**SPECIAL MEETING OF THE RETIREMENT BOARD
OF THE COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND
OF COOK COUNTY AND EX OFFICIO FOR THE FOREST PRESERVE DISTRICT
EMPLOYEES' ANNUITY AND BENEFIT FUND OF COOK COUNTY**

**70 W. Madison, Suite 1925
Chicago, IL 60602**

Minutes for the May 10, 2019, Special Meeting of the Board

The County Employees' and Officers' Annuity and Benefit Fund of Cook County and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County are herein collectively referred to as the "Fund."

Call to Order and Roll Call

Trustees Present:	Robert DeGraff, Jack Fitzgerald, Bill Kouruklis, Patrick McFadden, Joseph Nevius, Kevin Ochalla, Dennis White, Lawrence Wilson
Staff Present:	Regina Tuczak, Executive Director, Margaret Fahrenbach, Legal Advisor; Gary LeDonne, Director, Benefits Administration; Jane Hawes, Director, Health Benefits;
Others Present:	Sarah Boeckman, Burke Burns & Pinelli, Ltd.; Adrienne Quig, Daily Line; Justin Kirvan, Office of the Cook County Treasurer; Dan Levin, Segal Consulting (entered during Item 1 as noted) Larry Langer, Cavanaugh MacDonald (entered during Item 1 as noted); John McCabe, John McCabe & Associates (entered during Item 1 as noted); Robert Molaro, John McCabe & Associates (entered during Item 1 as noted)

Public Comment

Trustee Wilson, President of the Board, opened the meeting for public comment and no one having requested to address the Board, the next item of business on the Agenda was considered.

1. Review of Cook County Draft Legislation

   Regina Tuczak, Executive Director, stated that representatives from the Fund's healthcare consulting firm, actuarial firm, and legislative liaison were present in the lobby and would be asked to join the meeting when their expertise was needed to facilitate the Board's discussion about the proposed legislation.

The Executive Director stated that she had met with Fund staff and Mary Pat Burns, of Burke, Burns and Pinelli, Fund fiduciary counsel, on several occasions to review the proposed legislation. Based upon those discussions, she had prepared an outline which identified concerns and comments to the different matters raised in the proposed legislation and that such outline had been provided to the trustees. In summary, the legislation proposed the following: 1) to establish a health care trust for administration of retiree health care benefits; 2) to consolidate the County Fund and the Forest Fund for funding purposes; 3) to coordinate Tier 2 employee salaries with the Social Security Act; 4) to provide for actuarial based funding ("ARC"); 5) to change the composition of the Board; and 6) to allow the County to offer alternate benefits to members based upon a "bargained for exchange" model. A summary of the concerns was discussed.

Health Care Trust. The Executive Director stated that the legislation proposed to create a health care trust which would be funded by an unspecified amount by the County. The legislation did not specify whether the health care trust would be within the Illinois Pension Code, as is the health care trust that was established for Chicago Transit Authority retirees, or whether it would be elsewhere in the Illinois Compiled Statutes that might make it governed by the Employee Retirement Income Security Act of 1974, as amended, ("ERISA") and thus subject to federal regulation. The trust would be governed by a separate six-member board of trustees that would be chosen from among the members of the Retirement Board. Fiduciary counsel noted that if the health care trust were established outside the Illinois Pension Code, various protections granted to the trustees (such as indemnification or the ability to obtain insurance) may not be provided.

The Board had questions about the proposed trust and Mr. Dan Levin of Segal Consulting joined the meeting. Mr. Levin stated that the CTA Retiree Healthcare Trust was established pursuant to a settlement agreement. Various terms of the CTA trust were discussed. Mr. Levin stated that the County proposal has no pre-funding and is essentially a 'pay-as-you-go plan'. It was noted that the quarterly payments proposed by the County would make administration of the plan difficult as currently payment of claims is made on a weekly basis. Additionally, there were concerns that the legislation failed to recognize that the number of retirees receiving health benefits was expected to increase and that the County's contribution would be tied to changes to the CPI-U index, which did not sufficiently reflect increases for medical services in the Chicago area. There were also concerns regarding the Fund staff and utilization of other Fund resources to service the needs of the administration of the health care trust

Consolidation of County Fund and Forest Fund. The proposed consolidation of the County Fund and Forest Fund appeared to create a successor entity for investment, management and funding purposes, but did not articulate that the entity that would be liable to pay the benefits due. It was discussed that the proposed consolidation would present legal issues regarding qualification under the Internal Revenue Code, assignments of contracts to the new entity, changes in the relationship with the custodian and other matters.

