

Metropolitan Water Reclamation District Retirement Fund

Minutes Regular Meeting Board of Trustees February 23, 2022

Meeting#: 1189

Call to order: 10:01 a.m.

Place: MWRD Third Floor Conference Room, 100 E. Erie St. Chicago, IL

Presiding: John P. Dalton, President

Roll Call:

Trustees:	Present	Present via videoconference	Absent
John P. Dalton, President	X		
Kevin Young, Vice President		X	
Hon. Mariyana T. Spyropoulos, Secretary		X	
Hon. Kimberly Du Buclet		X	
Bonnie T. Kennedy		X	
Carmen Scalise		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
 Vrinda Kulkarni, Accountant, via videoconference

Also present: Mr. Kweku Obed, Marquette Associates, via videoconference
 Mr. Alberto Rivera, Marquette Associates, via videoconference
 Ms. Mary Ann Boyle, MWRD Treasurer, via videoconference
 Mr. Thomas Walsh, Legislative Consultant, via videoconference

Members of the public, via teleconference:
 Zack Cziryak, Financial Investment News
 Angela Myers, Loop Capital Markets
 Joe Abisa, Intelligence Center

Roll Call

President Dalton conducted a roll call.

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 – 1/26/22

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

Approval Executive Session Minutes – 1/26/22

Motion to approve and keep closed by Vice President Young. Seconded by Trustee Scalise, unanimously approved by roll call vote.

Approval of Meeting Agenda – 2/23/22

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

Consent Agenda

Administrative Expenses, 15 items, \$141,852.57

Motion to approve by Trustee Kennedy. Seconded by Vice President Young, unanimously approved by roll call vote.

Investment Expenses, 17 items, \$944,586.19

Motion to approve by Vice President Young. Seconded by Commissioner Du Buclet, unanimously approved by roll call vote.

Employee Annuitants - 6 new retirees, \$32,674.38

Motion to approve by Vice President Young. Seconded by Commissioner Du Buclet, unanimously approved by roll call vote.

Surviving Spouse & Child Annuitants – 7 new surviving spouses, \$43,994.20

Motion to approve by Commissioner Spyropoulos. Seconded by Trustee Scalise, unanimously approved by roll call vote.

Refunds – 11 refunds, \$228,602.58

Motion to approve by Vice President Young. Seconded by Trustee Scalise, unanimously approved by roll call vote.

Duty Disability, benefits for 10 persons, \$832.49

Motion to approve by Trustee Kennedy. Seconded by Vice President Young, unanimously approved by roll call vote.

Consent Agenda, continued

Ordinary Disability, benefits for 7 persons, \$1,489.82

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

Administrative

Cash Allocation

Mr. Mohler reported the following regarding necessary liquidity for upcoming disbursements.

For March 2022 disbursements of (\$17M), only (\$8.15M) of the previously approved (\$15.5M) will be needed to honor them. For April 2022 projected disbursements of (\$16.2M), Fund staff projects (\$14.5M) of invested assets will need to be liquidated to honor them. Fund staff recommends needed liquidity from the following sources:

<u>Investment Manager</u>	<u>Investment Mandate</u>	<u>(\$M)</u>
Ariel Investments	SMID Cap Value	\$14.5M

Motion by Vice President Young to approve staff's recommendation for necessary liquidity. Seconded by Trustee Kennedy, unanimously approved by roll call vote.

Staff Administrative Update

Requirement to Report Fraud – 40 ILCS 5/1-135

Mr. Mohler reminded the Trustees of their responsibility to report any reasonable suspicion of a false statement or falsified record being submitted to the Fund and the Board's need to immediately notify the State's Attorney of the relevant jurisdiction.

Mr. Mohler also reported to the Board of two recent benefits fraud cases involving fraudulent direct deposit change forms received by fax – a third case was identified by staff before payment. All monies paid to fraudulent accounts have been recovered and additional internal controls have been instituted by the benefits team. Several other Funds have experienced similar fraud recently, with fraudulent direct deposit change forms being received from the same fax number. Tim Blair, the Director of SERS has filed a complaint with the Illinois State Police, providing information on all the Funds affected. Ms. Hrvojevic has filed an online complaint with the Illinois State's Attorney's Office. Fund's legal counsel at JBOH has been consulted. Mr. Mohler requested Board direction to send a formal letter to the State's Attorney's Office, and to work with counsel on next steps. Discussion ensued.

Motion was made by Commissioner Spyropoulos to direct staff to file a formal complaint letter with the Illinois State's Attorney's Office, and to work with Fund counsel on next steps. Seconded by Trustee Kennedy, unanimously approved by roll call vote.

Pension Administration System – Presentation of Finalist

Ms. Murphy reported that Project Ascent is the name of the PAS project that encompasses some ancillary projects such as data management and cleansing. Provaliant has assisted with RFP development and evaluation of responses, and MBS is the vendor assisting with data management.

Ms. Wendy Sanchez, Mr. Bob Solheim and Mr. Jay Masci recapped at a high level the various stages of the procurement process over the last 18 months or so. Ms. Sanchez announced that the finalist for Board consideration is LRS (Levi, Ray and Shoup.) Mr. Mohler thanked the Provaliant team for the presentation.

Staff Administrative Update, continued

Pension Administration System – Presentation of Finalist, continued

Motion was made by Vice President Young to direct staff to send an intent-to-award letter to Levi, Ray and Shoup and to begin contract negotiations. Seconded by Trustee Scalise, unanimously approved by roll call vote.

Mr. Mohler thanked Vice President Young for participating in the process up to this point and anticipates he will continue to be helpful to staff over the next few years of PAS development.

