

**Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago
Minutes of Regular Board Meeting No. 1001**

September 18, 2018

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

September 18, 2018

Report of Meeting No. 1,001 held on September 18, 2018, starting at 1:02 p.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)
	James Capasso, Jr.	– Trustee (Annuitant Elected Member)
	Carole Brown	– Trustee (Chief Financial Officer, City of Chicago)
	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
	Kweku Obed	– Marquette Associates, Fund's Investment Consultant
	Neil Capps	– Marquette Associates, Fund's Investment Consultant
	Craig Goesel	– Alliant/Mesirow Insurance Services (by phone)
	Clayton Casale	– Alliant/Mesirow Insurance Services
	Michael Walsh	– Executive Director and Chief Investment Officer
	Peggy Grabowski	– Comptroller
	John Carroll	– Compliance Administrator
	Sheila Jones	– Administrative Coordinator
	Nadia Oumata	– Manager of Accounting and Investments
	Tina Rhoten	– Benefits Manager
	Paul Rzeszutko	– Assistant Benefits Manager
	Kimberly Dougherty	– Benefits Coordinator
	Irene Velazquez	– Assistant Benefits Manager
	Nicole Evangelista	– Payment Services Coordinator
Absent:	Kurt Summers, Jr.	– Trustee (City Treasurer, City of Chicago)
Observer:	Ray Walton	– UnitedService Companies

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 **September 18, 2018**. 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
- Investments Report
- Administrative Hearing – Dedrick Moore
- Executive Session No. 1
- Administrative Report
- Legal Report
- Executive Session No. 2
- Executive Session No. 3
- Taken out of order. Fiduciary Liability Insurance Renewal Presentation
- 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

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

September 18, 2018

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. 1000 held on August 21, 2018 be approved as submitted.

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

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that the minutes of Executive Sessions 1, 2, 3 and 4 of Meeting No. 1000 held on August 21, 2018 be approved as submitted.

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

SCHEDULE A – APPLICATIONS FOR REFUNDS

1. Refund of Contributions Due to Separation from Service

It was moved by Trustee Brown, seconded by Trustee LoVerde, 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, Hamburger, Capasso, Brown and Joiner.
Against -- None

2. Miscellaneous Refunds

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

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

SCHEDULE B – APPLICATIONS FOR ANNUITIES

1. Employee Annuities

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

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

2. Spouse and Child Annuities

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

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

SCHEDULE C – ADJUSTMENT REFUNDS TO NEW ANNUITANTS

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

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

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, Hamburger, Capasso, Brown and Joiner.
Against -- None

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SCHEDULE E – APPLICATIONS FOR ORDINARY DISABILITY BENEFITS

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

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

SCHEDULE F – EXTENSION OF DUTY DISABILITY BENEFITS

It was moved by Trustee Brown, 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, Hamburger, Capasso, Brown 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, Hamburger, Capasso, Brown and Joiner.
Against -- None

SCHEDULE H – PAYMENT OF UNCASHED CHECKS OF DECEASED MEMBERS

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

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

SCHEDULE I – PAYMENT OF EXPENSES

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

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

INVESTMENTS REPORT

Market Tracker

Mr. Obed reviewed the August 2018 market performance.

August 31, 2018 Preliminary Performance Report

Mr. Obed reviewed the Fund's August 31, 2018 Preliminary Performance Report.

Asset Allocation Follow-Up/Implementation Discussion

This item was not addressed in the meeting.

ADMINISTRATIVE HEARING

Dedrick Moore, a Fund member, requested a hearing to appeal a previous decision by the Board to deny his application for annuity benefits which took place at the April 17, 2018 Board meeting. Mr. Moore was accompanied by his counsel, Paul Ankin of Ankin Law Office, LLC. The hearing began at 1:18 p.m. and was transcribed by a court reporter. The transcript of the proceedings is incorporated into these minutes by reference. Victor Roa, Board President, presided over the hearing. At the conclusion of all testimony, the trustees decided to enter executive session pursuant to 5 ILCS 120/2(c)(11).

**LABORERS' & RETIREMENT BOARD EMPLOYEES'
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EXECUTIVE SESSION NO. 1

At 2:14 p.m., Trustee Hamburger requested an executive session under 5 ILCS 120/2(c)(11) to discuss current or potential litigation involving the Fund. Trustee Brown seconded the motion.

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

At 2:39 p.m., Trustee LoVerde made a motion, seconded by Trustee Brown, 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 Brown, to reverse the Board's April 18, 2018 denial of Mr. Moore's application for Employee Annuity benefits and to instead approve Mr. Moore Employee Annuity application with retroactive payments to his Annuity Start Date (February 1, 2018).

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

Mr. Donham stated that the Board would follow-up with a written decision shortly after the next Board meeting, which is scheduled for October 23, 2018.

ADMINISTRATIVE REPORT

Actuarial Impact Statement

Trustee Brown, in her capacity of Chief Financial Officer of the City of Chicago, requested that the Board consider approving in advance the commissioning of an actuarial impact statement, if needed, from its actuary related to a possible pension obligation bond that is being reviewed. Trustee Brown noted that City of Chicago would pay for the cost of the impact statement.

It was moved by Trustee Capasso, seconded by Trustee Hamburger, to grant the Executive Director the authority to engage the Fund actuary in order to prepare an actuarial impact statement related to a pension obligation bond that is under consideration by the City of Chicago, if requested by the City.

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

Active Employee Election Update

Mr. Walsh reported that a certification letter declaring the incumbent Trustee, James Joiner, the winner of the Trustee election for a three-year term that begins on December 2, 2018 had been signed by the Election Committee. Mr. Walsh noted that Trustee Joiner will be scheduled to be re-sworn in prior to the December 18, 2018 meeting.

Employee Handbook

As a follow-up to the August Board meeting, Mr. Walsh and the Trustees reviewed the following sections of the most recent draft Employee Handbook: (1) Paid Administrative Leave/Vacation Leave, (2) Paid Sick Time, (3) Comp Time and (4) Tuition Reimbursement. The Trustees made some comments and suggested changes to the draft. Mr. Walsh said he would incorporate the changes and present a new draft at the next Board meeting.

Revised Ethics Policy Draft

Mr. Walsh reviewed a draft revised Ethics Policy that he had previously discussed at the August Board meeting. The Trustees discussed the Sanctions section of the Ethics Policy and suggested revisions. The Trustees suggested that the LABF consider pursuing a statutory change to explicitly allow for additional sanctions against a Trustee in the event of misconduct.

It was moved by Trustee Keane, seconded by Trustee LoVerde, to approve the revised Ethics Policy as amended. The Ethics Policy as approved by the Board is attached to these minutes.

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

**LABORERS' & RETIREMENT BOARD EMPLOYEES'
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Draft Revised Sexual and Other Harassment Policy

Mr. Walsh discussed the proposed changes to the draft revised Sexual and Other Harassment Policy. See attached policy.

It was moved by Trustee Hamburger, seconded by Trustee Joiner, to approve the revised Sexual Harassment Policy.

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

Legislative Matters

Mr. Walsh informed the Board that the Illinois Governor used his amendatory veto power with respect to House Bill 4811, which includes technical corrections to Public Act 100-0023, but that the governor did not suggest revisions to any of the sections containing technical corrections affecting LABF. The governor's changes pertained to a provision that provides the Municipal Employees Annuity and Benefit Fund of Chicago ("MEABF") with more discretion regarding the frequency with which disabled members are required to visit with the MEABF's physician. Mr. Walsh stated that it is not yet clear how the Municipal Fund would like to proceed concerning the Governor's amendment, and he will keep the Trustees updated on this matter.

Miscellaneous

Marquette Symposium - Mr. Walsh reported that the Marquette's 2018 Investment Symposium is scheduled for Friday, September 28, 2018 and noted that staff could coordinate registration for the Trustees who are interested in attending.

Special Meeting - Mr. Walsh reminded Trustees that a Special meeting is scheduled for Thursday, October 4, 2018 at 9:00 a.m.

Senate Hearings – Mr. Walsh informed the Trustees that the Senate Special Committee on State Pension Fund Investments is to be held on October 16-17, 2018. The LABF is scheduled to be called last on October 17, 2018.

Signature Verification Form Update – Mr. Walsh reported that the LABF has nearly completed the 2018 Signature Verification Form process and approximately 45 forms were still outstanding. Mr. Walsh noted that the October annuity payments for annuitants who have not yet returned their forms would be held at the office until the corresponding forms have been received and the signatures verified. Mr. Walsh additionally noted that due to the law which granted the Fund access to the State's vital records data, the LABF has been more effective in identifying the deaths of its annuitants which has greatly limited annuity overpayments.

