

**Laborers' and Retirement Board Employees'
Annuity and Benefit Fund of Chicago
Minutes of Regular Board Meeting No. 986**

June 20, 2017

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

June 20, 2017

Report of Meeting No. 986 held on June 20, 2017, starting at 1:02 p.m. at the office of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("Fund" or "LABF"). The following notes attendance:

Board Members:	Victor Roa	– President (Union Appointed Member)
	Erin Keane	– Vice President (City Comptroller, City of Chicago) <i>entered at 1:13 pm.</i>
	Michael LoVerde	– Secretary (Active Employee Elected Member)
	Carol Hamburger	– Trustee (Managing Deputy Comptroller, City of Chicago)
	James Capasso, Jr.	– Trustee (Annuitant Elected Member)
	James Joiner	– Trustee (Active Employee Elected Member)
Staff & Consultants:	Graham Grady	– Taft Stettinius & Hollister LLP, Fund's Counsel
	Cary Donham	– Taft Stettinius & Hollister LLP, Fund's Counsel
	Dr. Terence Sullivan	– Fund's Physician
	James Wesner	– Marquette Associates, Investment Consultant
	Kweku Obed	– Marquette Associates, Investment Consultant
	Neil Capps	– Marquette Associates, Client Analyst
	Michael Walsh	– Executive Director and Chief Investment Officer
	Peggy Grabowski	– Comptroller
	John Carroll	– Compliance Administrator
	Sheila Jones	– Administrative Coordinator
	Nadia Oumata	– Manager of Accounting and Investments
	Tina Rhoten	– Benefits Manager
	Paul Rzeszutko	– Assistant Benefits Manager
	Nicole Evangelista	– Payment Services Coordinator
	Irene Velazquez	– Payment Services Assistant
Absents:	Kurt Summers, Jr.	– Trustee (City Treasurer, City of Chicago)
	Carole Brown	– Trustee (Chief Financial Officer, City of Chicago)
Observers:	Ayo Ayodele	– City Treasurer's Office (City of Chicago)

President Roa 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 **June 20, 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
- Schedule B: Applications for Annuities
 - 1. Employee Annuities
 - 2. Spouse and Child Annuities
- Schedule C: Adjustment Refunds to New Annuitants
- Schedule D: Applications for Duty Disability Benefits
- Schedule E: Applications for Ordinary Disability Benefits
- Schedule F: Applications for Extension of Duty Disability Benefits
- Schedule G: Applications for Extension of Ordinary Disability Benefits
- Schedule H: Payment of Uncashed Checks of Deceased Members
- Schedule I: Payment of Administrative Expenses
- Investments Report
- Administrative Report
- Executive Session No. 1
- Executive Session No. 2
- Administrative Report
- Legal Report
- Executive Session No. 3
- 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'
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PUBLIC PARTICIPATION

None.

APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

It was moved by Trustee LoVerde, seconded by Trustee Joiner, that the regular minutes of Meeting No. 985 held on May 23, 2017 be approved as submitted.

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

It was moved by Trustee LoVerde, seconded by Trustee Capasso, that the minutes of executive session 1 of Meeting No. 985 held on May 23, 2017 be approved as submitted.

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

SCHEDULE A – APPLICATIONS FOR REFUNDS

1. Refund of Contributions Due to Separation from Service

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

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

SCHEDULE B – APPLICATIONS FOR ANNUITIES

1. Employee Annuities

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

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

2. Spouse and Child Annuities

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

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

SCHEDULE C – ADJUSTMENT REFUNDS TO NEW ANNUITANTS

Mr. Donham and Mr. Carroll reviewed some of the specifics related to the refund for Mr. Wilton Sumerlin. It was moved by Trustee LoVerde, seconded by Trustee Joiner, that Adjustment Refunds to New Annuitants be approved and ordered paid.

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

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SCHEDULE E – APPLICATIONS FOR ORDINARY DISABILITY BENEFITS

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

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

SCHEDULE F – EXTENSION OF DUTY DISABILITY BENEFITS

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

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

SCHEDULE G – EXTENSION OF ORDINARY DISABILITY BENEFITS

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

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

SCHEDULE H – PAYMENT OF UNCASHED CHECKS OF DECEASED MEMBERS

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

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

INVESTMENTS REPORT

Monthly Performance Report

Mr. Wesner reviewed the May 31, 2017 Performance Report.

