

**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 June 4, 2020, Meeting of the Board

The meeting was conducted to allow all trustees and other attendees to participate by telephone as permitted by the Illinois Governor Gubernatorial Disaster Proclamation issued on May 29, 2020

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: John Blair, Diahann Goode, Stephen Hughes, Bill Kouruklis, Patrick McFadden, Joseph Nevius, Kevin Ochalla, James O'Rourke, Lawrence Wilson

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

Others Present: Mary Pat Burns, Burke Burns & Pinelli, Ltd.; Sarah Boeckman, Burke Burns & Pinelli, Ltd.; Vincent Pinelli, Burke Burns & Pinelli, Ltd.; Cathryn Marsico, Cook County, Bureau of Finance; Marc Dietrich, Neuberger Berman; Larry Langer, Cavanaugh Macdonald Consulting, LLC; Brad Wild, Cavanaugh Macdonald Consulting, LLC; Wendy Ludbrook, Cavanaugh Macdonald Consulting, LLC; Ryan Gunderson, Cavanaugh Macdonald Consulting, LLC; Colin Thompson, Legacy Professionals; Edison Uschold, Legacy Professionals.

Public Comment

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

Review and Consideration of:

President Wilson asked for a motion that would allow the Board's consideration of Items 1(a) and 1(b) to be consolidated into a single motion.

- a. May 7, 2020, Board Meeting Minutes
- b. May 7, 2020, Audio Transcript of Board Meeting

It was moved by Trustee McFadden and seconded by Trustee Ochalla that the Board approve the minutes from the Board meeting on May 7, 2020, and that the presented transcription of the audio recording of the Board meeting on May 7, 2020, be accepted and filed.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

2. Review and Consideration of:

- a. Bills, Payroll Records

After receiving confirmation from Fund staff that the presented payments were consistent with the approved 2020 administrative budget, it was moved by Trustee McFadden 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 May, 2020, be ratified.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee McFadden and seconded by Trustee Goode, having received confirmation from Fund staff that the presented bills for expenses incurred in May, 2020, were consistent with the 2020 administrative budget, that the Board approve the recommendations from Fund staff to remit payments for such presented bills.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

- b. Annuities, Spouse and Child Annuities and Refunds

Regina Tuczak, Executive Director, stated that an application for a spouse annuity was submitted due to the death of the Member identified by Office Number 191389. From the

records received by the Fund, the Member's death may have been caused by COVID 19. If it were to be determined that the death was related to the employee's duties at Cook County, the spouse might be eligible for an enhanced benefit and could apply to receive the enhanced benefit at a later time.

The Fund staff presented their recommendations to the Board regarding the applications for employee 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 moved by Trustee McFadden and seconded by Trustee Blair, 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. It was further moved that the surviving spouse of the Member identified by Office Number 191389 be advised by a letter from the Fund that the spouse's benefit may be increased if a line-of-duty death benefit application is submitted and there is a finding that the member's death was related to the employee's duties at Cook County.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla, O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

c. Ordinary and Duty Disabilities

The Fund 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 Blair after due consideration of the disability 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 disability applications be approved.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla, O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

3. Presentation of Draft Actuarial Valuations

The Executive Director stated that the Fund's actuaries Cavanaugh Macdonald Consulting, LLC, had prepared three actuarial valuations for the County Fund and three actuarial valuations for the Forest Preserve Fund as of December 31, 2019. The first of the three reports presents the combined pension and the healthcare obligations for the respective fund and utilizes a discount rate of 7 ¼. The second

report includes the required GASB calculation for pension obligations alone which uses a blended discount rate that factors in a reduced government discount rate upon depletion of Fund assets. The third report, which is required by GASB 74/75, focuses on healthcare obligations. Because there are no assets funding healthcare benefits, a lower government discount rate is used in these reports. She added that the actuaries had prepared a summary document for purposes of presentation to the Board which collectively presents the valuations for both the County Fund and the Forest Preserve Fund.

Mr. Larry Langer of Cavanaugh Macdonald Consulting, LLC then addressed the Board. He added that Ms. Wendy Lubrook, Mr. Brad Wild and Mr. Ryan Gunderson, all from Cavanaugh Macdonald, were also on the call. Mr. Langer reported that the valuations were based upon the status of the Fund as of December 31, 2019. Events which had occurred since that time were not reflected in the reports.

