

**Laborers' and Retirement Board Employees'  
Annuity and Benefit Fund of Chicago  
Minutes of Regular Board Meeting No. 988**

**August 22, 2017**

***Suite 1300 • 321 N Clark Street • Chicago Illinois 60654-4739  
(312) 236-2065 • Fax (312) 236-0574***

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

**August 22, 2017**

Report of Meeting No. 988 held on August 22, 2017, starting at 1:05 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:     Erin Keane                    – Vice President (City Comptroller, City of Chicago)  
                         Michael LoVerde                – Secretary (Active Employee Elected Member)  
                         Kurt Summers, Jr.            – Trustee (City Treasurer, City of Chicago) *entered at 1:10 pm.*  
                         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

                         Dr. Terence Sullivan        – Fund's Physician  
                         James Wesner                – Marquette Associates, Investment Consultant  
                         Kweku Obed                 – Marquette Associates, Investment Consultant  
                         Neil Capps                    – Marquette Associates, Client Analyst  
                         Gregory Leonberger        – Marquette Associates, Investment Consultant  
                         Tim Bowen                     – Alliant/Mesirow Insurance  
                         Michael Walsh               – Executive Director and Chief Investment Officer  
                         Peggy Grabowski            – Comptroller  
                         Sheila Jones                 – Administrative Coordinator  
                         Nadia Oumata                – Manager of Accounting and Investments  
                         Tina Rhoten                  – Benefits Manager  
                         Nicole Evangelista         – Payment Services Coordinator  
                         Irene Velazquez             – Payment Services Assistant

Absents:                Victor Roa                    – President (Union Appointed Member)

Observers:            William Irving              – LABF Member  
                         Angela Myers                – Loop Capital

Vice President Keane determined that a quorum was present after Trustee 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 **August 22, 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
- Fiduciary Liability Insurance Renewal Presentation
- Investments Report
- Executive Session No. 1
- Executive Session No. 2
- Investments Report (continued)
- Administrative Report
- Legal Report
- Executive Session No. 3
- Executive Session No. 4
- Executive Session No. 5
- Executive Session No. 6
- Adjournment

All the foregoing matters were checked upon receipt into 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**

**August 22, 2017**

**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. 987 held on July 18, 2017 be approved as submitted.

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

It was moved by Trustee Hamburger, seconded by Trustee LoVerde, that the minutes of executive sessions 1, 2 and 3 of Meeting No. 987 held on July 18, 2017 be approved as submitted.

Roll-call: For-- Trustees Keane, LoVerde, Summers, 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 LoVerde, seconded by Trustee Hamburger, that the Refunds of Contributions Due to Separation from Service be approved and ordered paid.

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

2. Miscellaneous Refunds

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

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

**SCHEDULE B – APPLICATIONS FOR ANNUITIES**

1. Employee Annuities

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

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

*Trustee Summers entered at 1:10pm. Trustee Summers later cast an affirmative vote for all previous motions.*

2. Spouse and Child Annuities

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

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

**LABORERS' & RETIREMENT BOARD EMPLOYEES'  
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**SCHEDULE C – ADJUSTMENT REFUNDS TO NEW ANNUITANTS**

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

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

**SCHEDULE D – APPLICATIONS FOR DUTY DISABILITY BENEFITS**

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

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

**SCHEDULE E – APPLICATIONS FOR ORDINARY DISABILITY BENEFITS**

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

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

**SCHEDULE F – EXTENSION OF DUTY DISABILITY BENEFITS**

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

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

**SCHEDULE G – EXTENSION OF ORDINARY DISABILITY BENEFITS**

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

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

**SCHEDULE H – PAYMENT OF UNCASHED CHECKS OF DECEASED MEMBERS**

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

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

**SCHEDULE I – PAYMENT OF EXPENSES**

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

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

**LABORERS' & RETIREMENT BOARD EMPLOYEES'  
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Alliant/Mesirow Fiduciary Liability Insurance Presentation

Tim Bowen of Alliant/Mesirow Insurance Services presented a proposal for the renewal of the LABF's fiduciary liability and cyber liability insurance policies.

It was moved by Trustee LoVerde, seconded by Trustee Capasso, to approve the recommended fiduciary liability and cyber liability insurance policies.

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

See attached document.

**INVESTMENTS REPORT**

July 31, 2017 Preliminary Performance Report

Mr. Obed and Mr. Wesner reviewed the July 31, 2017 Performance Report.

2<sup>nd</sup> Quarter 2017 Performance Report

Mr. Wesner reviewed the second quarter performance report.

Asset Allocation Discussion

This topic was discussed in executive session.

**EXECUTIVE SESSION NO. 1**

At 1:47 p.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 Keane, LoVerde, Summers, Hamburger Capasso, Brown and Joiner.  
Against -- None.

At 2:21 p.m., Trustee LoVerde made a motion, seconded by Trustee Summers, that the executive session be adjourned and that the Board return to open session.

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

The Trustees took no action.

Index Manager RFP

This topic was discussed in executive session.

**EXECUTIVE SESSION NO. 2**

At 2:22 p.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 Keane, LoVerde, Summers, Hamburger Capasso, Brown and Joiner.  
Against -- None.

At 2:45 p.m., Trustee LoVerde made a motion, seconded by Trustee Summers, that the executive session be adjourned and that the Board return to open session.

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

The Trustees took no action.

Mr. Obed invited the Board and LABF staff to attend Marquette's upcoming investment symposium scheduled for Friday, September 29, 2017.

**LABORERS' & RETIREMENT BOARD EMPLOYEES'  
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Cash Needs

Mr. Walsh reported the cash needs for September 2017 and the source of the funds.

