



**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 March 7, 2019, 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, Diahann Goode, Bill Kouruklis, Patrick McFadden, Joseph Nevius (entered after Item 1a; participated by phone), Kevin Ochalla, Dennis White, (entered after Item 2c and left after Item 4a; reentered after Item 6b), Lawrence Wilson

Staff Present: Regina Tuczak, Executive Director, Brent Lewandowski, Director, Member Services; Margaret Fahrenbach, Legal Advisor; Gary LeDonne, Director, Benefits Administration; Michael Maratea, Director of Finance and Administration; Beverly Romanini, Director, Administrative Services; Jane Hawes, Director, Health Benefits; Saron Tegegne, Comptroller, Fernando Vinzons, Director of Investments

Others Present: Sarah Boeckman, Burke Burns & Pinelli, Ltd.; Martha Merrill, AFSCME C31; Craig Goesel, Mesirow Insurance Services, Inc., an Alliant-owned company

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 and Consideration of:

a. February 7, 2019, Board Meeting Minutes

It was moved by Trustee Goode and seconded by Trustee DeGraff that the presented minutes of the Board meeting on February 7, 2019, be adopted.

Vote Result: MOTION ADOPTED BY VOICE VOTE

The Executive Director, Regina Tuczak stated that Trustee Nevius had requested that he be allowed to participate in the meeting by telephone. After noting that a quorum was physically present, it was moved by Trustee Ochalla and seconded by Trustee Kouruklis pursuant to Section 7 of the Open Meetings Act that Trustee Nevius be allowed to participate in the meeting through a telephone conference call connection.

Vote Result: MOTION ADOPTED BY VOICE VOTE

2. Review and Consideration of:

a. Bills, Payroll Records

It was moved by Trustee Fitzgerald and seconded by Trustee Goode, having received confirmation from Fund staff that the presented bills for operating expenses incurred in December, 2018, are to be allocated to and are consistent with the 2018 administrative budget, and that the presented invoices for investment management fees for 2018 are consistent with the applicable investment management agreements, that the Board approve the recommendations from Fund staff to remit payments for such presented bills.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, McFadden, Nevius, Ochalla, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee Fitzgerald and seconded by Trustee Goode, that the action taken by Fund staff in remitting the indicated payments for the presented bills and payroll records in February, 2019, the Board having received confirmation from Fund staff that the payments were consistent with the approved 2019 administrative budget, that the payments be ratified.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, McFadden, Nevius, Ochalla, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee Fitzgerald and seconded by Trustee Goode, having received confirmation from Fund staff that the presented bills for operating expenses incurred in March, 2019, are consistent with the 2019 administrative budget, that the Board approves the recommendations from Fund staff to remit payments for such presented bills.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, McFadden, Nevius, Ochalla, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

b. Annuities, Spouse and Child Annuities and Refunds

The Fund's staff presented their recommendations to the Board regarding the applications for annuities, spouse and child annuities, and refunds and confirmed that they followed the Fund's procedures in reviewing and processing the applications in making their recommendations.

It was then moved by Trustee McFadden and seconded by Trustee Goode after due consideration of the applications presented to the Board and having received confirmation from the staff that they followed the Fund's procedures in reviewing and processing the applications, that the recommendations for the presented annuities and refunds be approved.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, McFadden, Nevius, Ochalla, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

c. Ordinary and Duty Disabilities

The Fund's staff presented their recommendations to the Board regarding the applications for ordinary and duty disability benefits and confirmed that they followed the Fund's procedures in reviewing and processing the applications in making their recommendations.

It was moved by Trustee McFadden and seconded by Trustee Goode after due consideration of the disability applications presented to the Board and having received confirmation from staff that they followed the Fund's procedures in reviewing and processing the applications, that the recommendations for the presented disability applications be approved.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, McFadden, Nevius, Ochalla, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

3. Trustee Matters

a. Review and Consideration of Revised Proposed 2019 Committee Meetings Schedule

Regina Tuczak, Executive Director, presented the proposed schedule for committee meetings in 2019. She stated that the schedule attempted to provide for two committee meetings on the same day to better accommodate the trustees' schedules. It was noted that the Legislative Meeting scheduled to convene on Wednesday, March 21, 2019, should have been correctly listed as convening on Thursday, March 21, 2019.