LEGAL REPORT

It was moved by Trustee Hamburger, seconded by Trustee LoVerde, to refer the matter of Dedrick Moore to the Cook County State's Attorney's office for review pursuant 40 ILCS 5/1-135.

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

EXECUTIVE SESSION NO. 2

At 3:19 p.m., Trustee Hamburger requested an executive session under 5 ILCS 120/2(c)(11) to discuss current or potential litigation involving the Fund. Trustee LoVerde seconded the motion.

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

At 3:22 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.

Workers' Compensation Matter

This topic was discussed in executive session.

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EXECUTIVE SESSION NO. 3

At 3:22 p.m., Trustee LoVerde requested an executive session under 5 ILCS 120/2(c)(11) to discuss current or potential litigation involving the Fund. Trustee Hamburger seconded the motion.

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

At 3:26 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.

Fraud Matter

This specific item was not addressed in the meeting.

Carmichael Litigation

Mr. Donham gave a brief update on the status of the Carmichael litigation and noted that the Illinois Supreme Court heard oral arguments on several important aspects of the matter. Mr. Donham stated that it is difficult to say which way the justices were leaning and said the parties were anticipating a decision within the next 90 to 180 days.

Alliant/Mesirow Fiduciary Liability Insurance Presentation

This item was taken out of order. Craig Goesel (by phone) and Clayton Casale of Alliant/Mesirow Insurance Services presented a proposal for the renewal of the LABF's fiduciary liability and cyber liability insurance policies. The Trustees discussed the coverage limits and reviewed other aspects of the coverage.

It was moved by Trustee Brown, seconded by Trustee LoVerde, to approve Option II as shown in the presentation materials.

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

See attached document.

ADJOURNMENT

With no further business, at 3:39 p.m., Trustee LoVerde made a motion to adjourn the meeting. Trustee Capasso seconded the motion.

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

LABORERS' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

ETHICS POLICY

The Board of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago desires to enhance and promote the professional management of LABF.

To further these objectives and the provisions of the Illinois Pension Code governing LABF and the Board, all Board Members and Employees of LABF shall adhere (1) to legal and ethical standards in the fulfillment of their fiduciary and other responsibilities, and (2) to the following statements of policy (the "Policy"):

ARTICLE I DEFINITIONS

The definitions used in this Policy are limited to the Policy and shall not be binding on LABF for any other purpose. Whenever used in this Policy, the following terms shall have the following meanings:

"Board" means the Retirement Board of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago.

"Board Member" means an elected, appointed or ex-officio member of the Board.

"Compensation" means money, thing of value or other pecuniary benefit received or to be received in return for, or as reimbursement for, services rendered or to be rendered.

"Domestic partner" means a "qualified domestic partner" as defined in Section 2-152-072 of the Municipal Code of Chicago, as amended.

"Employee" means an individual employed by LABF, whether part-time or full-time, but excludes Board Members and third-party vendors of LABF.

"Financial Interest" means an interest held by an individual that is valued or capable of valuation in monetary terms with a current value of more than \$1,000.00, provided that such interest shall not include: (1) the authorized compensation paid to an individual for any office or employment; or (2) a time or demand deposit in a financial institution; or (3) an endowment or insurance policy or annuity contract purchased from an insurance company; or (4) any ownership through purchase at fair market value or inheritance of the shares of a mutual fund corporation, regardless of the value of or dividends on such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended; or (5) any ownership through purchase at fair market value or inheritance of not more than one-half of one percent of the outstanding common stock of the shares of a corporation, or any corporate subsidiary, parent or affiliate thereof, regardless of the dividends on such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended.

"LABF" means the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago.

“Gift”, as defined in the State Officials and Employees Ethics Act, 5 ILCS 430/1-5, means any gratuity, discount, entertainment, hospitality, loan, forbearance, or other tangible or intangible item having monetary value including, but not limited to, cash, food and drink, and honoraria for speaking engagements related to or attributable to the position of a Board Member or Employee. Honoraria means an honorary payment or reward usually given as compensation for services on which custom or propriety forbids any fixed business price to be set or for which no payment can be enforced at law.

“Party-in-Interest,” a person is a “party-in-interest” with respect to LABF if the person is: (a) a fiduciary, counsel, or Employee of LABF; or a Relative of such a person; (b) a person providing services to LABF, or a Relative of such a person; (c) an employer, any of whose employees are covered by LABF; (d) an employee organization, any members of which are covered by LABF; or (e) an employee, officer, or director (or an individual having powers or responsibilities similar to those of an officer or director) of LABF or of a person described under item (b), (c), or (d) above.

“Prohibited Source,” means a person or entity who: (a) is seeking official action by LABF, the Board or a Board Member; (b) does business or seeks to do business with LABF, the Board or with a Board Member; (c) has interests that may be substantially affected by the performance or non-performance of the official duties of the Board or a Board Member; or (d) is registered or required to be registered with the Secretary or State under the Lobbyist Registration Act, except that an entity not otherwise a Prohibited Source does not become a Prohibited Source merely because a registered lobbyist is one of its members or serves on its board of directors.

“Relative” means a person who is related to an individual as father, mother, son, daughter, brother, sister, uncle, aunt, great aunt, great uncle, first cousin, nephew, niece, husband, wife, domestic partner, fiancé, fiancée, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, and including the father, mother, grandfather, or grandmother of the individual’s spouse, domestic partner, or fiancé or fiancée.

“Seeking to do business” means: (a) taking any action within the past six months to obtain a contract or business from LABF when, if such action were successful, it would result in a person or entity doing business with LABF; and (b) the contract or business sought has not been awarded to any person or entity.

ARTICLE II CODE OF CONDUCT

2.1 **Fiduciary Duty.** Board Members and certain Employees are fiduciaries per the Illinois Pension Code and shall at all times, in the performance of their duties, owe a fiduciary duty to LABF, its participants and their beneficiaries.

Pursuant to the Illinois Pension Code, 40 ILCS 5/1-101.2, a person is a "fiduciary" with respect to LABF to the extent that the person:

(a) exercises any discretionary authority or discretionary control respecting management of LABF, or exercises any authority or control respecting management or disposition of its assets;

(b) renders investment advice or renders advice on the selection of fiduciaries for a fee or other Compensation, direct or indirect, with respect to any moneys or other property of LABF, or has any authority or responsibility to do so; or

(c) has any discretionary authority or discretionary responsibility in the administration of LABF.

2.2 Prohibited Transactions. Pursuant to the Illinois Pension Code, 40 ILCS 5/1-110, the following transactions are prohibited:

(a) A Board Member or other fiduciary with respect to LABF shall not cause LABF to engage in a transaction if he or she knows or should know that such transaction constitutes a direct or indirect:

(i) Sale or exchange, or leasing of any property from LABF to a Party-in-Interest for less than adequate consideration, or from a Party-in-Interest to LABF for more than adequate consideration.

(ii) Lending of money or other extension of credit from LABF to a Party-in-Interest without the receipt of adequate security and a reasonable rate of interest, or from a Party-in-Interest to LABF with the provision of excessive security or an unreasonably high rate of interest.

(iii) Furnishing of goods, services or facilities from LABF to a Party-in-Interest for less than adequate consideration, or from a Party-in-Interest to LABF for more than adequate consideration.

(iv) Transfer to, or use by or for the benefit of, a Party-in-Interest of any assets of LABF for less than adequate consideration.

(b) A Board Member or other fiduciary of LABF shall not:

(i) Deal with the assets of LABF in his or her interest or for his or her own account;

(ii) In his or her individual capacity or any other capacity act in any transaction involving LABF on behalf of a party whose interests are adverse to the interests of LABF or the interests of its participants or beneficiaries; or

(iii) Receive any consideration for his or her own personal account from any party dealing with LABF in connection with a transaction involving the assets of LABF.

(c) Nothing in this Section 2.2 shall be construed to prohibit any Board Member or other fiduciary from:

(i) Receiving any benefit to which he or she may be entitled as a participant or beneficiary in LABF; or

(ii) Receiving any reimbursement of expenses properly and actually incurred in the performance of his or her duties with LABF; or

(iii) Serving as a Board Member in addition to being an officer, employee, agent or other representative of a Party-in-Interest.

(d) A Board Member or Employee with respect to LABF shall not knowingly cause or advise LABF to engage in an investment transaction with an investment adviser when the Board Member or Employee, or their spouse or domestic partner (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a relationship with the investment advisor that would result in a pecuniary benefit to the Board Member or Employee or spouse or domestic partner of such Board Member or Employee, as a result of the investment transaction. Pursuant to the Illinois Pension Code, 40 ILCS 5/1-110(e), a violation of this subsection (d) is a Class 4 felony.

