



**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 April 4, 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 (entered during Item 3b), Patrick McFadden (left during Item 3c), Joseph Nevius, Kevin Ochalla, Dennis White, (entered during Item 2a and reentered during Item 3a); Lawrence Wilson

Staff Present: Regina Tuzak, 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 Teegne, Comptroller

Others Present: Mary Pat Burns, Burke Burns & Pinelli, Ltd.; Martha Merrill, AFSCME C31; Ammar Rizki, Cook County; Antonio Favela, Cook County; Ted Berger, Cook County; Joe Clary (by phone for a portion of the meeting), Cook County; Bob Molaro, John McCabe & Associates; John McCabe, John McCabe & Associates; Dahlia Ronen, Kahn Swick & Foti, LLC

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. March 7, 2019, Board Meeting Minutes

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

Vote Result: MOTION ADOPTED BY VOICE VOTE

2. Review and Consideration of:

a. Bills, Payroll Records

It was moved by Trustee Nevius and seconded by Trustee DeGraff, having received confirmation from Fund staff that the presented bills for operating expenses incurred in fiscal year 2018, are to be allocated to and are consistent with the 2018 administrative budget, that the Board approve the recommendations from Fund staff to remit payments for such presented bills.

Roll Call Vote:

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

NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee McFadden and seconded by Trustee Fitzgerald, that the action taken by Fund staff in remitting the indicated payments for the presented bills and payroll records in March, 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, McFadden, Nevius, Ochalla, White, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

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

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, McFadden, Nevius, Ochalla, White, 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 Goode and seconded by Trustee DeGraff after due consideration of the applications presented to the Board and having received confirmation from Fund 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, McFadden, Nevius, Ochalla, White, 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. The trustees inquired as to why several applications were not recommended for Board approval. Fund staff reported that most of those members had failed to provide the documentation needed for the application process.

It was moved by Trustee McFadden and seconded by Trustee Nevius 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, McFadden, Nevius, Ochalla, White, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

3. Legislative Matters

a. Presentation from Cook County Chief Financial Officer

President Wilson stated that the presentation from the Cook County Chief Financial Officer would be deferred until later in the meeting.

[Note: When the Board concluded its discussion under Item 3c, it allowed the presentation from the Cook County Chief Financial Officer to proceed, which follows below.]

Mr. Ammar Rizki, Chief Financial Officer of Cook County; Mr. Antonio Favela, the County Board President's Chief of Staff and Mr. Ted Berger, In-house Legislative Representative for Cook County appeared before the Board to briefly describe the legislation the County intends to introduce regarding the Pension Fund. Mr. Rizki asked that Mr. Joseph Clary, a former County employee and current legal consultant to the County, be permitted to join in the presentation by telephone and the Board agreed to allow Mr. Clary's participation.

Mr. Rizki stated that the County wanted sustainable funding for the Fund and that it has provided supplemental contributions under Intergovernmental Agreements ("IGA"), in addition to its statutorily required contributions, for the past few years. He added that the County wanted collaboration and dialogue with the Board of the Fund and other stakeholders before any legislation would be introduced.

The County intends to introduce legislation that would: 1) provide for actuarial required contributions from the employer to obtain a 90% funded ratio in 30 years ("ARC funding"); 2) provide for guaranteed retiree healthcare with annual County contributions for retiree healthcare at about \$50M to be adjusted by CPI; 3) tie the Social Security wage base to the wage base for Tier II participants in order to maintain safe harbor provisions and avoid the need for the employer and employees to contribute to Social Security; 4) change the membership on the Board of the Fund to include 5

trustees appointed by the County and 5 trustees elected by participants; 5) consolidate the County Employees' and Officers' Annuity and Benefit Fund of Cook County ("County Fund") and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County ("Forest Fund") into a single entity and authorize the County to make contributions for Forest Preserve District employees through an IGA; and 6) allow the employer to offer limited revisions to individual employee pension benefits that would yield savings and be accepted by all stakeholders before execution.

The trustees inquired about the source of funding that could be used for the County's contributions and whether there would be an enforcement mechanism to compel the employer to make the contributions. The County representative acknowledged that flexibility in the funding sources is necessary, but that the County would make a mandatory contribution and a supplemental contribution to be calculated based upon a 90% funded level, possibly with the supplemental contribution similar to the IGA calculations. The County representatives stated that the proposed legislation did not include an intercept procedure or other mechanisms to compel the employer to make the contributions required.

The County representative stated that the employer wanted to find a permanent solution to the funding of retiree healthcare benefits that would include a monetary cap. The legislation would propose a retiree health care trust fund similar to the trust provided for the CTA's retirees' healthcare in the Illinois Pension Code. The initial funding would be based upon current expenditures and then annually adjusted by the CPI-U index. The trustee noted that the annual adjustment should be measured by the CPI for medical services. The trustees also expressed concerns that a fixed funding amount based upon current expenditures does not account for annual growth in the number of annuitants and that future benefits will need to be provided for a larger group.