Marquette Associates Transition Update

Mr. Obed updated the Trustees on the research capabilities of Marquette Associates and how the research team can assist in strengthening the LABF portfolio. Mr. Obed also noted that the current fee structure of the Fund was competitive compared to the industry average, but noted some improvement in fees was possible.

Index Manager RFP

Mr. Wesner suggested the Trustees authorize a search for an index manager capable of providing a variety of index services on both a short and long-term basis, depending on the evolving needs of the LABF.

It was moved by Trustee Hamburger, seconded by Trustee LoVerde, to approve an RFP for Equity and Fixed Income Index Strategy Investment Advisory Services as discussed in the meeting.

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

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ADMINISTRATIVE REPORT

Cash Needs

Mr. Walsh reviewed the year-to-date cash needs of the Fund as well as the upcoming estimated cash needs.

2017 Annuitant Member Election

Mr. Walsh discussed the 2017 Trustee Election for the Annuitant Member on the Board. After a review of some of the considerations related to the Annuitant Member Election, the Board gave the staff guidance as to the form of election to be held in October, 2017. Mr. Walsh stated that the LABF staff would prepare and present a draft of the Annuitant Member Election Rules at the July Board meeting.

Legislative Matters

Mr. Walsh reviewed a memo from the Fund's Legislative Liaison regarding potential legislation and other activity in Springfield. See attached memo.

Treatment of Independent Contractors

Mr. Walsh discussed the hiring of LABF annuitants as independent contractors for entities defined as employers under Article 11 of the Illinois Pension Code. Mr. Walsh also reviewed several sections of the Illinois Pension Code pertaining to such contractual arrangements and the Trustees agreed that this practice is permissible under certain circumstances. Mr. Walsh and the Trustees agreed that the LABF should continue to follow what is outlined in the Statutes regarding these types of arrangements.

The Trustees also briefly discussed the definition of "Employer" in Article 11 of the Illinois Pension Code. The Trustees asked Fund Counsel to review the definition of "Employer" and provide guidance regarding what entities fall under that definition.

Funding Resolution

This item was taken out of order. Mr. Walsh presented a draft of the 2018 Funding Resolution for the Trustees to review. The draft included a request for employee and employer contributions from the City of Chicago associated with employees on duty disability during the previous year. The Trustees asked Mr. Walsh to explain the changes in the Resolution to the City Budget Director prior to sending the Resolution.

This vote was taken out of order. It was moved by Trustee Capasso, seconded by Trustee LoVerde, to approve the 2018 Funding Resolution as discussed in the meeting.

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

EXECUTIVE SESSION NO. 1

At 2:49 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 Roa, Keane, LoVerde, Hamburger, Capasso and Joiner.
Against -- None.

At 2:54 p.m., Trustee LoVerde made a motion, seconded by Trustee Keane, that the executive session be adjourned and that the Board return to open session.

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

The Trustees took no action.

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EXECUTIVE SESSION NO. 2

At 2:54 p.m., Trustee Hamburger requested an executive session under 5 ILCS 120/2(c)(1) to discuss personnel or legal counsel matters. Trustee LoVerde seconded the motion.

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

At 3:03 p.m., Trustee LoVerde made a motion, seconded by Trustee Capasso, that the executive session be adjourned and that the Board return to open session.

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

It was moved by Trustee Hamburger, seconded by Trustee LoVerde, to approve the budget modifications discussed in executive session.

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

ADMINISTRATIVE REPORT CONTINUED

Miscellaneous

Mr. Walsh informed the Trustees regarding Marquette Associates' upcoming client conference.

LEGAL REPORT

The legal topics were conducted in executive session.

EXECUTIVE SESSION NO. 3

At 3:09 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 Roa, Keane, LoVerde, Hamburger, Capasso and Joiner.
Against -- None.

At 3:39 p.m., Trustee LoVerde made a motion, seconded by Trustee Capasso, that the executive session be adjourned and that the Board return to open session.

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

ADJOURNMENT

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

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



ROBERT S. MOLARO & ASSOCIATES

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MEMORANDUM

June 19, 2017

TO: The Honorable Members of the Board of Trustees,
Laborers' Annuity and Benefit Fund of Chicago

FR: Robert S. Molaro & Associates

Springfield Report

For the third year in a row, the General Assembly finished its Spring legislative session with no state budget in place.