2.3 Receiving and Soliciting Gifts.

(a) Pursuant to the Illinois Pension Code, 40 ILCS 5/1-125, no Board Member or Employee, his or her spouse or domestic partner, or any immediate family living with that Board Member or Employee shall intentionally solicit or accept any Gift from any Prohibited Source as prescribed in Article 10 of the State Officials and Employees Ethics Act, 5 ILCS 430/10-10 et seq. (“State Officials and Employees Ethics Act”); *provided, however*, that this prohibition shall not apply to the following:

(i) Opportunities, benefits and services that are available on the same conditions as for the general public.

(ii) Anything for which the Board Member or Employee pays the market value.

(iii) Any (1) contribution that is lawfully made under the Election Code, 10 ILCS 5/1-1 *et seq.*, as amended, or under the State Officials and Employees Ethics Act, or (2) activities associated with a fundraising event in support of a political organization or candidate.

(iv) Solicitation or acceptance of educational materials.

(v) A Gift from a Relative.

(vi) Anything provided by an individual on the basis of a personal friendship unless the Board Member or Employee has reason to believe that, under the circumstances, the Gift was provided because of the official position or employment of the Board Member or Employee and not because of the personal friendship. In determining whether a Gift is provided on the basis of personal friendship, the Board Member or Employee shall consider the circumstances under which the Gift was offered, such as:

(A) the history of the relationship between the individual giving the Gift and the recipient of the Gift, including any previous exchange of Gifts between those individuals;

(B) whether to the actual knowledge of the Board Member or Employee the individual who gave the Gift personally paid for the Gift or sought a tax deduction or business reimbursement for the Gift; and

(C) whether to the actual knowledge of the Board Member or Employee the individual who gave the Gift also at the same time gave the same or similar Gifts to other Board Members or Employees.

(vii) Food or refreshments not exceeding \$75 per person in value on a single calendar day; provided that the food or refreshments are (1) consumed on the premises from which they were purchased or prepared or (2) catered. For the purposes of this Section, "catered" means food or refreshments that are purchased ready to eat and delivered by any means.

(viii) Food, refreshments, lodging, transportation, and other benefits resulting from the outside business or employment activities (or outside activities that are not connected to the duties of the Board Member or Employee) of the Board Member or Employee, or the spouse of the Board Member or Employee, if the benefits have not been offered or enhanced because of the official position or employment of the Board Member or Employee, and are customarily provided to others in similar circumstances.

(ix) Intra-governmental gift and inter-governmental gift. For the purpose of this Policy, "intra-governmental gift" means any Gift given to a Board Member or Employee of LABF from another Board Member or Employee of LABF; "inter-governmental gift" means any Gift given to a Board Member or Employee of LABF by a member, officer or employee of any governmental entity.

(x) Bequests, inheritances, and other transfers at death.

(xi) Any item or items from any one Prohibited Source during any calendar year having a cumulative total value of **less** than \$100.00.

Each of the exceptions listed in this section is mutually exclusive and independent of one another.

(b) A Board Member or Employee does not violate this Policy if the Board Member or Employee promptly takes reasonable action to return the prohibited Gift to its source or gives the Gift or an amount equal to its value to an appropriate charity that is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as now or hereafter amended, renumbered, or succeeded. (5 ILCS 430/10-30).

(c) Gifts which have a value of greater than \$100 (or a series of Gifts with an aggregate value of greater than \$100 from one Prohibited Source during any twelve month period) received by any Board Member or Employee from a Prohibited Source shall be disclosed to LABF's executive director by the recipient within ten business days of receipt. The disclosure shall include the name and title of the recipient; the name, address, occupation and employer of the donor; a description of the Gift and its value; and the intended use or actual disposition of the Gift, in accordance with this Policy.

(d) Pursuant to the Illinois Pension Code, 40 ILCS 5/1-125(e), a violation of this Section 2.3 is a Class A misdemeanor

(e) Nothing in this Policy shall prohibit any Board Member or Employee from accepting a Gift in accordance with this Policy on LABF's behalf; provided, however, the person accepting the Gift shall promptly report receipt of the Gift to the Board and to the executive director, who shall add it to the inventory of LABF property.

2.4 Solicitation or Receipt of Money for Advice or Assistance. No Board Member or Employee, or the spouse, domestic partner or minor child of any of them, shall solicit or accept any

money or other thing of value including, but not limited to, Gifts, favors, services or promises of future employment, in return for advice or assistance on matters concerning the operation or business of LABF; provided, however, that nothing in this Policy shall prevent a Board Member or Employee or the spouse or domestic partner of a Board Member or Employee from accepting Compensation for services wholly unrelated to the Board Member's or Employee's duties and responsibilities to LABF and rendered as part of his or her non-LABF employment, occupation or profession.

2.5 Use or Disclosure of Confidential Information No current or former Board Member or Employee shall use or disclose, other than in the performance of his or her LABF related duties and responsibilities, or as may be required by law, confidential information gained in the course of or by reason of his or her position or employment with LABF. For purposes of this section, "confidential information" means any information that may not be obtained pursuant to the Illinois Freedom of Information Act, 5 ILCS 140/1 et seq., as amended.

2.6 Conflicts of Interest; Appearance of Impropriety.

(a) No Board Member or Employee shall make or participate in the making of any decision relating to LABF or its assets with respect to any matter in which he or she has any Financial Interest or business relationship distinguishable from that of the general public or from which he or she has derived any income or Compensation.

(b) To avoid even an appearance of impropriety, any Board Member who has a business relationship with a person or entity with a matter pending before LABF shall publicly disclose the nature of such business relationship on the record at a regularly scheduled meeting of the Board of Trustees and shall also notify the executive director of such relationship in writing as soon as the business relationship arises. The Board shall make such disclosures available for public inspection and copying. The Board Member shall abstain from voting on any matter in which he or she has a Financial Interest or business relationship distinguishable from that of the general public but shall be counted present for purposes of a quorum. The obligation to report a potential conflict of interest under this subsection arises as soon as the Board Member is or should be aware of such potential conflict. For purposes of this subsection only, (i) "matter pending before LABF" shall refer to LABF action involving the grant of benefits, award of investment management business, any contractual matters involving expenditure of LABF assets; and (ii) "business relationship" shall refer to any contractual or other private business dealing of a Board Member, or his or her spouse or domestic partner, or of any entity in which a Board Member or his or her spouse or domestic partner has a Financial Interest or business relationship distinguishable from that of the general public, with a person or entity which entitles a Board Member or his or her spouse or domestic partner to compensation or payment in the amount of \$2,500 or more in a calendar year; provided, however, that "contractual or other private business dealing" shall not include any employment relationship of a Board Member's spouse or domestic partner with an entity when such spouse or domestic partner has no discretion concerning or input relating to the relationship between that entity and LABF.

(c) Any Board Member or Employee who has a Financial Interest or in any entity seeking to do business with LABF or with respect to any matter pending before LABF shall disclose the nature of such interest to the Board of Trustees. The obligation to disclose under this subsection arises as soon as the Board Member or Employee is or should be aware of the pendency of the matter.

2.7 Representation of Other Persons. No Board Member or Employee may represent, or have a Financial Interest in the representation of, any person, in any judicial or quasi-judicial proceeding before LABF, any administrative agency or any court in which LABF is a party and that person's interest is adverse to that of LABF.

2.8 Prohibited Conduct. No Board Member or Employee or the spouse or domestic partner of such Board Member or Employee, or any entity in which such Board Member or Employee or his or her spouse or domestic partner has a Financial Interest, shall apply for, solicit, accept or receive a loan of any amount from any person who is either doing business or seeking to do business with LABF; provided, however, that nothing in this section prohibits application for, solicitation for, acceptance of or receipt of a loan from a financial lending institution, if the loan is negotiated at arm's length and is made at a market rate in the ordinary course of the lender's business. This subsection shall not apply to an entity in which the only financial interest of the Board Member or Employee is his or her spouse or domestic partner's independent occupation, profession or employment.

2.9 No Monetary Gain on Investments. Pursuant to the Illinois Pension Code, 40 ILCS 5/1-130:

(a) No Board Member or Employee, or any spouse or domestic partner of such Board Member or Employee, shall knowingly have any direct interest in the income, gains, or profits of any investments made on behalf of LABF, nor receive any pay or emolument for services in connection with any investment. No Board Member or Employee shall become an endorser or surety, or in any manner an obligor for money loaned or borrowed from any retirement system or pension LABF created under the Illinois Pension Code or the Illinois State Board of Investment. For the purposes of this provision, an annuity otherwise provided in accordance with the Illinois Pension Code or any income, gains, or profits related to any non-controlling interest in any public securities, mutual fund, or other passive investment shall not be considered monetary gain on investments.

(b) A violation of this provision is a Class 3 Felony.