The proposal would also effect a change in the Board's composition and increase the total membership to ten trustees; five appointed by the County and five elected by employees and retirees. The appointed trustees would not necessarily be County employees, but the County would require the appointed trustees to meet minimum qualifications.

The legislation would also seek to permanently consolidate the County Fund and the Forest Fund. There would also be temporary authority to allow the County to pay increased contributions on behalf of the Forest Preserve District.

The County would also propose the authority to offer different types of pension benefits to individual employees, such as allowing an early retirement for a class of employees who would then forego the right to compounded annual COLAs, so long as the package would achieve cost savings to the Fund. It was acknowledged that the County and the Fund would need to work closely to implement such packages and that any such implementation may increase the Fund's administrative costs.

The County representative stated that they were looking for a comprehensive solution to funding and other issues regarding the Pension Fund. Mr. Rizki stated that the County was currently working with the Legislative Reference Bureau on the language for the bill and expected to have a bill within the next few days. He added that the County's aspirational goal was to introduce the legislation in this session of the General Assembly, but because the County wants the stakeholders' agreement before the legislation is introduced, it could be deferred to later legislative sessions.

At the conclusion of the County representative's presentation, the trustees stated that they would react to the legislation after they have had an opportunity to review the bill. The trustees expressed their appreciation for the opportunity to collaborate with the County on these important issues. The County representative was asked to send the proposed legislation to the Fund's Executive Director and Fiduciary Counsel when it was returned from the LRB. The trustees generally discussed the

proposed legislation, particularly regarding ARC funding, health benefits and governance issues.

b. Status of HB 2071 – Cook County Purchase of Furlough Time

Regina Tuczak, Executive Director, reported that the Board had voted to oppose HB 2071 at their last meeting, but had asked the Executive Director and Fund counsel to develop amendatory language to provide for more clarity regarding the Fund’s administration of the provisions of the legislation should the proposed bill be enacted. Ms. Tuczak noted that the amendatory language had been prepared and provided to the Fund’s Legislative Consultant. She stated that the negotiations for the amendatory language had been successful and the proposed bill had been amended, and consequently, the Fund’s Legislative Consultant inquired if the Board intended to withdraw its opposition to the bill. The trustees discussed that the bill had been opposed because the actuarial cost to the Fund was not known, but recognized that the opportunity for active employees to purchase such service credit was limited. Mary Pat Burns, Fiduciary Counsel, stated that because the actuarial cost to the Fund was still unknown, it would be prudent to maintain a neutral posture.

It was moved by Trustee Fitzgerald and seconded by Trustee DeGraff that the Board revise its stated opposition to the enactment of HB 2071 regarding the purchase of earnings and service credit by furloughed employees and that it assume a neutral position to the enactment of HB 2071 for the reasons presented and that its Legislative Consultant be authorized to present the Board’s position to the members of the General Assembly as appropriate.

Roll Call Vote:

AYES: DeGraff, Fitzgerald, Goode, Kouruklis, McFadden, Nevius, Ochalla
NAYS: Wilson (To ensure solvency of the Fund because the actuarial costs were not known)

Vote Result: MOTION ADOPTED

c. Status of SB 1264/HB 2664 and Request of State Treasurer’s Office

The Executive Director stated that this legislation would exempt State pension funds from reporting and turning over unclaimed property to the State Treasurer. She reported that the Fund had been working with Fiduciary Counsel and the Legislative Consultant to be included in the exemption.

The Executive Director added that she had participated in a conference call with the State Treasurer and a few executive directors from other local funds about the proposed exemption. The State Treasurer asked the local funds to provide their respective policies detailing the efforts they take to locate owners of unclaimed property. The Executive Director declined to do so without first receiving appropriate authority from the Board.

Fiduciary counsel questioned the authority of the State Treasurer to make requests of the Board that were outside of the Illinois Pension Code and did not recommend that the Fund provide the information at the present time. All pension funds had been exempted from the provisions of the unclaimed property act prior to its amendment effective January 1, 2018, and the failure to continue the exemption was likely inadvertent. The Legislative Consultant stated that the amendment to the unclaimed property act was presented with the State budget legislation and was enacted without any hearings.

The trustees discussed that the Fund should continue to negotiate for an amendment to SB 1264/ HB 2664 which would include it in the exemption provided to other funds. Even if exempted, there could remain legislation requiring the Fund to provide reporting to the State Treasurer. The trustees

discussed whether the Fund should consider its own legislation to both exempt it from the unclaimed property act and from any reporting requirements to the State Treasurer and requested that the Legislative Consultant work on this initiative.