The actuaries reported that the actuarial value of the County Fund's assets was \$10.98 billion with actuarial accrued liabilities of \$17.95 billion, resulting in an unfunded liability of \$6.97 billion. The County Fund has a funded ratio of 61.19% which is an increase over the 2018 funded ratio of 60.75%. The unfunded liability increased by \$175 million. The actuarial insolvency date was reported to be 2043, which is a longer projected solvency date than reported in 2018.

The Forest Preserve Fund's assets were valued at \$203 million on an actuarial basis with liabilities of \$343 million which resulted in an unfunded liability of \$140 million. The funded ratio of the Forest Preserve Fund is 59.25%, a decrease from the 2018 funded ratio of 60.26%. The unfunded liability increased by \$6.1 million. The actuarial projected insolvency date was reported to be 2042, which is a longer projected solvency date than reported in 2018.

The actuary reported that the successful financial returns of 2019 had a positive impact on both the County Fund and the Forest Preserve Fund. In addition, the County Fund has received additional contributions under the Intergovernmental Agreement ("IGA") with the County since 2016 which, in aggregate, had allowed the County Fund to maintain a funded ratio estimated to be approximately 8% higher than if these contributions had not been made. The actuary observed that the Forest Preserve Fund would benefit from a similar agreement. Additionally, a funding policy based upon actuarial based contributions should be legislated for both funds.

It was moved by Trustee McFadden and seconded by Trustee Hughes that the Board receive and file the 2019 Actuarial Valuations of the County Fund as prepared by Cavanaugh Macdonald Consulting, LLC.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla, O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee McFadden and seconded by Trustee Hughes that the Board receive and file the 2019 Actuarial Valuations of the Forest Preserve District Fund as prepared by Cavanaugh Macdonald Consulting, LLC.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

4. Presentation of FY 2019 Draft Financial Statements

The Executive Director stated that Legacy Professionals, LLP, is the independent accounting firm that had been retained by the Fund to audit the financial statements for fiscal year 2019. Colin Thompson and Edison Uschold from Legacy Professionals then presented an overview of the draft financial statements. Mr. Thompson stated that drafts of the financial statements for 2019 for both the County Fund and the Forest Preserve Fund, rather than the final statements, were presented to the Board because various items remain outstanding. Legacy stated that no significant changes were anticipated when the final statements would be issued. Mr. Thompson stated that the financial statements for the County Fund were a combination of its pension plan fiduciary net position and its postemployment healthcare plan net position as of December 31, 2019. He noted that the net position of the County Fund increased in 2019 due to successful financial returns and contributions received from the IGA. He noted that there was an increase for payments of healthcare benefits in 2019, but that the annuitants' share had also increased.

In regard to the financial statements for the Forest Preserve Fund, Mr. Thompson stated that the increase in the Fund's net position was due to an increase in net investment income. He noted that because the Forest Preserve Fund does not have the benefit of an IGA, the employer's net pension liability has been growing.

In response to inquiries from the Board, Mr. Thompson said that they did not have any recommendations to management relating to improvements for internal controls.

It was then moved by Trustee McFadden and seconded by Trustee Goode that the 2019 Draft Financial Statements of the County Fund as audited by Legacy Professionals, LLP be received and filed.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

It was then moved by Trustee McFadden and seconded by Trustee Goode that the 2019 Draft Financial Statements of the Forest Preserve District Fund as audited by Legacy Professionals, LLP be received and filed.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

5. 2021 Funding Review

a. Approval of 2021 Actuarial Projections

The Executive Director stated that the County Fund needs to inform the Cook County Board of Commissioners about the supplemental contributions to be paid pursuant to an anticipated IGA that would provide for such contributions in 2021. The actuary had prepared a draft letter to the Trustees of the County Fund that can be provided to the Cook County Board of Commissioners stating the actuarial based contributions for 2021 that would put the County Fund on track for 100% funding over a 30-year time period concluding by 2047. The trustees noted that the draft letter does not fully represent the inadequacy of the present statutory funding policy. While the IGA is beneficial, it is reconsidered annually and is not a long-term solution to the Fund's solvency problem. The trustees discussed the need for legislation which would provide for actuarial based contributions. The actuary should disclose the serious nature of the long-term funding problem, which is presented in the other actuarial reports presented earlier in the meeting. The actuary agreed to provide some proposed revisions and work with Fund staff to address the issues the trustees had discussed.

