

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

Special Meeting – Regular Minutes

April 26, 2020
10:03 AM
Office of the Fund

Date of Meeting: April 26, 2020
Start Time: 10:03 a.m.
Location: Phone conference

The following were Present:

Victor Roa	– President
James Joiner	– Vice President
Michael LoVerde	– Secretary
James Capasso, Jr.	– Trustee
Melissa Conyears-Ervin	– Trustee
Stephen Skardon	– Trustee
Reshma Soni	– Trustee
Jennie Bennett	– Trustee

Staff & Consultants:

Joe Burns	– Jacobs, Burns, Orlove & Hernandez, Outside Counsel
Taylor Muzzy	– Jacobs, Burns, Orlove & Hernandez, Outside Counsel
James Wesner	– Marquette Associates
Alex Rivera	– GRS Consulting
Peggy Grabowski	– Interim Executive Director/Comptroller
John Carroll	– Compliance Administrator
Nadia Oumata	– Director of Investments

Observers: Craig Slack – Office of the City Treasurer, City of Chicago

A special meeting of the Retirement Board (“Board”) of the Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago (“LABF” or “Fund”) was held via teleconference on April 26, 2020. President Roa declared there was a quorum after Secretary LoVerde took attendance.

There was no public participation.

Liquidity Review

The Board met to discuss the Fund’s liquidity needs and to consider whether the City of Chicago could advance its 2021 City of Chicago contributions to meet the Fund’s liquidity needs for May 2020, and for the rest of 2020. Mr. Burns started the meeting by reporting to the Board that he and the two City-appointed Trustees, acting in their capacities as City employees, had discussions after the April 21st Board meeting with a City Corporation Counsel as to whether an agreement between the parties was necessary and, if so, the terms of a possible agreement between LABF and the City to formalize how the advance of 2021 City contributions would be structured. The discussions focused on how a single advance or multiple advances would help LABF delay the liquidation of assets in the current financial market and to manage its liquidity needs throughout 2020. The discussions also noted that such an arrangement would have to comply with the prohibited transaction provisions of 40 ILCS 5/1-110. As part of the Board’s extensive review of the proposals and other issues, the Board considered:

-Mr. Wesner, the Fund’s Investment Consultant, laid out the Fund’s liquidity needs necessary to support the remaining 2020 benefit payments. Mr. Wesner explained the rationale for the current plan to liquidate \$10 million in assets from an international small cap equity manager to support May 1, 2020 benefit payments. The Trustees discussed the history of the manager’s investment performance and the timing of the liquidation. The Trustees inquired about LABF’s cashflow needs which led to a robust review of the Fund’s overall liquidity needs. The Trustees generally agreed that they would like to avoid liquidating assets in a down market, so long as the terms of the advance could be worked out.

-Mr. Rivera, the Fund’s Actuarial Consultant, gave a report on how additional cashflows would affect the Fund from an actuarial perspective. Mr. Rivera noted that any additional cashflows would help the Fund

and he also addressed how pension contributions and investment gains and losses are treated for actuarial valuation purposes. As part of this discussion, the Board considered how the acceleration of the payment of employer contributions from year 2021 to 2020 would affect the Fund's financing in March 2021. There was extensive discussion about liquidating assets now compared to a later date.

-Mr. Burns noted a number of legal concerns that the Trustees needed to consider and explained some aspects of the legal opinion provided by the independent counsel, Keith A. Karlson, of Karlson Garza LLC. The Trustees discussed that there were various interest rates under consideration, whether LABF could negotiate a lower interest rate than the 1% rate contained in the City's offer, and whether additional terms relating to other aspects of LABF funding should be addressed at the same time. The Trustees discussed whether the advanced funds would also be offered to the other City pension funds and how any agreement would need to include a 'Most Favored Nations' (MFN) provisions which would ensure that the LABF would receive no less favorable terms than another City pension fund related to the advance of employer contributions. Trustee Bennett indicated that the Corporation Counsel had advised that the City had a fiduciary obligation to require an interest rate on the sums advanced and offered to provide the legal opinion for the Board's consideration.

President Roa asked each of the Trustees to provide their thoughts regarding the liquidation of assets and each of the proposed agreements under consideration as drafted by Corporation Counsel and by LABF's legal counsel, respectively. Some of the Trustees were comfortable with moving forward with a conditional agreement while others expressed the need for additional time to review the legal terms and conditions of the two draft agreements.

A motion was made by Trustee Bennett, seconded by Trustee Skardon, to accept the draft agreement regarding the City's offer as presented in the email from Corporation Counsel Jim McDonald on the morning of 4/26/2020 and subject to the following conditions:

- 1) An interest rate on the contributions advanced, to be calculated based on the City's offer or as otherwise mutually agreed upon;
- 2) a clarification of the fiduciary responsibility of the City;
- 3) legal review by counsel for the City and for the Fund; and
- 4) an MFN clause as it relates to material terms in any master agreement with other City pension funds.

Roll-call: For -- Trustees Bennett, Conyears-Ervin, Soni, and Skardon.
Against – Trustees Roa, Joiner, LoVerde, Capasso.

The motion did not pass.

A motion by Trustee LoVerde, seconded by Trustee Capasso, to adopt the draft agreement provided by LABF's legal counsel, Mr. Muzzy, on the evening of 4/25/2020, as amended to reflect an interest rate on the contributions advanced that is no greater than 1%, inclusion of an MFN clause, and subject to additional legal review.

Roll-call: For -- Trustees Roa, Joiner, LoVerde, Capasso.
Against – Trustees Bennett, Conyears-Ervin, Soni, and Skardon.

The motion did not pass.

ADJOURNMENT

With no further business, at 1:30 p.m., Trustee Skardon made a motion to adjourn. Trustee Bennett seconded the motion.

Roll-call: For -- Trustees Roa, Joiner, LoVerde, Capasso, Conyears-Ervin, Bennett, Soni, and Skardon.
Against -- None.