**ADMINISTRATIVE REPORT**

Updated 2018 Funding Resolution

Mr. Walsh reviewed the events that transpired following LABF's adoption of a funding resolution at the June 20, 2017 Board meeting. Mr. Walsh reminded the Board that due to: (1) the introduction of the ordinance seeking to amend the Municipal Code of the City of Chicago to authorize the City to make additional employer pension contributions, (2) the enactment of Public Act 100-0023, and (3) a request from Trustee Brown at the July 18, 2017 Board meeting to provide additional time to consider the matter, the Fund temporarily refrained from sending a funding request to the City. Mr. Walsh asked the Board how they would like to proceed with respect to the request.

In light of the new legislation, the Board discussed whether certain financial obligations of the City were already included in the actuarially-based funding that is included in Public Act 100-0023, which became law on July 6, 2017. Trustee Brown recommended that the Fund draft a letter to Corporation Counsel seeking an opinion on the matter.

It was moved by Trustee LoVerde, seconded by Trustee Brown, to approve Draft 1 of the funding resolution and simultaneously seek an opinion from Corporation Counsel regarding pension contributions associated with members receiving duty disability benefits. See attached document.

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

Legislative Matters/Discussion of Potential Administrative Rules

Mr. Walsh proposed adopting administrative rules over the course of the next several months to address administrative challenges that the Fund faces as a result of Public Act 100-0023 (PA 100-0023) becoming law.

It was moved by Trustee LoVerde, seconded by Trustee Joiner, to adopt rules 1 and 2. See attached document.

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

Separately, Mr. Walsh discussed issues and ambiguities that exist concerning the determination of employer contributions associated with members who have taken leaves of absence from the City to work for local labor organizations.

Finally, Mr. Walsh informed the Trustees of an addition to Charter 65 of the Illinois Compiled Statutes included in PA 100-0023 that allows the City to assign all or a portion of any revenues or taxes received by the City from the State to a separate legal entity (corporation, trust, etc.) established for the sole purpose of issuing debt obligations for the benefit of the City. Mr. Walsh explained that the assignment is irrevocable and that the City has no legal right to any funds once assigned. Mr. Walsh expressed concern that this could interfere with the Fund's new ability under PA 100-0023 (40 ILCS 5/11-169) to intercept State funds, if needed, and that it could result in fewer dollars available in the City's General Fund to meet the City's future obligations to the pension funds and other creditors. Mr. Walsh recommended that the Trustees seek clarification regarding the mechanics of these new provisions.

Trustee Brown, in her capacity as CFO of the City of Chicago, provided some clarification explaining that: (1) the "intercept" language only referred to State grant money and no other types of revenue or tax payments, (2) the City has always had the ability to pledge revenue streams for the purpose of issuing and making debt service payments on debt instruments, (3) the sales tax money and personal property replacement tax (PPRT) money flowing through the State to the City is currently used to back special revenue obligations and, therefore, do not flow into the City's General Fund and (4) no other taxes or revenues flow through the State into the City's General Fund.

Questions remained as to the impact the law may have on the Fund. The discussion served to introduce the matter to the Trustees and the matter will be discussed further at a later Board meeting.

LABF Staff/Annuitant Health Insurance

Mr. Walsh discussed the upcoming renewal dates for the two separate healthcare plans covering LABF employees and retirees that will expire in December 2017 and January 2018. He explained that the Fund expects to have the exact numbers by the upcoming Board meeting at which time the Board can discuss the matter in greater detail.

**LABORERS' & RETIREMENT BOARD EMPLOYEES'  
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Miscellaneous

Payment Advices - The Trustees discussed changing the frequency at which payment advices are sent to annuitants from the current 12 times per year to 3 times per year. This change could save the Fund approximately \$21,000 per year. The Trustees requested to see sample of the payment advice and decided to further discuss this matter at an upcoming meeting.

Fraud Matter

This topic was discussed in executive session.

**EXECUTIVE SESSION NO. 3**

At 4:00 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 Joiner seconded the motion.

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

At 4:04 p.m., Trustee Brown made a motion, seconded by Trustee LoVerde, that the executive session be adjourned and that the Board return to open session.

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

It was moved by Trustee Brown, seconded by Trustee Summer, to notify the Cook County State's Attorney regarding a situation in which a reasonable suspicion of fraud exists.

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

**LEGAL REPORT**

The legal topics were conducted in executive session.

**EXECUTIVE SESSION NO. 4**

At 4:05 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 Capasso seconded the motion.

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

At 4:09 p.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 Keane, LoVerde, Summers, Hamburger Capasso, Brown and Joiner.  
Against -- None.

**EXECUTIVE SESSION NO. 5**

At 4:09 p.m., Trustee Hamburger requested an executive session under 5 ILCS 120/2(c)(11) to discuss current or potential litigation of the Fund. Trustee LoVerde seconded the motion.

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

At 4:19 p.m., Trustee Hamburger made a motion, seconded by Trustee LoVerde, that the executive session be adjourned and that the Board return to open session.



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

**August 22, 2017**

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

The Trustees took no action.

**EXECUTIVE SESSION NO. 6**

At 4:19 p.m., Trustee LoVerde requested an executive session under 5 ILCS 120/2(c)(21) to discuss minutes of meetings lawfully closed under the Open Meetings Act. Trustee Joiner seconded the motion.

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

At 4:21 p.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 Keane, LoVerde, Summers, Hamburger Capasso, Brown and Joiner.  
Against -- None.

It was moved by Trustee LoVerde, seconded by Trustee Hamburger, to approve the recommendations of Fund staff and Fund counsel to make available for public inspection items 1-12 of Section 1 of the memo that was reviewed with the Trustees. Copies of the memo are on file with the Fund office.

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

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that all remaining executive session minutes of the memo remain closed.

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

**ADJOURNMENT**

With no further business, at 4:22 p.m., Trustee LoVerde made a motion to adjourn the meeting. Trustee Brown seconded the motion.