It was moved by Trustee Ochalla and seconded by Trustee Goode that the Board approve the 2019 Committee Meetings Schedule, as corrected.

Vote Result: MOTION ADOPTED BY VOICE VOTE

b. Fiduciary Liability Insurance Renewal

Regina Tuczak, Executive Director, stated that she and Fund staff had met with Mr. Craig Goesel of Alliant/Mesirow Insurance to discuss its proposal for renewing the Fund's fiduciary liability insurance policies that will expire on April 23, 2019. She stated that four of the City of Chicago's (the City) public pension funds have utilized Alliant/Mesirow's brokerage services to obtain fiduciary liability insurance coverage as a coalition and have received savings. Alliant/Mesirow provides the brokerage services for the four funds at the same time, and each of the individual fund policies are required to commence and expire on the same dates. Each of the City funds' fiduciary insurance

policies expire on September 30, 2019. Because the Fund cannot obtain fiduciary insurance for less than a six-month period, the earliest it could participate with the City funds' procurement practices would be September 30, 2020. The Fund would need to renew the policies for seventeen months if it wanted to be included in the City funds' procurement by that date. Upon Ms. Tuczak's request, Alliant/Mesirow prepared proposals for fiduciary insurance based upon both a twelve month renewal period and a seventeen month renewal period. In addition, Ms. Tuczak noted that Alliant/Mesirow has provided a discount to the City funds for their brokerage services and upon her request, such discount will also be provided to the Fund for the pending renewal.

Mr. Craig Goesel of Alliant/Mesirow then addressed the Board about the fiduciary liability insurance policy and the procurement process. He stated that the policy covers present and former trustees, executive directors and employees of the Fund. Alliant/Mesirow approached all appropriate insurers that provide fiduciary insurance to public employee retirement systems and asked them to provide proposals for a renewal of the Fund's current policies; however the number of insurers willing to provide coverage for Illinois public plans is growing smaller. In response to the trustees' questions, Mr. Goesel stated that the funding level for a pension plan impacts the pricing for its fiduciary insurance policy. He added that the Fund's primary fiduciary insurance policy with a limit of \$10M and its excess policy of with a limit of an additional \$5M together provides an appropriate level of coverage and is consistent with the limits for other similarly situated City and Illinois funds. He added that if the Fund were to participate in the City funds' procurement coalition for fiduciary liability insurance, it could anticipate savings of approximately five percent. The trustees discussed what types of matters would be covered by the fiduciary insurance policy and the types of claims that had been filed on behalf of other pension plans with their respective insurers. They also discussed whether the Fund should join with the City funds in procuring fiduciary liability insurance

It was moved by Trustee Ochalla and seconded by Trustee DeGraff that the Board approve a renewal of the fiduciary liability insurance policy for a term of seventeen months ending September 30, 2020, with no deductible, at a premium not to exceed \$163,513. It was further moved that Fund staff should take all reasonable action necessary to effectuate the foregoing including the execution and delivery of any related written agreement on behalf of the Fund by the Executive Director.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, McFadden, Nevius, Ochalla, White, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

4. Benefit Matters

a. Benefit Application Consideration – Office #189655

The Executive Director stated that the Member identified by Office Number 189655 had received a refund of contributions in November, 2012, after separating from County service. He then began employment with the State of Illinois and made contributions to a reciprocal fund. On or about February 27, 2015, he repaid the contributions received from the County Fund to restore his service credit pursuant to Section 9-163 of the Illinois Pension Code. At the time the refund had been repaid, it appeared that the member was employed by a reciprocal employer. In February, 2019 the Member applied for annuity benefits from the Fund. During the processing of his annuity application, Fund staff determined that he was not in service with a reciprocal employer at the time he repaid his contributions in February, 2015, as required by Section 9-163.

The trustees discussed the process followed by the Fund when members repay contributions to restore their service credit. Fund staff confirmed that certifications to confirm service dates are sent to reciprocal funds when members apply for reciprocal annuity benefits, and at the time when contributions are repaid to restore service credit. However, the reciprocal funds often experience a timing gap of information from respective employers with respect to employment and service periods. In this particular case the member was certified active by the other reciprocal system, but the member had recently left his position with the employer, which was unknown by the other system at the time of certification.