2.10 Fraud. Pursuant the Illinois Pension Code, 40 ILCS 5/1-135:

(a) No Board Member or Employee shall knowingly make any false statement(s) or falsify or permit to be falsified any record of LABF in an attempt to defraud LABF.

(b) A violation of this provision is a Class 3 Felony.

2.11 Contingent and Placement Fees Prohibited. Pursuant to the Illinois Pension Code, 40 ILCS 5/1-145:

(a) No person or entity shall retain a person or entity to attempt to influence the outcome of an investment decision of or the procurement of investment advice or services of a retirement system, pension fund, or investment board of the Illinois Pension Code for compensation, contingent in whole or in part upon the decision or procurement.

(b) Any person who violates this provision is guilty of a business offense and shall be fined not more than \$10,000. Any person convicted of a violation of this provision is prohibited for a period of three years from conducting such activities.

2.12 Approval of Travel or Educational Mission.

(a) Periodic travel by a Board Member, an ex officio Board Member representative, and an Employee is necessary for LABF business and operations. The LABF will pay for expenses necessarily incurred by a Board Member, an ex officio Board Member representative, or an Employee carrying out his or her fiduciary duties. The expenses for travel or educational missions of a Board Member (pursuant to the Illinois Pension Code, 40 ILCS 5/1-150), an ex officio Board Member representative, and an Employee must be approved *in advance* by a majority of the Board.

(b) It shall be the policy of the Board, consistent with the State Officials and Employees Ethics Act that Board Members, ex officio Board Member representatives, and Employees not solicit nor accept Gifts, including the payment of travel or educational missions, from any Prohibited Source.

2.13 Retaliation Prohibited. Whistleblower Protection.

(a) LABF shall not tolerate adverse treatment of or retaliation against any individual whether Board Member or Employee because he or she reports a misconduct, or provides information related to such complaints. This Policy strictly prohibits retaliation of any form against anyone who complains of alleged violations of this Policy, the prohibition against retaliation also applies to any Board Member or Employee involved in or cooperating with any investigation of alleged offending conduct under this Policy.

(b) Any acts of retaliation will be considered a violation of this Policy, and corrective action will be taken promptly, up to and including the possible removal or termination of any individual who engages in retaliation of any form. In addition, retaliation for making a good faith report or complaint of sexual or other unlawful harassment may violate the Illinois Human Rights Act, the State Officials and Employee Ethics Act and the Illinois Whistleblower Act, each of which provide remedies for individuals who suffer retaliation.

(c) This section 2.13 shall not apply to a Board Member or Employee who knowingly makes a false report.

ARTICLE III ETHICS TRAINING

Pursuant to the Illinois Pension Code, 40 ILCS 5/1-113.18, all Board Members must attend ethics training of at least eight hours per year. The training required includes training on ethics, fiduciary duty, and investment issues and any other curriculum that the Board establishes as being important for the administration of the LABF. The Board must annually certify its Board Members' compliance with the ethics training requirements.

**ARTICLE IV
DISCLOSURE OF ECONOMIC INTERESTS**

Pursuant to the Illinois Governmental Ethics Act, 5 ILCS 420/4A-101(o), each Board Member shall file a verified written statements of economic interests.

The statement of economic interest must be filed with the Cook County Clerk (5 ILCS 420/4A-106), on or before May 1 of each year (5 ILCS 420/4A-105) and shall comply substantially with the disclosures prescribe by 5 ILCS 420/4A-104.

**ARTICLE V
PENALTIES FOR VIOLATION**

5.1 Sanctions.

(a) Any Employee found to have violated any of the provisions of this Policy, or to have furnished false or misleading information to the Board, shall be subject to employment sanctions, up to and including discharge, in accordance with procedures under which the employee may otherwise be disciplined.

(b) Certain actions in violation of this Policy may subject a Board Member or Employee to civil and criminal penalties pursuant to, among others, the Illinois Pension Code, 5 ILCS 5/1-114 and 115.

5.2 Other Remedies. Nothing in this Policy shall preclude the LABF from maintaining an action for any pecuniary benefit received by any person in violation of this Policy or other law, or to recover damages for violation of this Policy.

Effective Date: November 16, 2004
Revised: December 17, 2010
September 18, 2018

LABORERS' AND RETIREMENT BOARD EMPLOYEES'
ANNUITY AND BENEFIT FUND OF CHICAGO ("LABF")

POLICY ON SEXUAL AND OTHER HARASSMENT

Harassment of any sort—verbal, written, physical, or visual—is not tolerated.

The LABF intends to provide a work environment that is pleasant, professional and free from intimidation, harassment, hostility or other offenses that might interfere with work performance. In furtherance of this objective, all Employees and Board Members are required to adhere to this Policy on Sexual and Other Harassment (the "Policy").

Definitions of Harassment

Harassment is behavior that can be as serious as a threat or coercion or less egregious conduct that interferes with another person's ability to perform his or her job. Harassment is illegal when it is so frequent or severe that it creates a hostile or offensive work environment or when it results in an adverse employment decision.

When you are considering whether or not behavior, either yours or someone else's, could be considered harassment, ask yourself whether:

- the behavior could be construed to be offensive, uninvited, unwanted, demeaning, or any combination of these things;
- the behavior resulted in the recipient's walking away; being the target of a joke or prank; looking hurt, annoyed or offended; or demonstrating other verbal or non-verbal clues suggesting that the conduct was offensive to him or her or that the recipient did not wish to be around such conduct or comments;
- the behavior could interfere with job performance - whether you believe it actually did or not;
- the behavior could cause discomfort, humiliation, embarrassment, hurt feelings and/or other harm to others in the workplace – whether you believe that it actually did or not.

If you can answer "yes" to any one of these questions, the behavior could violate the Policy.

Workplace harassment can take many forms. It may be, but is not limited to, comments, signs, offensive jokes, cartoons, pictures, posters, electronic mail or statements, pranks, intimidation, physical assaults or contact, or violence. Harassment is not necessarily sexual or racial in nature. It may also include offensive remarks not directed to the offended individual.

Sexual harassment includes, but is not limited to, unwelcome sexual advances, requests for sexual favors or other verbal or non-verbal or physical contact and behavior of a sexual nature when such conduct creates an offensive, hostile, and intimidating working environment and prevents an individual from effectively performing the duties of his or her position. It also encompasses such conduct when it is made a term or condition of employment or compensation, either implicitly or explicitly, and when an employment decision is based on an individual's acceptance or rejection of such conduct.

Discriminatory harassment includes verbal or physical conduct that denigrates, ridicules, insults or shows hostility or aversion toward an individual because of that person's race, color, religion, national origin, gender, age, physical or mental disability, sexual orientation, pregnancy, marital status, military service, or any legally protected status; and that creates an offensive, hostile and intimidating working environment thereby preventing an individual from effectively performing the duties of their position or that is implicitly or explicitly made a term or condition of employment or compensation or when an employment decision is based on an individual's acceptance or rejection of such conduct.

Third-Party Victims

This Policy is not only applicable to victims who are Employees or Board Members. It is against this Policy for an Employee or Board Member, in the performance of his/her duties for the LABF, to harass a member of the public, a third-party vendor, or an LABF member. In addition, Employees and Board Members should report any incident(s) where a third party such as a vendor or an LABF member has engaged in any type of harassment as part of a working relationship.

Responsibility and Reporting

All Employees, particularly Managers, and Board Members have a responsibility for keeping the work environment free from harassment. Any Employee or Board Member who becomes aware of an incident of harassment, whether by witnessing the incident or via a second-hand account from the victim, the accused or an actual witness, must report the incident to a Manager, the Executive Director or any Board Member. While the LABF encourages Employees and Board Members who are victims of harassment to communicate directly with the alleged harasser and make it clear that the harasser's behavior is unacceptable, offensive or inappropriate, doing so is not required. It is essential, however, that Employees and Board Members notify a Manager, the Executive Director, any Board Member or any person in a leadership role with LABF even if not sure the offending behavior is considered harassment. Any incidents of harassment must be reported immediately or as soon as reasonably practicable under the circumstances.

In addition to reporting incidents of alleged harassment to a Manager, the Executive Director or any Board Member, you may also report alleged harassment to the Illinois Inspector General's office. You may make a complaint in several ways:

- Complete a complaint form, which you can obtain on the Inspector General's website or in the reception area of the Illinois Attorney General's Office;
- Call the Inspector General's Hotline at (888) 814-4646;
- E-mail the Inspector General's Office at ethics@atg.state.il.us.

