

**Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago
Minutes of Regular Board Meeting No. 992**

December 19, 2017

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**LABORERS' & RETIREMENT BOARD EMPLOYEES'
ANNUITY & BENEFIT FUND OF CHICAGO**

December 19, 2017

Report of Meeting No. 992 held on December 19, 2017, starting at 10:11 a.m. at the office of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("Fund" or "LABF"). The following notes attendance:

Board Members: Victor Roa – President (Union Appointed Member)
 Erin Keane – Vice President (City Comptroller, City of Chicago)
 Michael LoVerde – Secretary (Active Employee Elected Member)
 Carol Hamburger – Trustee (Managing Deputy Comptroller, City of Chicago) (*arrival 10:19am*)
 James Capasso, Jr. – Trustee (Annuitant Elected Member)
 Carole Brown – Trustee (Chief Financial Officer, City of Chicago) (*arrival 10:40 am*)
 James Joiner – Trustee (Active Employee Elected Member)

Staff & Consultants: Graham Grady – Taft Stettinius & Hollister LLP, Fund's Counsel
 Cary Donham – Taft Stettinius & Hollister LLP, Fund's Counsel
 Dr. Terence Sullivan – Fund's Physician
 James Wesner – Marquette Associates, Fund's Investment Consultant
 Kweku Obed – Marquette Associates, Fund's Investment Consultant
 Neil Capps – Marquette Associates, Fund's Investment Consultant
 Robert Molaro – Robert S. Molaro and Associates, Legislative Liaison
 Michael Walsh – Executive Director and Chief Investment Officer
 Peggy Grabowski – Comptroller
 John Carroll – Compliance Officer
 Nadia Oumata – Manager of Accounting and Investments
 Tina Rhoten – Benefits Manager
 Paul Rzeszutko – Assistant Benefits Manager
 Nicole Evangelista – Payment Services Coordinator
 Irene Velazquez – Payment Services Assistant

Absents: Kurt Summers, Jr. – Trustee (City Treasurer, City of Chicago)

Observers: Brinton Siverly, City of Chicago, and Liamaria Quinde, City of Chicago.

President Roa determined that a quorum was present after Secretary LoVerde took attendance.



*Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago*

Board Members:

I am transmitting herewith the minutes for the meeting of the Retirement Board which was held on **December 19, 2017**. The minutes are comprised of the following:

- Public Participation
- Approval of Minutes From Prior Meetings
- Schedule A: Applications for Refunds
 1. Refund of Contributions Due to Separation from Service
 2. Miscellaneous Refunds
- Schedule B: Applications for Annuities
 1. Employee Annuities
 2. Spouse and Child Annuities
- Schedule C: Adjustment Refunds to New Annuitants
- Schedule D: Applications for Duty Disability Benefits
- Schedule E: Applications for Ordinary Disability Benefits
- Schedule F: Applications for Extension of Duty Disability Benefits
- Schedule G: Applications for Extension of Ordinary Disability Benefits
- Schedule H: Payment of Uncashed Checks of Deceased Members
- Schedule I: Payment of Administrative Expenses
- Election of Officers. Taken out of order.
- Investments Report
- Executive Session No. 1
- Administrative Report
- Executive Session No. 2
- Executive Session No. 3
- Administrative Report Continued
- Legal Report
- Executive Session No. 4
- Adjournment

All the foregoing matters were checked upon receipt in the office of the Retirement Board and were found to be hereinafter set forth.

Sincerely,

Michael R. LoVerde
Retirement Board Secretary

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PUBLIC PARTICIPATION

None.

APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that the regular minutes of Meeting No. 991 held on November 21, 2017 be approved as submitted.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso, and Joiner.
Against -- None.

It was moved by Trustee LoVerde, seconded by Trustee Capasso, that the minutes of Executive Sessions 1, 2, 3 and 4 of Meeting No. 991 held on November 21, 2017 be approved as submitted.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

SCHEDULE A – APPLICATIONS FOR REFUNDS

1. Refund of Contributions Due to Separation from Service

It was moved by Trustee LoVerde, seconded by Trustee Keane, that the applications presented for Refunds of Contributions Due to Separation from Service be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

2. Miscellaneous Refunds

It was moved by Trustee LoVerde, seconded by Trustee Capasso, that the applications presented for Miscellaneous Refunds be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

SCHEDULE B – APPLICATIONS FOR ANNUITIES

1. Employee Annuities

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that the applications for Employee Annuities be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

2. Spouse and Child Annuities

It was moved by Trustee LoVerde, seconded by Trustee Keane, that the applications for Spouse and Child Annuities be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

SCHEDULE C – ADJUSTMENT REFUNDS TO NEW ANNUITANTS

It was moved by Trustee Capasso, seconded by Trustee LoVerde, that the Adjustment Refunds to New Annuitants be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

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SCHEDULE D – APPLICATIONS FOR DUTY DISABILITY BENEFITS

It was moved by Trustee LoVerde, seconded by Trustee Joiner that the applications for Duty Disability Benefits be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