It was moved by Trustee Fitzgerald and seconded by Trustee White that the Board finds that Member #189655 was not in service within the meaning of Section 9-163 of the Illinois Pension Code when he repaid the refund of contributions to the County Fund and that the Member was not eligible to have his service credits restored. It was further moved that the Fund staff should take no action at the present time regarding the return of the Member's remittance, however, a letter indicating the Board's initial decision be sent to the Member.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, McFadden, Nevius, White, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

b. Spousal Application Consideration – Office #89144

The Executive Director stated that a Member identified by Office Number 89144 had died while on annuity and that a person had contacted the Fund claiming that she was married to the decedent at the time of his death and wanted to apply for a spouse annuity. The Member had received a refund of spouse contributions upon his retirement. The applicant for the spousal annuity repaid those contributions to the Fund, however, she did not provide a marriage certificate showing the date and place where she and the decedent had been married. The spousal contributions were then returned to the applicant. She prepared a letter stating that she and the decedent were married in Nevada on 09/10/99, but that she could not locate a certificate of marriage from that State. She asked that her letter describing her attempts to locate a marriage certificate be presented to the Board.

It was moved by Trustee Fitzgerald and seconded by Trustee Goode that the Board finds that the applicant for a spouse annuity based upon a marital relation with Member #89144 did not provide evidence that she was married to such member for at least one year prior to his death and that she is not eligible to receive a spouse annuity.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, McFadden, Nevius, Ochalla, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

5. Administrative Matters

a. Approval of Audit Engagement Letters.

The Executive Director stated that the engagement letters received from Legacy Professionals, LLP, for the 2018 audits of the County Fund and the Forest Fund, included certain additional fees beyond the quoted prices in a letter dated July 13, 2015, which detailed audit fees for each of the years 2015

through 2019. While the Executive Director believes that some of the additional fees should have been identified when Legacy was engaged to perform audits for the years 2015 through 2019, she recommended that the audits letters be signed on behalf of the County Fund and the Forest Fund, as all services associated with the additional fees are necessary. Ms. Tuczak also indicated that at the conclusion of the term of the June 13, 2015, letter, a RFP should be conducted for audit services.

It was moved by Trustee McFadden and seconded by Trustee Goode that the Board approve the engagement letters from Legacy for the 2018 audits of the County Fund and the Forest Fund and that the Executive Director be authorized to execute the letters on behalf of each fund.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, McFadden, Nevius, Ochalla, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

- b. Approval of Recommendation of Investment Committee Regarding Amendment to Franklin Templeton Agreement

The Executive Director stated that the ‘Most Favored Nation’ clause in the Investment Management Agreement (“IMA”) with Franklin Templeton resulted in a reduction of management fees to be paid by the County Fund. Franklin Templeton began reducing its fees effective October 1, 2018, but proposed that the IMA be amended to reflect the reduced fee structure. The Investment Committee considered the proposed amendment at their meeting on February 27, 2019, and recommended that the Board approve the amendment to the IMA.

It was moved by Trustee Goode and seconded by Trustee DeGraff that the Board approve the recommendation made by the Investment Committee at their meeting on February 27, 2019, that the Investment Manager Agreement with Franklin Templeton be amended to provide for a reduction in management fees as presented and it was further moved that Fund staff shall take all reasonable action necessary to effectuate the foregoing including the execution and delivery of any related written agreement on behalf of the Fund by the Executive Director.

Vote Result: MOTION ADOPTED BY VOICE VOTE

- c. Executive Director Report

The Executive Director presented a written report of current and pending matters at the Fund, including the status of contract matters, vendor activity, a direct deposit initiative, a COLA update regarding non-Union Cook County employees, upcoming committee meeting dates and the use of trustee emails. She stated that the report regarding legislative matters would be made later in the meeting. The Executive Director also reported on the presentation she made to the Pension Committee of the Cook County Board of Commissioners on February 19, 2019, that was prepared with the assistance of Fund staff and the Fund’s external legal, actuarial and health benefits consultants. She explained that the Commissioners had requested a follow-up to her presentation regarding legislation supported by the Fund and health benefits costs. With the guidance of external legal counsel, Ms. Tuczak drafted a proposed response to the Commissioners, with supporting memorandum, and such material was presented for the Board’s consideration. The Board had a few suggestions and requested edits to the response, but otherwise directed that such response be sent.