You also may file a charge alleging sexual or other unlawful harassment with the Illinois Department of Human Rights (the "IDHR"). To file a charge with the IDHR, submit a completed [Employment Complainant Information Sheet \(CIS\)](#) either in person or by mail. If your allegations are covered under the Illinois Human Rights Act, a charge will be drafted for your signature. A charge of employment discrimination must be filed within **180** days of the alleged discrimination. For further information, contact the IDHR directly at 100 West Randolph Street 10th Floor Intake Unit Chicago, IL 60601 or call:

- (312) 814-6200 , (866) 740-3953 (TTY)
- (312) 814-1436 (FAX - Administration)
- (312) 814-6251 (FAX - Charge Processing)

LABF Corrective Action

All complaints shall be treated with the utmost seriousness and discretion. Upon receipt of the complaint or in circumstances where the LABF becomes aware of alleged offending conduct, the LABF will conduct a prompt, thorough, and impartial investigation concerning any alleged offending conduct. All Employees and Board Members must fully cooperate in any LABF internal investigation. Upon determination of said investigation, the LABF will disclose the results to the complainant and the alleged offender. If the investigation leads to a determination that an individual engaged in conduct in violation of the Policy, appropriate corrective action will be taken promptly, including the possible removal or termination of the offending party. The LABF may impose disciplinary actions for inappropriate conduct that comes to the LABF's attention, without regard to whether the conduct constitutes a violation of law.

Retaliation Prohibited

The LABF will not tolerate adverse treatment of or retaliation against any Employee or Board Member because he or she reports harassment or discrimination, or provides information related to such complaints. As this Policy strictly prohibits retaliation of any form against anyone who complains of alleged violations of this Policy, the prohibition against retaliation also applies to any Employee or Board Member involved in or cooperating with any investigation of alleged offending conduct under this Policy. Thus, Board Members, the Executive Director and Managers are prohibited from making any personnel decision or taking any other adverse action against any Employee or Board Member because the he or she complained or cooperated in good faith with an investigation of alleged conduct prohibited by this Policy. Any acts of retaliation will be considered a violation of this Policy, and corrective action will be taken promptly, up to and including possible removal or termination of any individual who engages in retaliation of any form. In addition, retaliation for making a good faith report or complaint of sexual or other unlawful harassment may violate the Illinois Human Rights Act, the State Officials and Employee Ethics Act and the Illinois Whistleblower Act, each of which provide remedies for individuals who suffer retaliation.

False and Frivolous Complaints

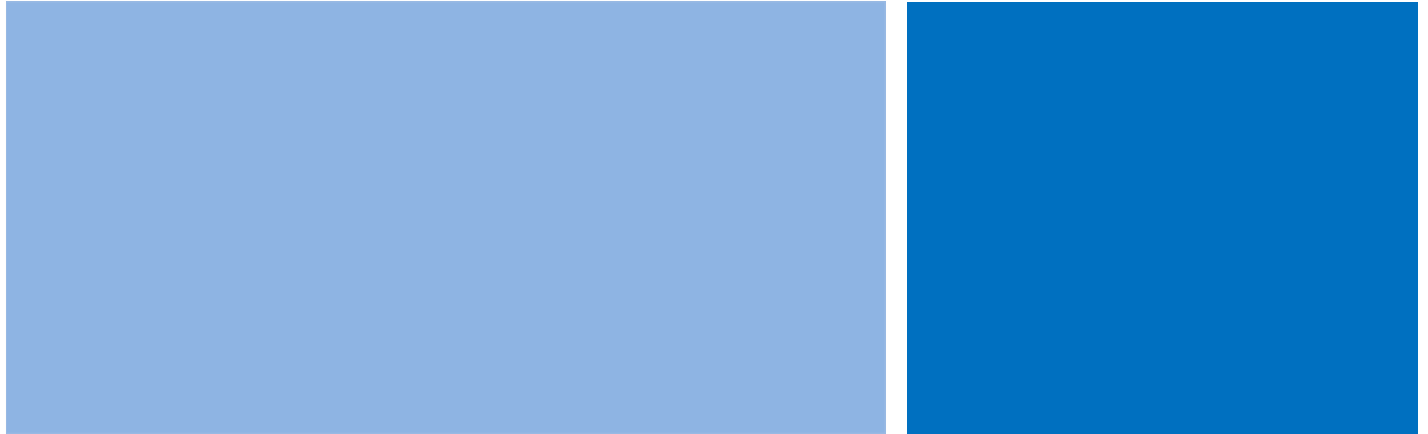
False and frivolous charges refer to cases where the accuser is using a harassment complaint to accomplish some end other than stopping harassment. It does not refer to charges made in good faith which cannot be proven. Given the seriousness of the consequences for the accused, a false and frivolous charge is a severe offense that can itself result in disciplinary action, up to and including removal or termination of the offending party.

Note: Defined terms within this Policy shall have the same meaning as in LABF's Employee Handbook.

Adopted and Effective Date: 12/19/2017

Amended: 9/18/2018

An Insurance Proposal Exclusively for:
**Laborer's & Retirement Board Employees' Annuity
and Benefit Fund of Chicago**



**Fiduciary Liability Insurance Coverage Summary:
2018 Presentation**

Presented: **September, 2018**

Presented by:

Craig Goesel
Senior Vice President

Clayton Casale
Account Manager

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Mesirow Insurance Services, Inc.,
an Alliant-owned company

Alliant / Mesirow
INSURANCE SERVICES

Executive Summary

Alliant Insurance Services, Inc. appreciates the opportunity to present our Management Liability insurance capabilities to **Laborer's & Retirement Board Employees' Annuity and Benefit Fund of Chicago**.

Alliant's experience with large public entity exposures and the development of group purchase programs dates back to 1977 when our public entity division was established. Over the past 40 years we have become a nationally recognized leader in this specialized market sector.

As we developed a variety of programs for the public sector we knew that our model and concept could be duplicated nationally for management liability coverage of retirement systems.

As a result, we created the first ever fiduciary and management liability program in the country designed to allow systems to band together and drive down the insurance marketplace in addition to leveraging broader coverage than what typically can be obtained as a standalone entity.

Our strategic alliance with both NASRA and NCPERS allow their members to access our exclusive program; resulting in significant savings to some of the largest systems in the country.

We understand the complexity of retirement exposures and are leading experts in designing coverage that is specifically tailored for our clients' needs. We have an entire claims division that handles claim situations that arise.

We author articles on management liability and the exposures faced by the public sector, we continually keep abreast of public pension issues and consult with our clients on those issues as it relates to insurance exposures and risk management and finally, we are regular speakers at conferences regarding risk management for pension fund trustees for both NASRA and NCPERS.

Below is a limited list of retirement system clients, demonstrating our experience:

- State Retirement System of Illinois (SRS)
- Judges Retirement System of Illinois (JRS)
- State University Retirement System of Illinois (SURS)
- California PERS (CalPERS)
- The Chicago Municipal, Laborers, Policemen & Firemen Annuity and Benefit Funds (Four *different* fund clients)
- Illinois State Board of Investments (ISBI)
- State of Kentucky TRS
- State of South Carolina PERS & Deferred Comp Plan
- Orange County ERS
- Contra Costa County ERS
- Missouri Department of Transportation and Patrol ERS
- Napa County Deferred Comp Plan
- Fresno County ERS
- Merced County ERS & Deferred Comp Plan
- Imperial County ERS
- Mendocino County ERS
- Sacramento County Benefit Plans
- San Bernardino County ERS
- Santa Barbara County ERS
- Sonoma County ERS

Why Alliant Insurance Services

- We are an **employee-owned** insurance broker, employing over 2,800 employees among our affiliates
- Alliant Insurance Services is an **independent, full-service** insurance broker (placing Fiduciary Liability Insurance Coverage Summary, Property, Casualty, Life & Health insurance programs)
- We have **direct access** to all of the major players in the Public Pension insurance marketplace. We do not utilize costly wholesalers to place this business
- We have a **Practice Group dedicated to organized labor** (including multi-employer, Taft-Hartley and public pension clients)
- Our experienced staff of professionals consists of **former underwriters** who can better tailor products to meet the evolving needs of Trustees
- Our team leader, Craig Goesel, has over **>20 years of experience** in underwriting and placing Management Liability insurance for clients
- We are an **industry expert**; with over 500 clients and \$5,000,000 premium placed nationally, we are the **largest broker in the nation** for Public Pension clients
- We **partner** with state and national agencies and associations - including NASRA, IPPFA, IPPAC, MAPERS and TEXPERS - to help Trustees better understand their liability, insurance options and how to reduce their exposures. Alliant is a **CorPERS** member of the National Conference on Public Employee Retirement Systems (NCPERS)
- We act as a **procurement agency** for clients, ensuring that they receive the most comprehensive and favorably priced program through a competitive bid process
- We provide helpful **guidance** on coverage provisions, market selection and limits analysis in a clear, easy to understand, proposal presentation
- We have a **network** of positive relationships in the management liability space (clients, attorneys, consultants, etc.) that would provide **favorable references**
- Alliant Insurance Services has challenged a number of carriers (including ULLICO, Euclid, AIG, and Chubb) in **coverage development** to ensure the most comprehensive coverage meets the unique needs of our clients
- We have a **dedicated claim advocacy** team, and have been successful in **reversing denials** of coverage on behalf of our Taft-Hartley and Public Pension clients

Procurement Request for Fiduciary Liability Insurance

Re: Procurement Request: Fiduciary Liability Insurance: Laborer's & Retirement Board Employees' Annuity and Benefit Fund of Chicago

Dear Underwriter:

Alliant Insurance Services, Inc., an Alliant-owned company, LLC requests the participation of your firm in the procurement of Fiduciary Liability Insurance for Laborer's & Retirement Board Employees' Annuity and Benefit Fund of Chicago. Alliant Insurance Services, Inc., an Alliant-owned company, LLC will present terms on to the Board of Trustees in July. As such, *I am looking for your responses early August* so we can properly draft the presentation and summarize the results in writing prior to the meeting.