It was moved by Trustee McFadden and seconded by Trustee Kouruklis that the Board accept for purposes of an anticipated Intergovernmental Agreement with Cook County, the actuarial based contributions projected for 2021 for the County Fund made by the Fund's actuary, Cavanaugh Macdonald, LLC. It was further moved that the draft letter prepared by Cavanaugh Macdonald be revised to address the inadequacy of the current statutory funding policy and that such language be circulated to the Trustees before submission.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

b. Approval of 2021 Tax Levy Cook County Resolution

It was moved by Trustee McFadden and seconded by Trustee Blair that the Board approve and adopt the presented resolution for the 2021 Tax Levy for the County Fund.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

c. Approval of 2021 Tax Levy Forest Preserve District Resolution

It was moved by Trustee McFadden and seconded by Trustee Blair that the Board approve and adopt the presented resolution for the 2021 Tax Levy for the Forest Preserve District Fund.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

6. Review and Consideration of May 27, 2020, Investment Committee Recommendations

The Executive Director stated that there were three items recommended by the Investment Committee at their meeting on May 27, 2020, for the Board's consideration. The first related to a consent to the merger of Piedmont Investment Advisors into FIS, subject to any necessary revisions to the investment manager's agreement. The second item is the Investment Committee's recommendation that the term extension requested by LaSalle Income and Growth Fund VI be denied and that a letter, drafted by external counsel, be delivered identifying the reasons for denying the request for an extension. The third item relates to the Russell Large Cap Growth Fund and the implementation of a lower fee agreement by finalizing an investment manager agreement.

a. FIS/Piedmont merger and rebranding

It was moved by Trustee Goode and seconded by Trustee Ochalla, that the Board adopt the recommendation made by the Investment Committee at the meeting on May 27, 2020, to consent to the merger of Piedmont Investment Advisors into the FIS Group, which is now known as Xponance Asset Management and is the current Investment Manager. It was further moved that the Fund Staff and Executive Director, subject to legal review, be authorized to take all action reasonably necessary to effectuate the foregoing including the execution and delivery of related written agreements on behalf of the Fund which will include, but not be limited to, the assumption by Xponance of all liabilities and obligations incurred by the previous investment managers.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

b. LaSalle Income and Growth Fund VI term extension denial

It was moved by Trustee Goode and seconded by Trustee Ochalla that the Board adopt the recommendation made by the Investment Committee at the meeting on May 27, 2020, to decline to consent to the proposed one year extension of the LaSalle Income and Growth Fund VI. It was further moved that the Executive Director be authorized to take all action reasonably necessary to effectuate the foregoing including the execution and delivery of communication materials on behalf of the Cook County Fund.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

c. Russell Large Cap Growth Fund separate account investment management agreement

It was moved by Trustee Goode and seconded by Trustee Ochalla that the Board adopt the recommendation made by the Investment Committee at the meeting on May 27, 2020, to authorize Fund staff to implement a lower fee agreement for the Russell Large Cap Growth mandate by finalizing an investment manager agreement, subject to satisfactory negotiations, with Russell Investments Implementation Services, LLC. It is further moved that the Fund staff shall take all action reasonably necessary to effectuate the foregoing including, subject to legal review, the execution and delivery of any related written agreement on behalf of the Fund by the Executive Director.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

7. Legislative Update from Legislative Liaison

A report from the Fund's legislative representative, John McCabe, was included for the Board. The Executive Director stated that the report identified legislative changes to the Open Meetings Act which would impact how the Board's meetings are conducted. She also noted that the report provided a schedule for the General Assembly's fall session.