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

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



**Fiduciary Liability Insurance Coverage Summary: 2017 Presentation**

**Policy Period: 9/30/17 – 9/30/18**

Presented on: **August 22, 2017**

**Presented by:**

**Craig Goesel**  
Senior Vice President  
Insurance Services

**Timothy Bowen**  
First Vice President  
Insurance Services

This proposal is prepared for the confidential use of our clients. All rights reserved. No part of this proposal may be reproduced in any form or by any means without the prior written permission of Mesirow Insurance Services Inc.

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



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## Executive Summary

Alliant/Mesirow Insurance Services, Inc. appreciates the opportunity to present our Management Liability insurance capabilities to **Laborers' and 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's & Firemen's Annuity and Benefit Funds (Four *different* fund clients)
- 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

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## Why Alliant/Mesirow Insurance Services

- We are an **employee-owned** insurance broker, employing over 2,800 employees among our affiliates
- Alliant/Mesirow 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 suite 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/Mesirow 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/Mesirow 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

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*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.*

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## Procurement Request for Fiduciary Liability Insurance

Re: Procurement Request: Fiduciary Liability Insurance: Laborers' and Retirement Board....

Dear Underwriter:

Mesirow Insurance Services, Inc., an Alliant-owned company, LLC requests the participation of your firm in the procurement of Fiduciary Liability Insurance for LABF of Chicago. While the program is due to expire on 9/30/17, Mesirow Insurance Services, Inc., an Alliant-owned company, LLC will present terms on to the Board of Trustees on 8/22/17 (Mesirow Insurance Services, Inc., an Alliant-owned company, LLC seeks to present our renewal terms at the Trustee's meeting the month *before* the expiration date). As such, *I am looking for your responses by 8/16/17* so we can properly draft the renewal presentation and summarize the results in writing prior to the meeting.

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

The LABF of Chicago currently purchases a Fiduciary Liability program as follows:

Annual Aggregate Limit of Liability: \$15,000,000

Per Claim Retention: \$50,000

Effective: 9/30/17 – 9/30/18

I attach the following documents for your consideration:

- Application
- Financial reports (found online)

Mesirow 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 Managing Director  
Mesirow Insurance Services, Inc.  
v 312.595.8146  
e cgoesel@alliant.com

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## Procurement Request Carrier Responses

Insurance Company	AM Best's Rating	Carrier Response
▪ Arch Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)  Willing to quote excess layers in the future if needed
▪ Axis Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured) Willing to quote excess layers in the future if needed
▪ AIG Insurance Group	A (XV)	Optional program outlined within
▪ Chubb Insurance Co.	A++ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ CNA Insurance Co.	A (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Euclid/Hudson Insurance Co.	A (XV)	Quoted Excess: terms summarized within.
▪ Hartford Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Houston Casualty Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)

*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.*

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▪ RLI Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Travelers Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Ullico/Markel Ins Co.	A (XIV)	Quoted: terms summarized within
▪ XL Specialty Insurance Co.	A (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)

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## Important Policy Provisions

Coverage Provision	ULLICO – <u>RECOMMENDED</u> CARRIER	AIG – ALTERNATE CARRIER
▪ Name insured to include past/present/future Trustees & employees of the Fund	Yes	Yes
▪ Claims Made Policy	Yes	Yes
▪ <b>Duty to Defend</b>	<b>Optional (Responsibility of Defense is decided by the Insured)</b>	<b>Yes</b>
▪ Coverage for Spouses, Estates, Heirs, Legal Representatives or Assigns of an Insured Person	Yes	Yes
▪ 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
▪ <b>Trustee Expense Coverage</b>	<b>Yes (\$10,000,000)</b>	<b>No</b>
▪ <b>Client's Choice of Counsel</b>	<b>Yes</b>	<b>No</b>
▪ Non-Cancellable by carrier (except for non-payment of premium)	Yes	Yes
▪ <b>HIPAA fines &amp; penalties</b>	<b>Yes (\$10,000,000)</b>	<b>Yes (\$100,000)</b>
▪ Punitive Damages	Where Insurable Under Law	Where Insurable Under Law
▪ Severability (Exclusions and Application)	Yes	Yes
▪ Consent to Settle Clause	Removed	Removed
▪ 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)
▪ <b>PPACA Coverage</b>	<b>Yes (\$250,000)</b>	<b>Yes (\$100,000)</b>
▪ <b>Voluntary Compliance Coverage</b>	<b>Yes (\$250,000)</b>	<b>Yes (\$100,000)</b>

*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.*



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## Important Policy Provisions (Cont.)

Coverage Provision	ULLICO – <u>RECOMMENDED</u> CARRIER	AIG – ALTERNATE CARRIER
<ul style="list-style-type: none"> <li>Claim expenses included within the limit of liability (these expenses may include outside counsel, forensic accountants, actuaries, expert witnesses, etc.)</li> </ul>	Yes	Yes
<ul style="list-style-type: none"> <li><b>Failure to Fund Coverage</b></li> </ul>	<b>Yes (Full \$10,000,000 limit)</b>	<b>No</b>
<ul style="list-style-type: none"> <li>Include “Waive statutory indemnification provision” language</li> </ul>	Yes	Yes
<ul style="list-style-type: none"> <li><b>Employment Practices Liability</b></li> </ul>	<b>Yes (\$1,000,000)</b>	<b>No</b>

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*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.*

## Important Exclusions

Coverage Exclusion	ULLICO – <u>RECOMMENDED CARRIER</u>	AIG – <u>ALTERNATE CARRIER</u>
▪ 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)
▪ 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)
▪ Bodily Injury, Personal Injury and Property Damage	Excluded	Excluded
▪ Violations of any Workers Compensation, Unemployment Insurance, Social Security or similar Disability Benefits Law	Excluded	Excluded
▪ 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)
▪ Pollution or Pollutants	Excluded	Excluded
▪ Contractual Liability of Others (other than contractual liability established by the Employee Benefit Plan)	Excluded	Excluded
▪ 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)
▪ Specific debt instruments or investments	Not Excluded	Not Excluded
▪ <b>Failure to adequately or properly fund the Employee Benefit Plan</b>	<b>Not Excluded (Full limit of liability provided)</b>	<b>Excluded</b>