Tier 2 Employees Benefit Base. The proposed legislation provided that effective July 1, 2020, the maximum amount of salary from which Tier 2 participants would pay contributions would be tied to the amounts established under the Social Security Act. The legislation did not address how annuity benefits would be calculated for Tier 2 members who retire in the short-term with earnings between January 1, 2011, and July 1, 2020.

Actuarial Funding. The legislation provided that the minimum employer contributions would be determined by a formula that is the sum of the normal cost, a 90% amortization payment over 30 years less projected employee contributions. The legislation provided that the formula would change if the funded ratio exceeded 101%. Mr. Larry Langer of Cavanaugh MacDonald, the fund's actuary, joined the discussion and noted that the legislation would provide for ARC funding which was an improvement over the current policy - which will lead to insolvency. Mr. Langer noted that the proposed legislation was better than the current statutory policy, but not as good as the funding provided under the Intergovernmental Agreement ("IGA") that had been in place over the past few years because the IGA worked toward 100% funding, and was tied to increases in the County's revenue. He also found that the proposal to significantly reduce employer contributions if funding reached a certain level was problematic because once contributions are stopped; it becomes difficult to resume the obligation. Mr. Langer stated that public plans are now moving to shorter amortization periods because longer periods tend to result in negative amortization and have a negative impact on the funding ratio. He also observed that the Board's current policy to review assumptions every four years is a good practice. It was discussed that the legislation placed additional burdens on the Board regarding actuarial assumptions and that its obligations for certifying minimum employer contributions and estimates of benefits to be paid were not clear.

Board Composition. Under the proposed legislation, the Board would be comprised of 5 members appointed by the President of the County Board and 5 members elected from current employees and annuitants. The appointed trustees did not have to be employees or annuitants of either the County or Forest Preserve District. It was unclear whether the current trustees whose terms extended beyond the effective date of January 1, 2021, would continue. It was discussed that the legislation would be a significant variation from the current composition because the employer trustees would have unprecedented control, especially in the event of a vacancy within the elected trustees. In such scenario, the entire Board selects the replacement. In addition, the membership seat on the Board delegated to the County Treasurer would be eliminated and the current delegate expressed the Treasurer's opposition to the proposal.

Bargained-for-Exchange. It was proposed that the County would have the ability to seek concessions from members regarding their benefits in return for consideration. The types of concessions expected and anticipated consideration was not addressed in the legislation. They noted that the implementation of benefit changes for select groups would be very difficult to implement and administer because of the customization necessary and the limitations of the Fund pension administration system. The Board discussed that the authority the County was seeking was too broad and that employees might inadvertently agree to a diminishment of benefits that could be against their self-interests or the interests of their survivors.

At the conclusion of the discussion of the County's draft legislation, the Executive Director reiterated that the CFO wanted to collaborate with the Fund about the legislation. She indicated that perhaps the

Board should permit representatives of the Fund, possibly including no more than two trustees, along with fiduciary counsel to meet with the CFO to discuss the Board's concerns. The trustees discussed that the Executive Director should ask for such a meeting, but that the outline presented summarizing the Board's concerns should be delivered to the CFO, the President of the County Board and the Commissioners before the meeting was convened. The trustees requested that a cover letter accompany the outline, with such letter including a few bullets points of the issues raised about the health care trust, the Board composition, ARC funding and the consolidation of the County Fund and Forest Fund.

The trustees asked whether there was a time-frame for introducing the legislation and John McCabe and Robert Molaro, from John McCabe & Associates, the Fund's legislative representative, joined the Board's discussion. Mr. McCabe stated that he had been approached by the County to ask about amending the Fund's SB 1300 that was currently before the House, for the County's proposed legislation. He also stated that the CFO and labor representatives had inquired with him regarding the Board's position on the draft legislation. Both Mr. McCabe and Mr. Molaro stated that it would be possible, but difficult; to get the bill enacted in this session and that labor would need to agree to the legislation in order to do so.

The trustees discussed that the Executive Director should send a letter as discussed earlier and to request a meeting with the CFO. After the meeting, the Executive Director should report to the Board about the discussions. The President of the Retirement Board asked the trustees in attendance if any would volunteer to meet with the CFO. Trustee Fitzgerald and Trustee Ochalla agreed to participate and Trustee White indicated that he could serve as an alternate, if needed. The Board also indicated that the Fund's fiduciary counsel should attend the meeting.

2. Old Business/New Business

There was not old business or new business discussed.

3. Adjournment

There being no further business before the Board, it was moved by Trustee White and seconded by Trustee Kouruklis that the trustees adjourn the meeting.

Vote Result: MOTION ADOPTED BY VOICE VOTE