As discussed at the Board meeting on February 7, 2019, the Executive Director prepared suggested guidelines authorizing the Executive Director to approve administrative expenses, contract renewals,

contract changes and new vendor arrangements for day-to-day operations, up-to certain dollar limits, and subject to certain conditions (such as inclusion in the current operating budget). Generally, the authority would allow the Executive Director to provide day-to-day management at the Fund.

The trustees discussed the proposed guidelines as presented and it was moved by Trustee Fitzgerald and seconded by Trustee McFadden that the Board approve the procurement guidelines regarding the Executive Director's authority for administrative expenses for day-to-day operations as presented.

Vote Result: MOTION ADOPTED BY VOICE VOTE

The Executive Director stated that the Board had requested further information about the invoice submitted by Simon Consultants, LLC pertaining to the 2018 election. Ms. Tuczak reported that Simon Consultants was a subcontractor to Simon & Griseta, the Independent Election Administrator. The services performed by Simon Consultants were not included in the billing statement from Simon & Griseta. The trustees discussed that contracts with vendors should disclose any subcontractors retained and whether such subcontractors' services will be billed separately to the Fund.

It was moved by Trustee Goode and seconded by Trustee Fitzgerald that the Board approve the payment of \$1,947.50 to Simon Consultants, LLC for services related to the 2018 election.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, Nevius, Ochalla, Wilson

NAYS: McFadden

Vote Result: MOTION ADOPTED

In the course of the Executive Director's report, it was discussed that the Fund had remained open during the recent severely cold weather. The trustees discussed processes other Government agencies use to determine when weather conditions or other extenuating circumstances might require an unscheduled closing of the Fund's administrative offices.

6. Health Matters

a. EGWP Contract Price Improvements – Update on CVS Proposal

Jane Hawes, Director of Health Benefits, stated that the Fund had received improved pricing on the EGWP contract that had been negotiated through Segal Consulting. Segal will present a financial analysis of the proposal at the Health Benefits Committee meeting on March 21, 2019.

b. Medicare Education Event Recap

Ms. Hawes also reported that the attendance at the recent Medicare Education Event on February 28, 2019, was at the maximum allowable, despite the inclement weather. She stated that the members had again provided positive feedback on the presentations given.

7. Legal Matters – Matter of Office #140893

Margaret M. Fahrenbach, Legal Advisor, reported that a member identified by Office Number 140893 had provided most of the medical records needed to establish her duty disability, but had a gap in the records needed to support her disablement for the entire period for which she had requested duty disability benefits. The Board, at an earlier meeting, had allowed the member to request an administrative hearing. Because

there are issues remaining in dispute, staff requested that the Board appoint William Motto to serve as a hearing officer.

It was moved by Trustee Goode and seconded by Trustee Kouruklis that the Board appoint William Motto to serve as a hearing officer to determine whether the member has provided the medical proof needed to establish her disablement for the period from February 11, 2012, through August 8, 2012, and the Fund retain Burke Burns & Pinelli, Ltd. to provide legal representation in the administrative hearing.

Vote Result: MOTION ADOPTED BY VOICE VOTE

8. Legislative Matters

a. Approval of Recommendation of Legislative Committee Regarding HB 2071

The Executive Director stated that HB 2071 would allow participants to purchase service and earnings credit for any furlough days they were required to take. She added that the Fund did not have enough information to determine the financial impact of this bill and would have difficulty administering the terms if it were enacted. The trustees recognized that a financial analysis of the bill's impact on the Fund was necessary before it could support any legislation. They also discussed that the bill should at least be amended to allow the Fund a better opportunity to administer its provisions. The Legislative Committee had considered the bill at its meeting on February 14, 2019, and had recommended that the Board oppose its enactment because the financial impact could not be ascertained.