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 Renewal Option

	Expiring Program	Renewal Program
<b>Insurance Carrier (Primary / Excess)</b>	<b>Markel American Ins. Co. (ULLICO) / Hudson Ins. Co. (EUCLID)</b>	<b>Markel American Ins. Co. (ULLICO) / Hudson Ins. Co. (EUCLID)</b>
<b>AM Best's Rating</b>	<i>A XIV (Excellent) / A XV Excellent</i>	<i>A XIV (Excellent) / A XV Excellent</i>
<b>Limit<sup>(1)</sup></b>	<b>\$15,000,000</b>	<b>\$15,000,000</b>
<b>Retention / Deductible<sup>(2)</sup></b>	<b>\$50,000</b>	<b>\$50,000</b>
<b>Annual Premium</b>	<b>\$181,312</b>	<b>\$188,430</b>

<sup>1</sup> Annual aggregate limit of liability for all trustees

<sup>2</sup> Retention/deductible applies to each claim

## The Following Information Required to issue policies:

- NONE

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.

## CYBER LIABILITY INSURANCE SUMMARY

Coverage Clauses	RECOMMENDED Option 1 (Beazley)	Option 2 (Beazley)	Option 3 (ULLICO)
<b>POLICY AGGREGATE – MAXIMUM ANNUAL LIMIT</b>	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
■ Information Security and Privacy	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
■ Notification Costs / Credit Monitoring / Call Center / ID Restoration Expenses	<b>50,000 Notified Individuals</b>	50,000 Notified Individuals	\$1,000,000
■ Regulatory Defense & Penalties	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
■ Data Breach Coach / Forensics Expert/ Legal Services / Public Relations	<b>\$1,000,000</b>	\$1,000,000	\$1,000,000
■ Cyber Extortion	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
<b>RETENTIONS - EACH CLAIM</b>			
■ Information Security and Privacy	<b>\$25,000</b>	\$25,000	\$25,000
■ Notification Costs / Credit Monitoring / Call Center / ID Restoration Expenses	<b>100 Notified Individuals</b>	100 Notified Individuals	\$25,000
■ Regulatory Defense & Penalties	<b>\$25,000</b>	\$25,000	\$25,000
■ Data Breach Coach / Forensics Expert/ Legal Services / Public Relations	<b>\$10,000</b>	\$10,000	\$25,000
■ Cyber Extortion	<b>\$25,000</b>	\$25,000	\$25,000
<b>ANNUAL PREMIUM</b>			
■ Annual Premium	<b>\$7,259</b>	<b>\$14,500</b>	<b>\$12,500</b>

**Expiring annual premium = \$7,259**

*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.*

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# 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/Mesirow 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 commission schedules from carriers that we provide this insurance coverage. Please note that commissions paid do not influence our recommendations for coverage placements:

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

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*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.*

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## 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. Mesirow Insurance Services, Inc.'s Insurance Service experts provide the following summary of a typical State Pension Code, and offer a solution 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 normally 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.

State Pension Codes often do not provide complete limitations on liability and make clear that litigation against fiduciaries is permissible. A fiduciary that breaches his/her 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 Mesirow 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.

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## Fiduciary Liability Insurance For Public Pension Fund (con't)

### 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.

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## **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



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## 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, Mesirow 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](mailto:claimsreporting@alliant.com)

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## 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/Mesirow 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/Mesirow 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/Mesirow Insurance Services, Inc based upon differing factors. This additional compensation may include non-cash awards and benefits. The insurance you purchase through Alliant/Mesirow Insurance Services, Inc may be issued by an insurer, wholesale broker (property & casualty) or administrator (benefits) who has such a program. Further, Alliant/Mesirow Insurance Services, Inc may receive fees from premium finance transactions (property & casualty). Additionally, Alliant/Mesirow 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/Mesirow Insurance Services, Inc' compensation or data sharing, please contact your Alliant/Mesirow Insurance Services, Inc executive.

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## 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

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## 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.

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



**Fiduciary Liability Insurance Coverage Summary: 2017 Presentation**

**Policy Period: 9/30/17 – 9/30/18**

Presented on: **August 22, 2017**

**Presented by:**

**Craig Goesel**  
Senior Vice President  
Insurance Services

**Timothy Bowen**  
First Vice President  
Insurance Services

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



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## Executive Summary

Alliant/Mesirow Insurance Services, Inc. appreciates the opportunity to present our Management Liability insurance capabilities to **Laborers' and 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's & Firemen's Annuity and Benefit Funds (Four *different* fund clients)
- 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

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## Why Alliant/Mesirow Insurance Services

- We are an **employee-owned** insurance broker, employing over 2,800 employees among our affiliates
- Alliant/Mesirow 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 suite 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/Mesirow 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/Mesirow 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

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## Procurement Request for Fiduciary Liability Insurance

Re: Procurement Request: Fiduciary Liability Insurance: Laborers' and Retirement Board....

Dear Underwriter:

Mesirow Insurance Services, Inc., an Alliant-owned company, LLC requests the participation of your firm in the procurement of Fiduciary Liability Insurance for LABF of Chicago. While the program is due to expire on 9/30/17, Mesirow Insurance Services, Inc., an Alliant-owned company, LLC will present terms on to the Board of Trustees on 8/22/17 (Mesirow Insurance Services, Inc., an Alliant-owned company, LLC seeks to present our renewal terms at the Trustee's meeting the month *before* the expiration date). As such, *I am looking for your responses by 8/16/17* so we can properly draft the renewal presentation and summarize the results in writing prior to the meeting.