Alliant Insurance Services, Inc., an Alliant-owned company, LLC requires our carriers to be admitted to offer this insurance coverage within the State of Illinois and to hold an AM Best's Rating of at least {A- (VII)}. As such, we have only provided this submission to those carriers that currently hold these designations. If your firm's designations fall below these thresholds during the submission process, please immediately alert Alliant Insurance Services, Inc., an Alliant-owned company, LLC.

The Laborer's & Retirement Board Employees' Annuity and Benefit Fund of Chicago currently purchases a Fiduciary Liability program:

I attach the following documents for your consideration:

- Most recent executive summary
- Most recent investment performance report / financial statement
- Application

Alliant Insurance Services, Inc., an Alliant-owned company, LLC is not utilizing a wholesaler, procurement firm, mid-broker or other intermediary to secure these renewal terms. As such, we request that you provide only to MIS the renewal terms offered and no compensation is due to other such parties.

I would be happy to discuss this submission further. Please let me know if you have any questions or concerns.
Thank You & Best Regards,

Craig Goesel
Senior Vice President
v 312.595.8146
e cgoesel@alliant.com

Laborer’s & Retirement Board Employees’ Annuity and Benefit Fund of Chicago

Fiduciary Liability: 2018 Presentation

Procurement Request: Carrier Responses

Insurance Company	AM Best’s Rating	Carrier Response
Arch Insurance Co.	A+ (XV)	Not willing to quote primary layer due to class of business (IL-based and an affiliate of the public pension industry) Would be willing to quote excess layers in the future if that is an opportunity
Axis Insurance Co.	A+ (XV)	Not willing to quote primary layer due to class of business (IL-based and an affiliate of the public pension industry) Would be willing to quote excess layers in the future if that is an opportunity
AIG Insurance Group	A (XV)	Quoted however could not compete with EUCLID / ULLICO
Beazley Insurance Co.	A++ (XV)	Quoted the Cyber Liability (declined the Fiduciary)
CNA Insurance Co.	A (XV)	Not willing to quote due to class of business (IL-based and an affiliate of the public pension industry)
Euclid/Hudson Insurance Co.	A (XV)	Quoted primary & excess program
Hartford Insurance Co.	A+ (XV)	Not willing to quote due to class of business (IL-based and an affiliate of the public pension industry)
Houston Casualty Insurance Co.	A+ (XV)	Not willing to quote due to class of business (IL-based and an affiliate of the public pension industry)
RLI Insurance Co.	A+ (XV)	Not willing to quote due to class of business (IL-based and an affiliate of the public pension industry)
Travelers Insurance Co.	A++ (XV)	Not willing to quote due to class of business (IL-based and an affiliate of the public pension industry)
Ullico/Markel Ins Co.	A (XIV)	Quoted primary & excess program
XL Specialty Insurance Co.	A (XV)	Not willing to quote due to class of business (IL-based and an affiliate of the public pension industry)

All coverages and exclusions are not included on this page. Please refer to policy for all applicable terms and conditions. Additional limits and/or changes may be available after review and acceptance by insurer.

Laborer's & Retirement Board Employees' Annuity and Benefit Fund of Chicago

Fiduciary Liability: 2018 Presentation

Important Policy Provisions:

Coverage Provision	ULLICO	Euclid
<ul style="list-style-type: none"> Name insured to include past/present/future Trustees & employees of the Fund 	Yes	Yes
<ul style="list-style-type: none"> Claims Made Policy 	Yes	Yes
<ul style="list-style-type: none"> Duty to Defend 	Optional (Responsibility of Defense is decided by the Insured)	Optional (Responsibility of Defense is decided by the Insured)
<ul style="list-style-type: none"> Coverage for Spouses, Estates, Heirs, Legal Representatives or Assigns of an Insured Person 	Yes	Yes
<ul style="list-style-type: none"> Provides coverage for past acts (provided the policy will not respond to previously known incidents that could reasonably give rise to a claim) 	Yes	Yes
<ul style="list-style-type: none"> Trustee Expense Coverage 	Yes (\$1,000,000)	Yes (\$1,000,000)
<ul style="list-style-type: none"> Client's Choice of Counsel 	Yes	Yes
<ul style="list-style-type: none"> Non-Cancellable by carrier (except for non-payment of premium) 	Yes	Yes
<ul style="list-style-type: none"> HIPAA fines & penalties 	Yes (\$10,000,000)	Yes (\$1,500,000)
<ul style="list-style-type: none"> Punitive Damages 	Where Insurable Under Law	Where Insurable Under Law
<ul style="list-style-type: none"> Severability (Exclusions and Application) 	Yes	Yes
<ul style="list-style-type: none"> Consent to Settle Clause 	Removed	Removed
<ul style="list-style-type: none"> Waiver of Recourse 	Yes (a \$25 fee-per-trustee does NOT need to be collected)	Yes (a \$25 fee-per-trustee does NOT need to be collected)
<ul style="list-style-type: none"> Employment Practices Liability 	Yes (\$1,000,000 limit; \$50K retention)	Yes (\$100,000 Limit)
<ul style="list-style-type: none"> Cyber Liability 	Yes (\$1,000,000 limit; \$25K retention)	Yes (\$100,000 Limit)

All coverages and exclusions are not included on this page. Please refer to policy for all applicable terms and conditions. Additional limits and/or changes may be available after review and acceptance by insurer.

Laborer's & Retirement Board Employees' Annuity and Benefit Fund of Chicago

Fiduciary Liability: 2018 Presentation

Coverage Provision (<i>continued</i>)	ULLICO	EUCLID
<ul style="list-style-type: none"> Claim expenses included within the limit of liability (these expenses may include outside counsel, forensic accountants, actuaries, expert witnesses, etc.) 	Yes	Yes
<ul style="list-style-type: none"> Include "Waive statutory indemnification provision" language 	Yes	Yes

Important Exclusions

Coverage Exclusion	ULLICO	Euclid
<ul style="list-style-type: none"> Personal Profit/ Illegal Remuneration 	Excluded (although defense for allegations of such will be defended until the act is finally adjudicated)	Excluded (although defense for allegations of such will be defended until the act is finally adjudicated)
<ul style="list-style-type: none"> Criminal/Fraudulent Acts/Willful violation of any law 	Excluded (although defense for allegations of such will be defended until the act is finally adjudicated)	Excluded (although defense for allegations of such will be defended until the act is finally adjudicated)
<ul style="list-style-type: none"> Bodily Injury, Personal Injury and Property Damage 	Excluded	Excluded
<ul style="list-style-type: none"> Violations of any Workers Compensation, Unemployment Insurance, Social Security or similar Disability Benefits Law 	Excluded	Excluded
<ul style="list-style-type: none"> A demand, suit or other proceeding rendered against the Insured prior to the first date of inception of coverage 	Excluded (multiple allegations that stem from a single wrongful act will be treated as one claim under this policy, subject to the aggregate limit of liability)	Excluded (multiple allegations that stem from a single wrongful act will be treated as one claim under this policy, subject to the aggregate limit of liability)
<ul style="list-style-type: none"> Pollution or Pollutants 	Excluded	Excluded
<ul style="list-style-type: none"> Contractual Liability of Others (other than contractual liability established by the Employee Benefit Plan) 	Excluded	Excluded
<ul style="list-style-type: none"> Benefits Due 	Excluded (provided this exclusion will allow coverage for claims expenses and the portion of the claim that may become a personal obligation of an Insured Person)	Excluded (provided this exclusion will allow coverage for claims expenses and the portion of the claim that may become a personal obligation of an Insured Person)
<ul style="list-style-type: none"> Specific debt instruments or investments 	Not Excluded	Not Excluded

All coverages and exclusions are not included on this page. Please refer to policy for all applicable terms and conditions. Additional limits and/or changes may be available after review and acceptance by insurer.