Web-based Collaborative IT Platform Discovery

Mr. Mohler reviewed the history and timing of staff requests for a collaborative IT Platform, like SharePoint, and other cloud services. After initial inquiries, Ms. Murphy found that SharePoint has many more capabilities than just file storage; it would offer opportunities to move file storage from aging servers, provide greater functionality and improved automation and workflow. Mr. Bunimovich also commented. Mr. Mohler informed the Board that budgeted dollars exist for a SharePoint project, and those dollars will be used to engage MXOtech to assist with a discovery project to help define the requirements (file migration, architecture, SharePoint implementation) and develop the RFP. Discussion ensued.

Retirement Fund By-Laws Revisions

Mr. Mohler reviewed proposed revisions to the Retirement Fund By-Laws. Primary changes were to verbiage about the required quorum in a virtual environment, and to check signer requirements for physical checks over \$5,000.00, and (benefit checks) replacement payments. Revisions had been reviewed by Fund counsel prior. Discussion ensued.

Motion was made by Commissioner Du Buclet to approve the proposed revisions to the Retirement Fund By-Laws. Seconded by Vice President Young, unanimously approved by roll call vote.

2021 Audit / Actuary Reports Update

Ms. Kulkarni reported that the 2021 Financial Statement Audit is underway and expected to be completed in the usual timeframe of mid-to-late April. The annual Actuarial Valuation is also going smoothly and should be submitted to the Fund on time.

Fund Staffing Update

Ms. Murphy reviewed the process of filling the open position of Office Services Assistant. Six candidates were interviewed, and after evaluation, a top candidate was chosen. Ms. Hrvojevic requested Board direction to make the appointment subject to pre-employment screening.

Motion was made by Commissioner Spyropoulos to approve staff recommendation. Seconded by Vice President Young, unanimously approved by roll call vote.

Mr. Mohler thanked the Trustees, and additionally thanked Ms. Murphy and Ms. Hrvojevic for their hard work during the hiring process.

Trustee Education Discussion / Opportunities*

Mr. Gillespie reported on upcoming opportunities for Trustee education, including the NCPERS Trustee Education Seminar to be held in May in Washington D.C. Discussion ensued. No action taken.

Legal & Legislative*

102nd Session of the Illinois General Assembly Update – Tom Walsh Presentation

Mr. Tom Walsh, Legislative Liaison, reported on the ongoing session of the Illinois Legislature. Discussion ensued. President Dalton thanked Mr. Walsh for the update.

Meeting Attendance (Reminder)

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Staff Investment Update(s)

Comments on Investment Expenses

Mr. Gillespie and Mr. Mohler commented on the decline in investment expenses over the last three years. Considering the increase in net assets over the same time, the expense ratio has effectively been reduced by almost 23%. Mr. Mohler expressed appreciation for the efforts that Mr. Gillespie and Marquette, under direction of the Board, made towards this favorable result.

Current vs. Target Asset Allocation

Mr. Gillespie presented to the Retirement Board the Fund's current asset allocation compared to the target allocation.

Watchlist Update

Mr. Gillespie commented on the current Watchlist; as UBS Real Estate reports only quarterly, there is no new information to convey to the Board at this time.

MWDBE Utilization Report – YE/2021

Mr. Gillespie reported on the 2021 utilization of minority (i.e. MWDBE) investment management firms and brokers.

Special Employer Contribution March 2022

Mr. Obed reviewed the Marquette memorandum that outlines investment recommendations for the anticipated special contribution from the MWRD of \$30 million.

Investment Consultant Report(s)

Market Environment

Mr. Obed reviewed the investment markets through January 31, 2022. Discussion ensued.

Monthly Flash Report

Mr. Obed presented the January 2022 Performance Report, which presents the performance of the Fund's portfolio by asset class and by manager. Discussion ensued. No action taken.

Investment Consultant Report(s), continued

RFP International Equity - Developed Countries Update ** - 5 ILCS 120/2(c)(7)

Motion was made by Commissioner Spyropoulos to enter Executive Session. Seconded by Vice President Young, unanimously approved by roll call vote.

President Dalton conducted a roll call to resume the Regular Session at 12:33 p.m.

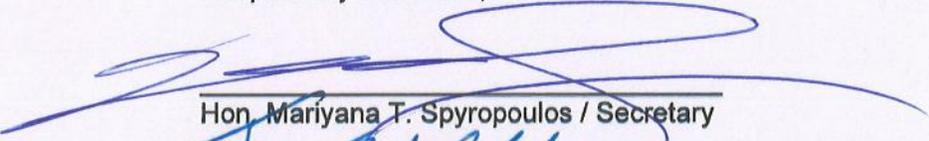
Motion was made by Vice President Young to move 5% of the portfolio into a developed large cap international equity mandate managed by GQG Partners, subject to successful contract negotiation. Seconded by Trustee Kennedy, unanimously approved by roll call vote.

Adjournment 2/23/22 Meeting

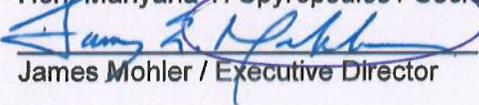
Motion was made by Trustee Kennedy to adjourn the meeting. Seconded by Commissioner Spyropoulos, unanimously approved by roll call vote.

President Dalton adjourned the meeting at 12:35 p.m.

Respectfully submitted,

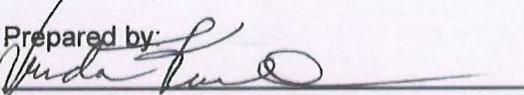


Hon. Mariyana T. Spyropoulos / Secretary



James Mohler / Executive Director

Prepared by:



Vrinda Kulkarni / Accountant