SCHEDULE E – APPLICATIONS FOR ORDINARY DISABILITY BENEFITS

It was moved by Trustee Joiner, seconded by Trustee LoVerde, that the applications for Ordinary Disability Benefits be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

SCHEDULE F – EXTENSION OF DUTY DISABILITY BENEFITS

It was moved by Trustee Capasso, seconded by Trustee LoVerde that the applications for Extension of Duty Disability Benefits, be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

SCHEDULE G – EXTENSION OF ORDINARY DISABILITY BENEFITS

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that the applications for Extension of Ordinary Disability Benefits be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

SCHEDULE H – PAYMENT OF UNCASHED CHECKS OF DECEASED MEMBERS

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that the applications for Payment of Uncashed Checks of Deceased Members be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

SCHEDULE I – PAYMENT OF EXPENSES

It was moved by Trustee Joiner, seconded by Trustee LoVerde, that Administrative and Investment Invoices be approved and ordered paid.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Capasso and Joiner.
Against -- None.

ELECTION OF OFFICERS

This item was taken out of order. It was moved by Trustee Capasso, seconded by Trustee Joiner, to elect Victor Roa as President, Erin Keane as Vice-President, and Michael LoVerde as Secretary of the Board of Trustees of the LABF for the year 2018.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso, Brown and Joiner.
Against -- None.

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INVESTMENTS REPORT

November 30, 2017 Preliminary Performance Report

Mr. Obed reviewed the November 30, 2017 Preliminary Performance Report.

Asset Allocation Discussion

This topic was discussed in executive session.

EXECUTIVE SESSION NO. 1

At 10:28 a.m., Trustee LoVerde requested an executive session under 5 ILCS 120/2(c)(7) to discuss the sale or purchase of securities, investments or investment contracts. Trustee Hamburger seconded the motion.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso and Joiner.
Against -- None.

At 10:40 a.m., Trustee LoVerde made a motion, seconded by Trustee Hamburger, that the executive session be adjourned and that the Board return to open session.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso and Joiner.
Against -- None.

It was moved by Trustee LoVerde, seconded by Trustee Capasso, to invest \$10,000,000 into the Mesriow Financial Real Estate Value Fund III, L.P.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso and Joiner.
Against -- None.

ADMINISTRATIVE REPORT

Mr. Walsh introduced the 2018 administrative budget.

EXECUTIVE SESSION NO. 2

At 10:45 a.m., Trustee LoVerde requested an executive session under 5 ILCS 120/2(c)(1) and (2) to discuss personnel matters and salary schedules. Trustee Hamburger seconded the motion.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso, Brown and Joiner.
Against -- None.

At 10:56 a.m., Trustee LoVerde made a motion, seconded by Trustee Joiner, that the executive session be adjourned and that the Board return to open session.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso, Brown and Joiner.
Against -- None.

It was moved by Trustee LoVerde, seconded by Trustee Hamburger, to approve the 2018 Administrative Budget for the LABF.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso and Joiner.
Against -- None.
Abstain -- Trustee Brown.

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LABF Staff/Annuitant Health Insurance Policy

This topic was discussed in executive session.

EXECUTIVE SESSION NO. 3

At 10:57 a.m., Trustee LoVerde requested an executive session under 5 ILCS 120/2(c)(1) and (11) to discuss personnel matters and current or potential litigation of the Fund. Trustee Joiner seconded the motion.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso, Brown and Joiner.
Against -- None.

At 11:21 a.m., Trustee LoVerde made a motion, seconded by Trustee Capasso, that the executive session be adjourned and that the Board return to open session.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso, Brown and Joiner.
Against -- None.

LABF Harassment Policy

Michael Walsh and Robert Molaro informed the Trustees that the LABF needed to establish a sexual harassment policy by January 1, 2018 as a result of P.A. 100-0554 becoming law in the State of Illinois. In order to comply with the new requirement, Mr. Walsh presented a draft Policy on Sexual and Other Harassment that Fund staff and Fund Counsel had prepared. The Trustees requested that staff amend the draft policy in order to clarify the definition of "manager" and to expand whom a person may report an instance of sexual or other harassment to as part of the reporting process to include any Trustee or other person associated with LABF who is in a leadership position.

It was moved by Trustee LoVerde, seconded by Trustee Joiner, to approve The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF") Policy on Sexual and Other Harassment, as amended. See attached document.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso, Brown and Joiner.
Against -- None.

Disability Service Rule

Mr. Walsh reviewed a document describing Duty Disability Administration which contained proposed rules for the administration of certain aspects of Duty Disability Benefits for LABF Members.

It was moved by Trustee Hamburger, seconded by Trustee Keane, to approve the proposed Administrative Rules for duty disability benefits as reviewed by Trustees at the meeting. See attached document.

Roll-call: For-- Trustees Roa, Keane, Hamburger, Capasso, Brown and Joiner.
Against -- Trustee LoVerde.