It was moved by Trustee Goode and seconded by Trustee DeGraff that the Board oppose the enactment of HB 2071 regarding the purchase of service and earnings credit for furloughed employees for the reasons presented and that the Executive Director provide to the Fund's Legislative Liaison amendments to the bill that would facilitate administration of the legislation if enacted.

AYES: DeGraff, Fitzgerald, Goode, McFadden, Wilson, White
NAYS: Kouruklis, Nevius, Ochalla (as to opposition to bill, but would agree that Executive Director should provide proposed amendments to Legislative Liaison)

Vote Result: MOTION ADOPTED

b. Consideration of Action Regarding HB 2750

The trustees then discussed HB 2750 which restricted elected officials participation in the Fund and determined that the Board would not take any position on the legislation.

The Executive Director also reported that SB 1264 and HB 2664 would exempt certain state public pension funds from the Revised Uniform Unclaimed Property Act, but would require the Fund to report and to tender unclaimed property to the State Treasurer. The trustees discussed the impact of the legislation on the Fund and authorized the Executive Director to work with the Fund's Legislative Liaison for an amendment that would also exclude the County Fund and the Forest Fund.

c. Article 1 and Open Meetings Act Legislation

The trustees discussed the Sustainability Investing Act, HB 2460 and SB 2062, which would require the Fund to integrate sustainability factors into all aspects of its investment process. Fernando Vinzons, Director of Investments, reported that Callan Associates, the Fund's Investment Consultant, stated that if the legislation were enacted, the Fund may be required to substantially restructure its

portfolio. Additionally, because many managers would not be able to comply with the proposed legislation, fewer investment opportunities may be available to the Fund.

It was moved by Trustee Goode and seconded by Trustee McFadden that the Board opposes the enactment of HB 2460 and SB 2062 regarding the Sustainable Investing Act and that its Legislative Liaison be authorized to present the Board's position to the members of the General Assembly as might be appropriate. It was further moved that Board support amendments to HB 2460 and SB 2062 that would permit the Board to review the stated sustainability factors in its investment decisions within the bounds of financial and fiduciary prudence.

Vote Result: MOTION ADOPTED BY VOICE VOTE

d. CCPF-Sponsored Legislation – Status

The Executive Director stated that legislation for actuarially required contributions for both the County Fund and the Forest Fund had been introduced. (HB 2904, SB 1865) Additionally, legislation was introduced which would clarify that Cook County could utilize additional funding sources to make employer contributions. (HB 2903, SB 1300) All of these bills were pending in committees.

e. Update on Discussion with Cook County

The Executive Director reported that, following the Board's direction at the meeting on February 7, 2019, she had sent the Fund's proposed legislation regarding ARC funding and source of funding to the County's Chief Financial Officer. In her communication to the CFO, she stated that she was available to meet and discuss the proposed legislation with him.

The CFO asked the Executive Director to meet with him to discuss the legislation introduced by the Fund, along with County considerations on a longer-term solution to the funding mechanism. The Executive Director reported that she, Trustee Goode and Fund staff met with the CFO on February 13, 2019, and that he had presented six strategic long-term goals for the Fund regarding ARC funding, retiree health care, Tier 2 issues, governance and other matters. The CFO expected that legislation would be introduced to effectuate the County's goals. A summary of the six strategic long-term goals was provided to the trustees.

The Executive Director also reported that the Fund's Legislative Liaison had been approached by the County requesting the Fund defer action on its proposed legislation while the County considers legislation of its own. The trustees discussed that the proposed legislation regarding ARC funding had been introduced to the current General Assembly and had been introduced in earlier years because of their fiduciary obligation that the Fund be able to provide the benefits required under the Pension Code. The trustees were not able to defer action on the proposed legislation because of the need to obtain a sustainable source of funding.

The Executive Director stated that the CFO was planning to address the Board at the next meeting on April 4, 2019, to provide further detail on the County's proposal. The trustees appreciated the Executive Director's outreach to the County on these critical issues.

9. Old Business/New Business

There was not old business or new business discussed.

10. Adjournment

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

Vote Result: **MOTION ADOPTED BY VOICE VOTE**

The next Board meeting is scheduled for April 4, 2019, at 9:30 a.m.