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

The LABF of Chicago currently purchases a Fiduciary Liability program as follows:

Annual Aggregate Limit of Liability: \$15,000,000

Per Claim Retention: \$50,000

Effective: 9/30/17 – 9/30/18

I attach the following documents for your consideration:

- Application
- Financial reports (found online)

Mesirow 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 Managing Director  
Mesirow Insurance Services, Inc.  
v 312.595.8146  
e cgoesel@alliant.com

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## Procurement Request Carrier Responses

Insurance Company	AM Best's Rating	Carrier Response
▪ Arch Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)  Willing to quote excess layers in the future if needed
▪ Axis Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured) Willing to quote excess layers in the future if needed
▪ AIG Insurance Group	A (XV)	Optional program outlined within
▪ Chubb Insurance Co.	A++ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ CNA Insurance Co.	A (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Euclid/Hudson Insurance Co.	A (XV)	Quoted Excess: terms summarized within.
▪ Hartford Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Houston Casualty Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)

*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.*

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▪ RLI Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Travelers Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Ullico/Markel Ins Co.	A (XIV)	Quoted: terms summarized within
▪ XL Specialty Insurance Co.	A (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)

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## Important Policy Provisions

Coverage Provision	ULLICO – <u>RECOMMENDED</u> CARRIER	AIG – ALTERNATE CARRIER
▪ Name insured to include past/present/future Trustees & employees of the Fund	Yes	Yes
▪ Claims Made Policy	Yes	Yes
▪ <b>Duty to Defend</b>	<b>Optional (Responsibility of Defense is decided by the Insured)</b>	<b>Yes</b>
▪ Coverage for Spouses, Estates, Heirs, Legal Representatives or Assigns of an Insured Person	Yes	Yes
▪ 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
▪ <b>Trustee Expense Coverage</b>	<b>Yes (\$10,000,000)</b>	<b>No</b>
▪ <b>Client's Choice of Counsel</b>	<b>Yes</b>	<b>No</b>
▪ Non-Cancellable by carrier (except for non-payment of premium)	Yes	Yes
▪ <b>HIPAA fines &amp; penalties</b>	<b>Yes (\$10,000,000)</b>	<b>Yes (\$100,000)</b>
▪ Punitive Damages	Where Insurable Under Law	Where Insurable Under Law
▪ Severability (Exclusions and Application)	Yes	Yes
▪ Consent to Settle Clause	Removed	Removed
▪ 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)
▪ <b>PPACA Coverage</b>	<b>Yes (\$250,000)</b>	<b>Yes (\$100,000)</b>
▪ <b>Voluntary Compliance Coverage</b>	<b>Yes (\$250,000)</b>	<b>Yes (\$100,000)</b>

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## Important Policy Provisions (Cont.)

Coverage Provision	ULLICO – <u>RECOMMENDED</u> CARRIER	AIG – ALTERNATE CARRIER
<ul style="list-style-type: none"> <li>Claim expenses included within the limit of liability (these expenses may include outside counsel, forensic accountants, actuaries, expert witnesses, etc.)</li> </ul>	Yes	Yes
<ul style="list-style-type: none"> <li><b>Failure to Fund Coverage</b></li> </ul>	<b>Yes (Full \$10,000,000 limit)</b>	<b>No</b>
<ul style="list-style-type: none"> <li>Include “Waive statutory indemnification provision” language</li> </ul>	Yes	Yes
<ul style="list-style-type: none"> <li><b>Employment Practices Liability</b></li> </ul>	<b>Yes (\$1,000,000)</b>	<b>No</b>

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*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.*

## Important Exclusions

Coverage Exclusion	ULLICO – <u>RECOMMENDED CARRIER</u>	AIG – <u>ALTERNATE CARRIER</u>
▪ 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)
▪ 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)
▪ Bodily Injury, Personal Injury and Property Damage	Excluded	Excluded
▪ Violations of any Workers Compensation, Unemployment Insurance, Social Security or similar Disability Benefits Law	Excluded	Excluded
▪ 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)
▪ Pollution or Pollutants	Excluded	Excluded
▪ Contractual Liability of Others (other than contractual liability established by the Employee Benefit Plan)	Excluded	Excluded
▪ 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)
▪ Specific debt instruments or investments	Not Excluded	Not Excluded
▪ <b>Failure to adequately or properly fund the Employee Benefit Plan</b>	<b>Not Excluded (Full limit of liability provided)</b>	<b>Excluded</b>

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 Renewal Option

	Expiring Program	Renewal Program
<b>Insurance Carrier (Primary / Excess)</b>	<b>Markel American Ins. Co. (ULLICO) / Hudson Ins. Co. (EUCLID)</b>	<b>Markel American Ins. Co. (ULLICO) / Hudson Ins. Co. (EUCLID)</b>
<b>AM Best's Rating</b>	<i>A XIV (Excellent) / A XV Excellent</i>	<i>A XIV (Excellent) / A XV Excellent</i>
<b>Limit<sup>(1)</sup></b>	<b>\$15,000,000</b>	<b>\$15,000,000</b>
<b>Retention / Deductible<sup>(2)</sup></b>	<b>\$50,000</b>	<b>\$50,000</b>
<b>Annual Premium</b>	<b>\$181,312</b>	<b>\$188,430</b>

<sup>1</sup> Annual aggregate limit of liability for all trustees

<sup>2</sup> Retention/deductible applies to each claim

## The Following Information Required to issue policies:

- NONE

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.