Program Options

	<i>Expiring</i>	Option 1	Option 2
Primary Insurance Carrier / Excess Insurance Carrier	<i>Markel American Ins. Co./Hudson Ins. Co. (Beazley for Cyber)</i>	<i>Markel American Ins. Co./Hudson Ins. Co. (Beazley for Cyber)</i>	<i>Markel American Ins. Co./Hudson Ins. Co. (Beazley for Cyber)</i>
<ul style="list-style-type: none"> • Fiduciary Limit • Cyber Limit 	<ul style="list-style-type: none"> • \$15,000,000 • \$1,000,000 	<ul style="list-style-type: none"> • \$15,000,000 • \$1,000,000 	<ul style="list-style-type: none"> • \$15,000,000 • <u>\$2,000,000</u>
Retention / Deductible	<ul style="list-style-type: none"> • \$50,000 • \$25,000 	<ul style="list-style-type: none"> • \$50,000 • \$25,000 	<ul style="list-style-type: none"> • \$50,000 • \$25,000
Annual Premium	\$195,430	\$201,127	\$206,928

Notes: 1) Annual aggregate limit of liability for all trustees; 2) Retention/deductible applies to each claim; 3) Annual premium change of 3% for 2018-2019 policy term.

The Following Information Required to issue policies:

1. Completed, signed and dated application

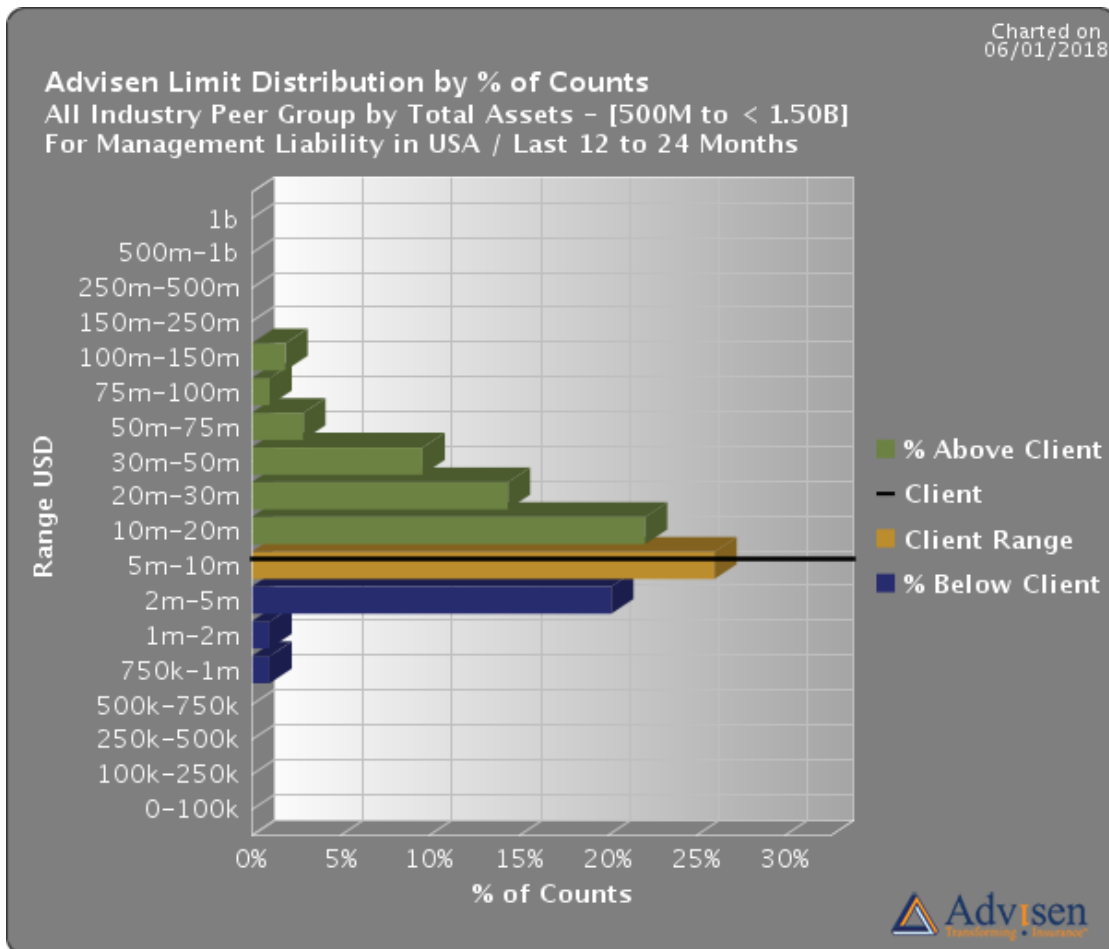
All coverages and exclusions are not included on this page. Please refer to policy for all applicable terms and conditions. Additional limits and/or changes may be available after review and acceptance by insurer.

Benchmarking:

Peer Group: Public Pension Funds (including state & municipal); between \$500M and \$2.5B in Assets; Fiduciary Liability Insurance; peer group size = 162

Limit Profile:

- 50% of peers purchase limits *greater than* \$10M
- 26% of peers purchase limits *>\$5M up to and including* \$10M
- 24% of peers purchase limits *lower than* \$5M



Limit Analysis:

As the largest provider of fiduciary liability insurance to public pension funds, we conducted an analysis of the buying habits of other funds of Laborer’s & Retirement Board Employees’ Annuity and Benefit Fund of Chicago’s size & scope. The benchmarking would suggest \$15M is an adequate limit for the trustees.

All coverages and exclusions are not included on this page. Please refer to policy for all applicable terms and conditions. Additional limits and/or changes may be available after review and acceptance by insurer.

Waiver of Recourse

With the enactment of ERISA in 1974, Trustees of employee benefit plans became personally liable for their acts on behalf of the participants of those plans. Fiduciary Liability Policies became very popular, but ERISA only allowed the Trust Funds themselves to purchase insurance to protect the funds - not the respective trustees.

Therefore, a nominal fee was charged directly to the Trustees as a way to circumvent this provision.

Although Public Pension Funds are not subject to ERISA law, the various state pension codes often follow in the “spirit of ERISA”. In addition, as the Fiduciary Liability policies were originally drafted to protect ERISA plans, the waiver provision followed across Non-ERISA plans.

With that said, we have been successful in petitioning the carriers to waive their recourse to the trustees without having to charge, unless there is a requirement within the respective governing code. As Public Pension Codes typically have no such provision, we no longer need to charge the trustees for the waiver of recourse. The trustees still retain the same full coverage as provided in the past.

Compensation

Alliant Insurance Services, LLC is compensated for our risk management, insurance placement, marketing, policy issuance and other insurance services for this insurance program using a commission based compensation plan.

As the different carriers provide distinct commission schedules, we have outlined the *standard* commission schedules from carriers that provide this insurance coverage. However, Alliant Insurance Services, Inc. has agreed to reduce our compensation by 10% for the benefit of combined marketing of the Chicago Public Pension Funds programs. Please note that commissions paid do not influence our recommendations for coverage placements:

Insurance Company	Standard Commission % Paid
■ Arch	15%
■ Axis	15%
■ AIG	15%
■ Chubb	15%
■ C/N/A	12.5%
■ Euclid.....	17%
■ Hartford	15%
■ Houston Casualty Company	15%
■ RLI	15%
■ Travelers.....	15%
■ ULLICO	15%
■ XL.....	12.5%

All coverages and exclusions are not included on this page. Please refer to policy for all applicable terms and conditions. Additional limits and/or changes may be available after review and acceptance by insurer.

Fiduciary Liability Insurance for Public Pension Funds

Trustees and staff members of governmental, municipal and quasi-governmental pension plans face increased exposure in their fiduciary roles. Allegations of breaches of duty are costly to defend, and may result in personal liability of the trustees. Alliant Insurance Services experts provide the following summary of typical fiduciary liabilities, and offer solutions to lessen your fiduciary exposure.

PENSION CODE STANDARDS & FIDUCIARY DUTIES

The fiduciary duties under most State Pension Codes mirror standards similar to those outlined in ERISA. These duties include acting solely in the interest of the participants & beneficiaries, adhering to the so-called "prudent investor" standard and other provisions of the State Pension Code.

ENFORCING PROVISIONS & LIMITATIONS ON LIABILITY

State Pension Codes, and ERISA law, typically provide that participants, beneficiaries, fiduciaries and/or the Attorney General may bring suits to enforce fiduciary duties and other provisions of the respective Pension Code.