8. Administrative Matters- Executive Director's Report

The Executive Director stated that the Fund's operations had been proceeding in the same manner as reported to the Board in April and May. She added that because the City of Chicago is expected to begin Phase 3 in reopening the economy, it is planned that more of the Fund staff would return to work in the office on a rotation basis. She stated that the staff would be divided into three groups. One group would work for a week in the office and the other groups would work remotely. The next week, another group would work in the office and the other two groups would work remotely. The rotating weekly schedule and related procedures, subject to legal review, would begin on June 15 and conclude on July 3. The employees reporting to the office would have flexible start times to accommodate varying transportation needs, but would be required to work an eight hour day beginning no earlier than 7am. The employees working from home would continue to be required to work from 8:30 a.m. to 4:30 p.m. Members would not be able to have access to the office, but would continue to be serviced remotely. Personal protective equipment ("PPE") such as masks, hand sanitizer and gloves, have been purchased for staff use. In addition, it was expected that approximately 15 Plexiglas shields will be purchased and installed in those areas of the office where future member/staff interaction will occur. The cost for the purchase and installation will be approximately \$125 -\$250 per shield depending on the required size and access slots. At the conclusion of this re-entry phase, the process will be re-evaluated and reported to the Trustees.

The Executive Director stated that an election for an active member trustee is scheduled for October 28, 2020. She reported that Tim Walsh and Associates, the Fund's election consultant, does not currently support any on-site projects, which would include in-person voting for the trustee election. Another consultant stated that if in-person voting were to occur, planning for protective shields between voters and the consultant's staff as well as other protective measures would be needed. The Fund would also need confirmation from the County that space would be made available for the election. Given the challenges and uncertainties, it might be reasonable to forego in-person voting for this election.

The trustees asked whether some electronic voting process could be implemented for this election. The opportunity to conduct business online securely and safely seems prevalent. It appeared that IMRF conducted elections in this manner and the Fund might reach out to that fund for some information on that process. The election consultants should be asked to advise about whether this process would work for the Fund.

Fiduciary counsel said that a local fund and a State fund had recently taken steps to broaden their election process to include electronic voting. She said that the change could not be done immediately and asked that the Board allow Fund counsel and staff to evaluate the processes and report to the Board to ensure that any election would satisfy the security requirements of Section 9-186 of the Pension Code. The Executive Director stated that a report for the Board about proposed election options would be presented at the July meeting.

The trustees discussed whether the process for in-person voting should be determined at the present meeting so that the planning for the election could move forward. The election process begins in mid-July with postings and mailings of the Notice of Election. The Board would have time to further evaluate whether in-person voting would be possible this year, whether it would be limited to mail-in voting or whether an electronic alternative could be implemented for this year.

The Executive Director then reported that the Fund received the \$25M payment due from the County under the IGA for May, 2020. She also stated that the Fund needed to provide the County various documents for an IGA in 2021 by June 15th so that the appropriate financial information could be included within the County's budget. The Executive Director presented a draft cover letter to be included with the submissions, which will be sent electronically to the President of the Cook County Board, with electronic copies to each Commissioner. The Executive Director also discussed all other materials that will be included in the submission, including the draft letter from the actuary regarding the IGA contribution, which would include the additional paragraph discussed by the Board earlier in the meeting.

It was also reported that Commissioner Gainer asked that a presentation be made to the Pension Committee on June 17th or 18th. Because the financial reporting to the County was to be delivered on June 15, the Executive Director would ask that the presentation be scheduled for July, which is consistent with last year.

The Executive Director stated that the trustees' Statements of Economic Interests should be completed on-line by August 1, 2020, which is an extension from the original deadline.

She also stated that the Forest Preserve District has now also established a Pension Committee of the Cook County Board of Commissioners which will be chaired by Commissioner Gainer.

9. Legal Matters – Levin Case Considerations

It was moved by Trustee McFadden and seconded by Trustee Hughes that the Board convene an Executive Session pursuant to Section 2(c)(11) of the Open Meetings Act, 5ILCS 1202(c)(11) to discuss litigation matters.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee McFadden and seconded by Trustee Goode that the Executive Session be adjourned and that the Board return to open session.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

10. Old Business/New Business

There was no old business or new business discussed.

11. Adjournment

It was moved by Trustee Ochalla and seconded by Trustee Goode that the meeting be adjourned.

Roll Call Vote:

AYES: Blair, Goode, Hughes, Kouruklis, McFadden, Nevius, Ochalla,
O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

The next meeting of the Board is scheduled for July 9, 2020, at 9:30 am.