## CYBER LIABILITY INSURANCE SUMMARY

Coverage Clauses	RECOMMENDED Option 1 (Beazley)	Option 2 (Beazley)	Option 3 (ULLICO)
<b>POLICY AGGREGATE – MAXIMUM ANNUAL LIMIT</b>	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
■ Information Security and Privacy	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
■ Notification Costs / Credit Monitoring / Call Center / ID Restoration Expenses	<b>50,000 Notified Individuals</b>	50,000 Notified Individuals	\$1,000,000
■ Regulatory Defense & Penalties	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
■ Data Breach Coach / Forensics Expert/ Legal Services / Public Relations	<b>\$1,000,000</b>	\$1,000,000	\$1,000,000
■ Cyber Extortion	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
<b>RETENTIONS - EACH CLAIM</b>			
■ Information Security and Privacy	<b>\$25,000</b>	\$25,000	\$25,000
■ Notification Costs / Credit Monitoring / Call Center / ID Restoration Expenses	<b>100 Notified Individuals</b>	100 Notified Individuals	\$25,000
■ Regulatory Defense & Penalties	<b>\$25,000</b>	\$25,000	\$25,000
■ Data Breach Coach / Forensics Expert/ Legal Services / Public Relations	<b>\$10,000</b>	\$10,000	\$25,000
■ Cyber Extortion	<b>\$25,000</b>	\$25,000	\$25,000
<b>ANNUAL PREMIUM</b>			
■ Annual Premium	<b>\$7,259</b>	<b>\$14,500</b>	<b>\$12,500</b>

**Expiring annual premium = \$7,259**

*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.*

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# 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/Mesirow 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 commission schedules from carriers that we provide this insurance coverage. Please note that commissions paid do not influence our recommendations for coverage placements:

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

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*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.*



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## 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. Mesirow Insurance Services, Inc.'s Insurance Service experts provide the following summary of a typical State Pension Code, and offer a solution 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 normally 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.

State Pension Codes often do not provide complete limitations on liability and make clear that litigation against fiduciaries is permissible. A fiduciary that breaches his/her 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 Mesirow 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.

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## Fiduciary Liability Insurance For Public Pension Fund (con't)

### 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.

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## **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

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## 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, Mesirow 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](mailto:claimsreporting@alliant.com)

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## 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/Mesirow 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/Mesirow 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/Mesirow Insurance Services, Inc based upon differing factors. This additional compensation may include non-cash awards and benefits. The insurance you purchase through Alliant/Mesirow Insurance Services, Inc may be issued by an insurer, wholesale broker (property & casualty) or administrator (benefits) who has such a program. Further, Alliant/Mesirow Insurance Services, Inc may receive fees from premium finance transactions (property & casualty). Additionally, Alliant/Mesirow 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/Mesirow Insurance Services, Inc' compensation or data sharing, please contact your Alliant/Mesirow Insurance Services, Inc executive.

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## 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

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## 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.

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



**Fiduciary Liability Insurance Coverage Summary: 2017 Presentation**

**Policy Period: 9/30/17 – 9/30/18**

Presented on: **August 22, 2017**

**Presented by:**

**Craig Goesel**  
Senior Vice President  
Insurance Services

**Timothy Bowen**  
First Vice President  
Insurance Services

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





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## Executive Summary

Alliant/Mesirow Insurance Services, Inc. appreciates the opportunity to present our Management Liability insurance capabilities to **Laborers' and 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's & Firemen's Annuity and Benefit Funds (Four *different* fund clients)
- 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

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## Why Alliant/Mesirow Insurance Services

- We are an **employee-owned** insurance broker, employing over 2,800 employees among our affiliates
- Alliant/Mesirow 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 suite 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/Mesirow 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/Mesirow 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

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## Procurement Request for Fiduciary Liability Insurance

Re: Procurement Request: Fiduciary Liability Insurance: Laborers' and Retirement Board....

Dear Underwriter:

Mesirow Insurance Services, Inc., an Alliant-owned company, LLC requests the participation of your firm in the procurement of Fiduciary Liability Insurance for LABF of Chicago. While the program is due to expire on 9/30/17, Mesirow Insurance Services, Inc., an Alliant-owned company, LLC will present terms on to the Board of Trustees on 8/22/17 (Mesirow Insurance Services, Inc., an Alliant-owned company, LLC seeks to present our renewal terms at the Trustee's meeting the month *before* the expiration date). As such, *I am looking for your responses by 8/16/17* so we can properly draft the renewal presentation and summarize the results in writing prior to the meeting.

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

The LABF of Chicago currently purchases a Fiduciary Liability program as follows:

Annual Aggregate Limit of Liability: \$15,000,000

Per Claim Retention: \$50,000

Effective: 9/30/17 – 9/30/18

I attach the following documents for your consideration:

- Application
- Financial reports (found online)

Mesirow 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 Managing Director  
Mesirow Insurance Services, Inc.  
v 312.595.8146  
e cgoesel@alliant.com

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## Procurement Request Carrier Responses

Insurance Company	AM Best's Rating	Carrier Response
▪ Arch Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)  Willing to quote excess layers in the future if needed
▪ Axis Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured) Willing to quote excess layers in the future if needed
▪ AIG Insurance Group	A (XV)	Optional program outlined within
▪ Chubb Insurance Co.	A++ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ CNA Insurance Co.	A (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Euclid/Hudson Insurance Co.	A (XV)	Quoted Excess: terms summarized within.
▪ Hartford Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Houston Casualty Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)

*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.*

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▪ RLI Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Travelers Insurance Co.	A+ (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)
▪ Ullico/Markel Ins Co.	A (XIV)	Quoted: terms summarized within
▪ XL Specialty Insurance Co.	A (XV)	Declined to quote either layer due to class of business (IL-based and an affiliate of the public pension industry / loss history of insured)

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*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.*