- Although the Senate produced a budget and accompanying revenue increases and spending cuts before the May 31 deadline, the House did not act on the Senate package or craft its own spending plan. House Democrats, led by Speaker Madigan, indicated they were concerned that Gov. Rauner would veto any budget and tax plan that they might send to him.
- **SB 14**, which contains the funding increases for both the Municipal and Laborers' Pension Funds and which has passed both Houses of the Illinois General Assembly, is still being held. The City and the Speaker will be deciding when to release this funding bill to the Governor for his signature or veto. The Governor vetoed an identical bill earlier this year.
- **SB4027 and SB4045** have been passed out of the Pension Committee in the House. These bills were not called in the House before the May 31st deadline. These bills are essentially the same as SB 16, which is the "Grand Bargain"

pension reform bill proposed by the Governor and the Senate President. These bills contain the “salary/consideration” model written by Eric Madair, former attorney for President Cullerton.

- **SB1345** is the vehicle bill that may be used to include the City funding language from SB 14, language submitted by Cook County for their funding and some changes for the State funds requested by the Governor. This may be an attempt to urge the Governor to sign the City and County’s pension funding request.

During the last few weeks of legislative session, the Senate passed several of the so-called “Grand Bargain” bills, mainly on straight party-line votes. The legislation included:

A 37.3 billion 2018 Fiscal Year Budget Senate Bill 6 closely matches the budget proposed by Gov. Rauner earlier this year. The spending plan includes spending authority for “pass through” money for municipalities, including for the Motor Fuel Tax, Video/Casino Gaming, Use Tax and 9-1-1 funds.

Spending Cuts That Preserve Current LGDF Levels – After an aborted attempt to pass a package of spending cuts that included a two-phase slash in the Local Government Distributive Fund (LGDF), Senators approved legislation May 23 reducing spending by about \$3 billion without reducing LGDF distributions, which would remain at FY 2017 levels. Senate Bill 42, the Budget Implementation Bill, originally included cuts to the municipal share of income tax collections, but it was voted down May 18.

Two-year Property Tax Freeze - The Illinois Senate approved Senate Bill 482 a two-year, temporary property tax freeze on municipalities for levy years 2018 and 2019. The bill did exempt pensions and bonds/indebtedness costs, but even these levies could only be increased by a maximum of either 5 percent or the Consumer Price Index (CPI), whichever is less. (The CPI was about 1.8 percent in 2016).

- **\$5.4 billion in New Taxes** – The Senate moved a tax increase package (Senate Bill 6). Under this legislation, the personal income tax rate would go from 3.75 percent to 4.95 percent and the corporate rate from 5.25 to 7 percent, retroactive to Jan. 1, 2017. Starting on July 1, 2017 (or when - and if – the bill becomes law) the state's 6.25 percent sales tax would be expanded to apply to several services, including:
 - Dry-cleaning and laundry;
 - Self-storage units;
 - Private detective and alarm services,
 - Pest control;
 - Personal care, including skin care, cosmetic “make-overs,” manicures, pedicures, hair removal, tanning, and body piercing, but not haircuts and other salon services.

In addition, lawn care and home improvement services would continue to be exempt from sales tax.

Under the Senate plan, the state would keep all the sales tax proceeds through June 30, 2018. On July 1, 2018, municipalities would be in line to receive 7 percent of the 6.25 percent tax. In the two subsequent Fiscal Years, 2019 and 2020, the local share would increase to 13 percent and then 20 percent. SB 6 also included a 5 percent tax on satellite TV, and a 1 percent levy on video streaming services.

It should be noted that municipalities would not receive any of the income tax increase in SB 9 via the LGDF.

Meeting in June

Despite the May 31 deadline, both the House and Senate are expected to meet in June with the start of Fiscal Year 2018 looming on July 1. However, any budget or revenue related

legislation voted on now will require a 3/5ths, rather than a simple, majority to become effective for the new fiscal year. While it appears that Gov. Rauner and the legislature are still far apart on any budget deal, a downgrade of the state's credit rating to the lowest in the country by both Moody's Investors Service and Standard & Poors the day after the legislative session may serve as an impetus to make a deal this month. A "stop-gap" budget, which would include an appropriation to fund K thru 12 education and IDOT, will also be considered.

Governor Rauner has called a Special Session of the Illinois General Assembly. This Special Session is scheduled for June 21 through June 30, 2017 and is being convened to deal with the budgetary issues.