[Note: The Board concluded its discussion under Item 3c and then proceeded with presentation to be made under Item 3a. See entry under Item 3a above.]

d. Status of CCPF-Sponsored Legislation

John McCabe of John McCabe & Associates, the Fund's Legislative Consultant reported that the Fund had introduced legislation regarding the source of funding for employer contributions (HB 2903/SB 1300) and for ARC funding (HB 2904/SB 1865) HB 2903 had passed out of committee and was placed on the House calendar for a second reading. It was reported that the other legislation had not yet passed out of committee.

e. Update from Fund's Legislative Consultant

The Legislative Consultant also reported the status of other legislative matters that affect the Fund. It was noted that the Sustainability Act (HB 2460/SB 2062) had been amended to allow pension fund trustees to review such sustainability factors in its investment decisions within the bounds of financial and fiduciary prudence. The amendment was distributed to the Board, who determined that it would remain opposed to the legislation. The legislation to require broadcast of the board meetings for pension funds and retirement systems throughout the State had passed the Senate and was introduced to the House. Upon advice of Fiduciary counsel, the Board did not take a position on the bill.

The trustees then considered the legislation that would be proposed by the County as presented earlier in the meeting. The trustees directed that the Executive Director be authorized to receive the legislation from the County, distribute it to the trustees and engage in discussions with Fiduciary counsel. If necessary, the Executive Director was asked to schedule a Special Board Meeting to discuss the legislation received.

4. Administrative Matters

a. Executive Director's Report

The Executive Director reported that she had a meeting on March 27, 2019, with Commissioners Degnen and Miller, at their request, to discuss investment issues including manager fees. Fiduciary Counsel and John Jackson from Callan Associates also attended the meeting. The Fund provided the Commissioners with the financial records from the Fund's website detailing the fees for investment managers. The primary topics of discussion were the investment portfolio, the process for selecting and engaging investment managers, including related fee negotiations, and the Board's fiduciary responsibilities regarding investment decisions. The Commissioners did not request any additional information from the Fund.

The Executive Director reported that the Board had previously postponed further action on the Pension Administration System ("PAS") until April, 2019. She recommended that the Fund meet with its consultant, Linea Solutions, and any other necessary entities to discuss a timeframe that considers a start date in January, 2020, which would allow additional time to evaluate resource requirements and other needs of the Fund. The trustees discussed that they want to ensure that the necessary resources are in place for the project, but have some concerns about further delays. It was noted that the responses to the RFP are effective for one year, with the one year concluding in May, 2019. The Executive Director noted that she would contact the bidders to request an extension of the

expiration dates of their respective RFP responses and report back to the Board on this matter.

The Executive Director also reported on the volume of member contact with the Fund when it remained open on Lincoln's Birthday and Pulaski Day. It was noted that call volume on these two days was average or slightly above average. Counselor meetings for scheduled appointments and 'walk-ins' was below average, however, Ms. Tuczak noted that these open days for the Fund are exchanged for Friday, July 5th and Tuesday, December 24th, which are also anticipated to be below-average days of appointments and walk-ins.

The Executive Director stated that the Health Benefits Committee would meet on April 24, 2019, at 9:30 and that the Legislative Committee would meet on April 24, 2019, at 12:30. She also reminded the trustees that their Statements of Economic Interests were to be filed with the County before May 1, 2019. A late fee of \$15 would be assessed for those who file on May 1, 2019, or thereafter.

5. Health Benefit Matters

[Note: President Wilson left the meeting room and Trustee White, Vice President, presided over the meeting in his absence.]

a. Approval of Recommendation of Health Benefits Committee Regarding Segal Contract Extension

Jane Hawes, Director of Health Benefits, reported that the Health Benefits Committee had recommended that the agreement to extend the Segal engagement for one year be approved by the Board. She stated that the proposed revisions to the engagement letter were included with the Board materials.

It was moved by Trustee Goode and seconded by Trustee Ochalla that the Board approve the recommendation made by the Health Benefits Committee at their meeting on March 21, 2019, that the Segal Consulting Services Contract be extended through December 31, 2021, for an annual fee of \$170,000 from which \$107,000 shall be paid for on-going consulting services and \$63,000 shall be paid for additional services to be approved by the Board. It is further moved that the Fund shall be authorized to take all reasonable action necessary to effectuate the foregoing including the execution and delivery of an Amendment to the contract on behalf of the Fund by the Executive Director.

Roll Call Vote:

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

NAYS: None

Vote Result: MOTION ADOPTED

b. Update on CVS Proposal Terms and Contract Extension

The Director of Health Benefits also stated that CVS had offered significantly improved pricing and terms for a three year contract renewal. Based on Segal's analysis, the improved pricing should provide estimated savings of \$8.8M over the three year contract period. She stated that Segal is negotiating the specific contract terms and that a final contract should be ready for the Board's approval soon.

6. Old Business/New Business

There was no old business or new business discussed.

7. Adjournment

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

Vote Result: MOTION ADOPTED BY VOICE VOTE

The next Board meeting is scheduled for May 2, 2019, at 9:30 a.m.