## Important Policy Provisions

Coverage Provision	ULLICO – <u>RECOMMENDED</u> CARRIER	AIG – ALTERNATE CARRIER
▪ Name insured to include past/present/future Trustees & employees of the Fund	Yes	Yes
▪ Claims Made Policy	Yes	Yes
▪ <b>Duty to Defend</b>	<b>Optional (Responsibility of Defense is decided by the Insured)</b>	<b>Yes</b>
▪ Coverage for Spouses, Estates, Heirs, Legal Representatives or Assigns of an Insured Person	Yes	Yes
▪ 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
▪ <b>Trustee Expense Coverage</b>	<b>Yes (\$10,000,000)</b>	<b>No</b>
▪ <b>Client's Choice of Counsel</b>	<b>Yes</b>	<b>No</b>
▪ Non-Cancellable by carrier (except for non-payment of premium)	Yes	Yes
▪ <b>HIPAA fines &amp; penalties</b>	<b>Yes (\$10,000,000)</b>	<b>Yes (\$100,000)</b>
▪ Punitive Damages	Where Insurable Under Law	Where Insurable Under Law
▪ Severability (Exclusions and Application)	Yes	Yes
▪ Consent to Settle Clause	Removed	Removed
▪ 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)
▪ <b>PPACA Coverage</b>	<b>Yes (\$250,000)</b>	<b>Yes (\$100,000)</b>
▪ <b>Voluntary Compliance Coverage</b>	<b>Yes (\$250,000)</b>	<b>Yes (\$100,000)</b>

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## Important Policy Provisions (Cont.)

Coverage Provision	ULLICO – <u>RECOMMENDED</u> CARRIER	AIG – ALTERNATE CARRIER
<ul style="list-style-type: none"> <li>Claim expenses included within the limit of liability (these expenses may include outside counsel, forensic accountants, actuaries, expert witnesses, etc.)</li> </ul>	Yes	Yes
<ul style="list-style-type: none"> <li><b>Failure to Fund Coverage</b></li> </ul>	<b>Yes (Full \$10,000,000 limit)</b>	<b>No</b>
<ul style="list-style-type: none"> <li>Include “Waive statutory indemnification provision” language</li> </ul>	Yes	Yes
<ul style="list-style-type: none"> <li><b>Employment Practices Liability</b></li> </ul>	<b>Yes (\$1,000,000)</b>	<b>No</b>

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*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.*

## Important Exclusions

Coverage Exclusion	ULLICO – <u>RECOMMENDED CARRIER</u>	AIG – <u>ALTERNATE CARRIER</u>
▪ 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)
▪ 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)
▪ Bodily Injury, Personal Injury and Property Damage	Excluded	Excluded
▪ Violations of any Workers Compensation, Unemployment Insurance, Social Security or similar Disability Benefits Law	Excluded	Excluded
▪ 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)
▪ Pollution or Pollutants	Excluded	Excluded
▪ Contractual Liability of Others (other than contractual liability established by the Employee Benefit Plan)	Excluded	Excluded
▪ 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)
▪ Specific debt instruments or investments	Not Excluded	Not Excluded
▪ <b>Failure to adequately or properly fund the Employee Benefit Plan</b>	<b>Not Excluded (Full limit of liability provided)</b>	<b>Excluded</b>

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 Renewal Option

	Expiring Program	Renewal Program
<b>Insurance Carrier (Primary / Excess)</b>	<b>Markel American Ins. Co. (ULLICO) / Hudson Ins. Co. (EUCLID)</b>	<b>Markel American Ins. Co. (ULLICO) / Hudson Ins. Co. (EUCLID)</b>
<b>AM Best's Rating</b>	<b><i>A XIV (Excellent) / A XV Excellent</i></b>	<b><i>A XIV (Excellent) / A XV Excellent</i></b>
<b>Limit<sup>(1)</sup></b>	<b><i>\$15,000,000</i></b>	<b><i>\$15,000,000</i></b>
<b>Retention / Deductible<sup>(2)</sup></b>	<b><i>\$50,000</i></b>	<b><i>\$50,000</i></b>
<b>Annual Premium</b>	<b><i>\$181,312</i></b>	<b><i>\$188,430</i></b>

<sup>1</sup> Annual aggregate limit of liability for all trustees

<sup>2</sup> Retention/deductible applies to each claim

## The Following Information Required to issue policies:

- NONE

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.

# CYBER LIABILITY INSURANCE SUMMARY

Coverage Clauses	RECOMMENDED Option 1 (Beazley)	Option 2 (Beazley)	Option 3 (ULLICO)
<b>POLICY AGGREGATE – MAXIMUM ANNUAL LIMIT</b>	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
■ Information Security and Privacy	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
■ Notification Costs / Credit Monitoring / Call Center / ID Restoration Expenses	<b>50,000 Notified Individuals</b>	50,000 Notified Individuals	\$1,000,000
■ Regulatory Defense & Penalties	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
■ Data Breach Coach / Forensics Expert/ Legal Services / Public Relations	<b>\$1,000,000</b>	\$1,000,000	\$1,000,000
■ Cyber Extortion	<b>\$1,000,000</b>	\$2,000,000	\$1,000,000
<b>RETENTIONS - EACH CLAIM</b>			
■ Information Security and Privacy	<b>\$25,000</b>	\$25,000	\$25,000
■ Notification Costs / Credit Monitoring / Call Center / ID Restoration Expenses	<b>100 Notified Individuals</b>	100 Notified Individuals	\$25,000
■ Regulatory Defense & Penalties	<b>\$25,000</b>	\$25,000	\$25,000
■ Data Breach Coach / Forensics Expert/ Legal Services / Public Relations	<b>\$10,000</b>	\$10,000	\$25,000
■ Cyber Extortion	<b>\$25,000</b>	\$25,000	\$25,000
<b>ANNUAL PREMIUM</b>			
■ Annual Premium	<b>\$7,259</b>	<b>\$14,500</b>	<b>\$12,500</b>

**Expiring annual premium = \$7,259**

*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.*

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# 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/Mesirow 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 commission schedules from carriers that we provide this insurance coverage. Please note that commissions paid do not influence our recommendations for coverage placements:

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

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*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.*

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## 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. Mesirow Insurance Services, Inc.'s Insurance Service experts provide the following summary of a typical State Pension Code, and offer a solution 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 normally 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.