These Pension Codes often do not provide limitations, or at least not *complete* limitations, on liability. They also make clear that litigation against fiduciaries is permissible. Fiduciaries that breach their duty can be held personally liable to make good to such Fund any losses resulting from such breach.

INSURANCE AUTHORIZATION & INDEMNIFICATION PROVISIONS

Each board and pension fund is often authorized to purchase insurance to protect against liability of trustees, staff and employees which may arise as a result of claims.

State Pension Codes generally permit, but do not guarantee, the indemnification of trustees and employees of the Fund – however, this indemnification is provided for allegations other than willful misconduct or gross negligence (properly structured insurance programs will not exclude allegations of willful misconduct or gross negligence).

IN SUMMARY

State Pension Codes require fiduciaries to adhere to many of the same standards outlined in ERISA. Breaches of established fiduciary duties may translate into *personal liability* for the trustees of public pension funds. These same Pension Codes allow for the purchase of insurance to protect the plan, the trustees and the staff from such liability.

Our professionals at Alliant Insurance Services, Inc. are experienced in prudently structuring comprehensive fiduciary liability insurance programs to provide trustees with added protection in their roles as fiduciaries of public pension funds.

Fiduciary Liability Insurance for Public Pension Fund (cont.)

NAMED INSURED

- The Pension Fund and/or Retirement Fund
- Past, present and futures trustees, directors & officers (including spouses and legal estate).
- Past, present and futures employees, staff, plan administrator (including spouses and legal estate).

INSURED WRONGFUL ACTS

- Breach of Fiduciary duties; violation of the responsibilities, obligations or duties imposed by Municipal, State or similar Pension Code
- Any act error of omission in the performance of counseling participants, providing interpretations, handling records or effecting enrollment.

COVERAGE EXTENDS TO CLAIMS

- Written demand for monetary and injunctive relief
- Criminal or civil proceedings commenced by service of complaint, return of an indictment and/or agency or regulatory proceeding

LOSSES COVERED INCLUDE

- Damages; judgments; settlements; pre- & post- judgment interest
- Defense expense
- Civil penalties associated with CAP, HIPPA, 5021 or 502i

OTHER POLICY PROVISIONS

- Annual policy period; annual aggregate limits of liability; higher limits available than those presented
- Claims-Made coverage (provides coverage for claims arising from prior acts)
- Defense costs within the annual limit

NOTABLE EXCLUSIONS

- Coverage does not extend to: outside service vendors; benefits due the participants; fraudulent acts or illegal personal profit; failure to collect contributions; bodily or property damage; failing to comply with Workers Comp, unemployment, Social Security.

Public Act 97-0651 (House Bill 3813):

We reference the below as an example of changing legislation that can affect the responsibilities, and therefore liabilities, of Trustees. The below is an amendment to the responsibilities imposed upon fiduciaries by the IL State Pension Code. As the Fiduciary Liability policy is intended to cover board members (and employees) for breaches of these stated responsibilities, defense coverage would be provided for alleged breaches of such duties/responsibilities.

Public Act 97-0651 Further amends the Illinois Pension Code. Provides that any reasonable suspicion by any appointed board member of a retirement system created under the Code of a false statement/record being submitted or permitted by a person under the Code shall be immediately referred to the board of trustees or the State's Attorney of the jurisdiction where the alleged fraudulent activity occurred. The board of trustees of this retirement system or shall immediately notify the State's Attorney of the jurisdiction where any alleged fraudulent activity occurred for investigation

Claim Reporting

The ramification of the current insurance market condition from the claims prospective is that insurance carriers are much stricter in claims being reported promptly. Therefore, we recommend all of our clients inform us (or your appropriate carrier) as soon as possible when first made aware of an incident, accident, lawsuit, or circumstance which could give rise to a claim.

What could happen if you delay reporting a new claim?

- The carrier could reserve rights against you and offer less than 100% of what is due.
- The claim could be denied in its entirety.

Prompt claim reporting begins with the immediate investigation into the facts and circumstances of an accident, work related injury or allegation. Every such incident, no matter how minor, should be investigated as soon as possible. In order to assist you in preparing and reporting claims, Alliant Insurance Services maintains a directory of accident investigation forms and contact numbers for your insurers claim departments.

These comprehensive forms along with Claim Handling Tips and reporting instructions for your insurer's claims departments can be accessed by visiting our website:

<http://www.alliant.com/property/claimreporting/default.jsp>

If you have difficulty reporting any claim, you can also contact our claim department who will assist in filing the matter with the insurance company. You may call, fax or email your claim materials to our office:

Phone: 312.595.6200 (available 24/7)

Fax: 312.595.6506

Email: claimsreporting@alliant.com

Important Disclosures

Our proposal is an outline of the coverage offered by the insurers, based on the information provided by your company – including but not limited to the insurance Application, which we have relied upon in preparing this proposal. If changes need to be made, please notify our office immediately. All changes are subject to review and acceptance by the insurance company. This proposal does not constitute a contract and does not include all the terms, coverage, exclusions, limitations, or conditions of the actual contract language. You must read the policies for those details. For your reference, policy forms will be made available upon request.

In addition to fees, commissions or other compensation retained by Alliant Insurance Services, Inc. it is understood that in some circumstances other parties necessary to arrange placement of coverage may earn usual and customary commissions and/or fees in the course of providing insurance products. In addition, as is a common practice in the industry, Alliant Insurance Services, Inc. benefits from programs implemented by certain insurers, wholesale brokers (property & casualty) and administrators (benefits) providing for compensation, in addition to commissions and fees, to be paid to Alliant Insurance Services, Inc. based upon differing factors. This additional compensation may include non-cash awards and benefits. The insurance you purchase through Alliant Insurance Services, Inc. may be issued by an insurer, wholesale broker (property & casualty) or administrator (benefits) who has such a program. Further, Alliant Insurance Services, Inc. may receive fees from premium finance transactions (property & casualty). Additionally, Alliant Insurance Services, Inc. may share non-identifiable commercial insurance program data with third-parties for benchmarking purposes (property & casualty). Should you have specific questions concerning Alliant Insurance Services, Inc.' compensation or data sharing, please contact your Alliant Insurance Services, Inc. executive.

Best’s Insurance Reports

Best’s Insurance Reports, published annually by A. M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best’s Rating which attempts to measure the comparative position of the company or association against industry averages.

A Best’s Financial Strength Rating (FSR) is an opinion of an insurer’s ability to meet its obligations to policyholders. The Best’s Financial Strength Rating is based on analysis, which gives consideration to a number of factors of varying importance. While the analysis is believed to be reliable, we cannot guarantee the accuracy of the rating or the financial stability of the insurance company.

A copy of the *Best’s Insurance Report* on the insurance companies quoted is available upon request.

BEST’S RATINGS

	Description
▪ A++, A+	Superior
▪ A, A-	Excellent
▪ B++, B+	Good
▪ B, B-	Fair
▪ C++, C+	Marginal
▪ C, C-	Weak
▪ D	Poor
▪ E	Under Regulatory Supervision
▪ F	In Liquidation
▪ S	Rating Suspended

Laborer's & Retirement Board Employees' Annuity and Benefit Fund of Chicago

Fiduciary Liability: 2018 Presentation

FINANCIAL STRENGTH RATING

		Description	
▪ Class I	\$ 0	to	\$ 1,000,000
▪ Class II	1,000,000	to	2,000,000
▪ Class III	2,000,000	to	5,000,000
▪ Class IV	5,000,000	to	10,000,000
▪ Class V	10,000,000	to	25,000,000
▪ Class VI	25,000,000	to	50,000,000
▪ Class VII	50,000,000	to	100,000,000
▪ Class VIII	100,000,000	to	250,000,000
▪ Class IX	250,000,000	to	500,000,000
▪ Class X	500,000,000	to	750,000,000
▪ Class XI	750,000,000	to	1,000,000,000
▪ Class XII	1,000,000,000	to	1,250,000,000
▪ Class XIII	1,250,000,000	to	1,500,000,000
▪ Class XIV	1,500,000,000	to	2,000,000,000
▪ Class XV	2,000,000,000	to	or more

RATING MODIFIER

Modifier	Descriptor	Definition
▪ u	Under Review	A modifier that generally is event-driven (positive, negative or developing) and is assigned to a company whose Best's rating opinion is under review and may be subject to change in the near-term, generally defined as six months.
▪ pd	Public Data	Assigned to insurers that do not subscribe to Best's interactive rating process. Best's "pd" Ratings reflect qualitative and quantitative analyses using public data and information.
▪ s	Syndicate	Assigned to syndicates operating at Lloyd's.

Best's Ratings for proposed companies at time of presentation are indicated on each page for each individual coverage.

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