



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

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TRANSMITTAL LETTER FOR BOARD MEETING OF FEBRUARY 6, 2020

COMMITTEE ON PENSION, HUMAN RESOURCES AND CIVIL SERVICE

Mr. Brian A. Perkovich, Executive Director

4th Quarter 2019 Retirement Fund Report

Dear Sir:

In 2019, the Retirement Fund processed 98 employee retirements, 28 widow/child annuitants, 51 ordinary disability cases, 37 duty disability cases, and 67 full and partial refunds. The Board finalized RFPs for auditing services and investment consulting services. The investment portfolio eliminated standalone global fixed income mandates, added to core plus fixed income, increased utilization of MWDBE firms to over 30% of active management by adding \$56 million to a Latino-owned firm, and liquidated \$67 million to supplement operating revenues to pay required benefit payments. The Fund transitioned a new Executive Director during the year and was notified that they received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the 2018 CAFR report; the 26th year of receiving the award.

It is projected that the rate of return for 2019 was 18.4%, more than doubling the actuarial assumed rate or return of 7.25%. The ten-year annual return of 8.8%, exceeds the assumed return by over 150 basis points.

It is projected that the investment portfolio increased by \$163 million in 2019, finishing at \$1.421 billion. Fund Statement of Fiduciary Net Position, which is the value of Fund net assets as reported in our audited financial statements, is projected to be \$1.507 billion, which would be the Fund's highest net asset level ever.

The Fund's change in Fiduciary Net Position for 2019 grew by an estimated \$163 million. This is the result of \$226 million in investment gains and (\$63 million) in net operating deficits. Over ten years, the Fund has grown by \$492 million; \$994 million in investment gains less (\$502 million) in net operating deficits.

Two main goals for the Fund in 2019 is to first, identify the scope of work and development team for the creation of a new Pension Administration System, and second to do a methodical review of the Fund's investment portfolio to ensure that the risk/return decisions of the Retirement Board is consistent with their goals for the aggregate portfolio.

In 2019, the Retirement Board incorporated a Sustainability Investing Policy into their Investment Policy Statement. This policy will require that investment managers, acting as fiduciaries on behalf of the Retirement Board, shall recognize and evaluate sustainability factors that may have a material and relevant financial impact on the performance of Fund assets under their management. The Fund will require periodic reporting on the managers utilization of sustainability factors, their engagement with management of portfolio holdings, and their voting of proxies on behalf of the Fund. In addition, the Board shall utilize sustainability investing factors in administering future RFPs for investment management services.

On behalf of the Retirement Board, we are pleased to submit this report to the Board of Commissioners.

Respectfully Submitted, Jim Mohler Executive Director

Attachment