Miscellaneous

P.A. 100-0554 was covered earlier in the meeting and taken out of order. The other items in this section were not addressed in the meeting.

Legislative Matters

This item was taken out of order. Mr. Molaro reviewed draft legislation that the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF") had recently prepared, which relates to the Interceptor Provision and the Assignment of Receipts Provision, and noted that these items may also impact the LABF. Mr. Molaro gave additional details on how the Assignment of Receipts Provision could possibly work and how it could affect LABF and other Funds. Mr. Walsh reviewed additional details regarding the Interceptor Provisions and its impact on LABF and also presented a draft piece of legislation prepared by the State Legislative Reference Bureau related to the Intercept Provision. He noted that this legislation was similar to the draft legislation that MEABF had recently reviewed.

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LEGAL REPORT

Letter to Corporation Counsel

Mr. Donham gave an update on a letter which was requested by the Trustees to be sent to the City of Chicago's Corporation Counsel seeking clarification on what the required contributions are to the LABF for the City of Chicago employees that are on Duty Disability with LABF. Mr. Donham noted that he had been contacted by the Corporation Counsel's office to set up a meeting but the meeting had since been postponed to a date which has yet to be determined.

Underwood Litigation

This topic was discussed in executive session.

EXECUTIVE SESSION NO. 4

At 12:01 p.m., Trustee LoVerde requested an executive session under 5 ILCS 120/2(c)(11) to discuss current or potential litigation of the Fund. Trustee Hamburger seconded the motion.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso, Brown and Joiner.
Against -- None.

At 12:12 p.m., Trustee LoVerde made a motion, seconded by Trustee Capasso, that the executive session be adjourned and that the Board return to open session.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso, Brown and Joiner.
Against -- None.

The Trustees took no action.

ADJOURNMENT

With no further business, at 12:12 p.m., Trustee LoVerde made a motion to adjourn the meeting. Trustee Joiner seconded the motion.

Roll-call: For-- Trustees Roa, Keane, LoVerde, Hamburger, Capasso, Brown and Joiner.
Against -- None.

Correction to Duty Disability Administration

Date: 12/19/2017

Background:

Matters regarding awarding service credit to members on duty disability were discussed with the LABF Board at the December 19, 2016 and January 24, 2017 Board meetings (*see the attached report to the Board dated January 24, 2017*). The Board requested that, going forward, LABF (1) take reasonable measures to ensure that LABF members are aware that, unless otherwise specified in the Illinois Pension Code, they will only be awarded service credit for periods of duty disability where they have accrued disability benefits from LABF, and (2) avoid penalizing members for LABF's historical misinterpretation of the Illinois Pension Code.

Measures Taken to Notify Members of the Requirement:

1. LABF worked with City Council's Committee on Finance (the "COF") on amendments to letters sent to LABF members injured on the job notifying them that they should contact LABF about disability benefits to which they may be entitled and that failure to do so could result in loss of service and salary credit for pension purposes.
2. LABF secured access to customized reports in COF's disability administration database system (iVOS) which will allow LABF to identify approved workers' compensation claims in a more timely and reliable manner. LABF will utilize this and other information to generate letters to members whose claims are approved by the City's worker's compensation administrators. Additionally, LABF utilized this same reporting to identify members who had new approved worker's compensation claims in the last several months and did not apply for benefits from the LABF. These members were also sent letters informing them of the need to apply for benefits from LABF.
3. LABF developed a duty disability brochure which will be made available in LABF's office, will be included with the letters LABF sends to members with new worker's compensation claims, and will be posted electronically on LABF's website. Additionally, the brochures will be made available upon request to the COF, City of Chicago, and labor unions as a tool to educate LABF's membership.

Proposed Administrative Rule (Effective upon adoption by the LABF Board):

For periods of duty disability beginning after December 19, 2017:

- Employee members must apply, and have their applications approved by the Board, to begin accruing disability benefits from LABF (an accrued benefit is a benefit granted by the Board regardless of monetary compensation);
- Unless otherwise specified in the Illinois Pension Code, employee members shall only be eligible to receive service credit corresponding to periods for which they have accrued disability benefits from LABF; and
- No duty disability benefit shall begin to accrue for any period of time more than one year prior to the date on which the application for disability benefit is received by the Board (interpreted to include the Fund).

For any periods of duty disability beginning prior to and including December 19, 2017:

- Members must apply, and have their applications approved by the Board, to begin accruing disability benefits from LABF (an accrued benefit is a benefit granted by the Board regardless of monetary compensation);
- Current and former employees who have contributions with LABF and are not on annuity may apply for past duty disability benefits from LABF:
 - With respect to current employees, accrued benefits associated with periods of time more than one year prior to the date on which the application for disability benefit is received by the Board (interpreted to include the Fund) shall have no monetary component; and
 - With respect to former employees, accrued benefits shall have no monetary component; and
- Unless otherwise specified in the Illinois Pension Code, members shall only be eligible to receive service credit corresponding to periods for which they have accrued disability benefits from LABF.