inquired about the differences between the Fund’s asset allocation and that of the OPEB plan, stating the OPEB Plan contains a Global Low Volatility strategy, and the Plan has YTD returns of 10.1%. Mr. Obed responded to her inquiry.
Adjournment

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

President Dalton adjourned the meeting at 12:18 p.m.

Respectfully submitted,

Hon. Mariyana T. Spyropoulos / Secretary

James Mobler / Executive Director

Prepared by:

Vrinda Kulkarni / Accountant