State Pension Codes often do not provide complete limitations on liability and make clear that litigation against fiduciaries is permissible. A fiduciary that breaches his/her 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 Mesirow 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.

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## Fiduciary Liability Insurance For Public Pension Fund (con't)

### 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.

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## **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

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## 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, Mesirow 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](mailto:claimsreporting@alliant.com)

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## 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/Mesirow 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/Mesirow 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/Mesirow Insurance Services, Inc based upon differing factors. This additional compensation may include non-cash awards and benefits. The insurance you purchase through Alliant/Mesirow Insurance Services, Inc may be issued by an insurer, wholesale broker (property & casualty) or administrator (benefits) who has such a program. Further, Alliant/Mesirow Insurance Services, Inc may receive fees from premium finance transactions (property & casualty). Additionally, Alliant/Mesirow 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/Mesirow Insurance Services, Inc' compensation or data sharing, please contact your Alliant/Mesirow Insurance Services, Inc executive.



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## 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

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

**REVISED FUNDING RESOLUTION FOR THE YEAR 2018**

WHEREAS, in accordance with the Illinois Pension Code, specifically 40 ILCS 5/11-169, the Retirement Board (the "Board") of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (the "Fund") is required to estimate the amounts required each year to be contributed by the City of Chicago (the "City") for all annuities, benefits, and administrative expenses authorized to be paid by the City under Article 11; and

WHEREAS, pursuant to that statutory direction, the Board estimates that the total amount of funding required under the provisions of 40 ILCS 5/11-169 for the year 2018 based on an actuarial valuation of the Fund as of December 31, 2016 and based on the provisions of the statute as in effect on that date is \$134,207,348 and states that this actuarially determined contribution amount is needed to prevent the Fund from a further increase in its unfunded liability; and

WHEREAS, 40 ILCS 5/11-169, as amended, requires that the City provide funding based upon a 5-year ramp-up period and beyond as outlined in such section, the required funding amount pursuant to 40 ILCS 5/11-169 for the year 2018, payable in 2019, being \$48,000,000; and

NOW THEREFORE BE IT RESOLVED, That pursuant to the provisions of an Act of the General Assembly of Illinois, approved March 18, 1963, in force July 1, 1963, entitled "The Illinois Pension Code," as amended, the Retirement Board of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago hereby certifies that the estimated sum required to be contributed by the City for the purposes of this Fund for the year 2018, in accordance with the provision of providing revenue for the Annuity and Benefit Fund is \$48,000,000.

AND BE IT FURTHER RESOLVED, That the Secretary be instructed to submit a copy of this Resolution to the said City Council.

I HEREBY CERTIFY, That this is a true copy of a Revised Resolution duly adopted by the Retirement Board of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago, at a meeting held on August 22, 2017, at which meeting a quorum of the said Board were present and voting.

  
Secretary  
The Retirement Board

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## **Administrative Rules Related to Public Act 100-0023 (the “Act”)**

Certain components of the Act amending the Illinois Pension Code (the “Code”), if taken literally, are ambiguous, inconsistent with existing law and potentially unconstitutional. The LABF is in the process of pursuing a legislative amendment to the Act to address these issues. In the meantime, LABF’s staff recommends that the Board consider adopting certain administrative rules to address some of the more time-sensitive issues with respect to the administration of the Act. Passage of these rules will allow LABF to administer the Act in a manner it believes is consistent with the spirit of the new law and lessen the likelihood that the law be legally challenged. If these issues cannot ultimately be addressed via a legislative amendment, or done so in a timely fashion, the Board may be required to adopt additional administrative rules in the coming months.

### **Rules to be discussed and considered at the August 22, 2017 Board meeting:**

1. **Definition of Tier 3 Members.** Each person who first becomes a member or participant of the LABF or of any reciprocal retirement system or pension fund established under the Illinois Pension Code (the Code”) other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, or 18 of the Code, on or after July 6, 2017 will, for the purposes of Article 11, be considered a member subject to the new tier of benefits created by the Act. The purpose of this rule is to ensure that individuals who became “Tier 2” members of a reciprocal fund prior to July 6, 2017, but who become members of the LABF on or after July 6, 2017, are not inadvertently treated as “Tier 3” members.
2. **Irrevocable Election by Tier 2 Members.** The irrevocable election that is to be made by certain current LABF members (active and inactive) under 40 ILCS5/1-160(d-10) of the Code will be administered only to each such person who first became a member or participant of the LABF or of any reciprocal retirement system or pension fund established under the Code other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, or 18 of the Code, on or after January 1, 2011 and prior to July 6, 2017. Furthermore, LABF will honor elections made by members of both LABF and the Municipal Employees’ Annuity and Benefit Fund of Chicago (“MEABF”). The purpose of this rule is to ensure that “Tier 1” members of the LABF or a reciprocal Fund, who become members of the LABF on or after July 6, 2017, will continue to be treated as “Tier 1” members and are not inadvertently required to make the irrevocable “Tier 2” or “Tier 3” election.
3. **Credit toward Age and Service Annuities.** LABF will ignore the portion of the Act that removed the language contained in 40 ILCS 5/11-170(b), which specified the employer contribution levels for age and service annuities, and continue to administer this section as it existed prior to the passage of the Act (i.e. LABF will continue to credit each employee’s account for employer contributions at the rate of 6% of salary).

### **Matters for which rules shall be developed for discussion and consideration at the September 19, 2017 Board meeting:**

1. **Contribution Increases.** Manner in which to determine, collect and account for increased employee contributions required under 40 ILCS 5/11-170, as amended by the Act, retroactive back to July 6, 2017.
2. **Employer Contributions Associated with Members Working for Local Labor Organizations.** Manner in which to determine employer contributions related to employees subject to 40 ILCS 5/11-215(c)(3) of the Code, which specifies the pension contributions made with respect to any member on a leave of absence during which the member is employed full-time by a local labor organization that represents municipal employees.