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MUNICIPAL EMPLOYEES'

ANNUITY & BENEFIT FUND OF CHICAGO

MEETING NO. 2020-04

STENOGRAPHIC REPORT OF PROCEEDINGS had at
the audio conference meeting of the above-entitled
matter, on Thursday, April 23, 2020, commencing at
the hour of 9:00 a.m.

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APPEARANCES

BOARD MEMBERS APPEARING TELEPHONICALLY:

VERNA R. THOMPSON, President
RESHMA SONI, Vice-President
MELISSA CONYEARS-ERVIN, Treasurer
JEFFREY J. JOHNSON, Recording Secretary
THOMAS J. MCMAHON, Trustee

ATTORNEY FOR THE BOARD:

BURKE, BURNS AND PINELLI, LTD.
BY: MS. MARY PATRICIA BURNS

ALSO PRESENT TELEPHONICALLY:

DENNIS WHITE, Executive Director
STACEY M. RUFFOLO, Deputy Executive Director
STEVE YOON, Investment Officer
SANDRA SHELBY, Comptroller
KIMBERLY CARROLL, Benefits Manager
TERRANCE P. SULLIVAN, M.D.
DONNA HANSEN, Office Manager
CRAIG SLACK, Deputy City Treasurer
JAMIE WESNER, Marquette Associates
BRIAN WRUBEL, Marquette Associates
NEIL CAPPS, Marquette Associates
MAURICIO BANUELOS, City of Chicago
ZACH CZIRYAK, Financial Investment News
OTIS TUBBS, City of Chicago

PRESIDENT THOMPSON: It is 9:01.

1 We do have people joining the call, but
2 do you want to call the roll to see who we have
3 present?

4 MS. HANSEN: Sure. Madam Treasurer.

5 TRUSTEE CONYEARS-ERVIN: Yes.

6 MS. HANSEN: Trustee Johnson.

7 TRUSTEE JOHNSON: Yes, ma'am.

8 MS. HANSEN: Trustee Thompson.

9 PRESIDENT THOMPSON: Yes.

10 MS. HANSEN: Trustee Soni. Trustee Soni.
11 Trustee McMahon.

12 TRUSTEE MCMAHON: Yes.

13 MS. HANSEN: We have a quorum.

14 MS. BURNS: You have a quorum, but for
15 purposes of the record can we ask any member of the
16 public on the call to identify themselves.

17 MS. HANSEN: Anybody else present on the
18 phone call that would like to identify themselves?

19 MS. SHELBY: Sandra Shelby.

20 MR. SLACK: Craig Slack is here, Mary
21 Pat.

22 MS. BURNS: Thank you, Craig.

23 MR. WRUBEL: Brian Wrubel is here.

24 MS. BURNS: Thank you, Brian.

1 MR. BANUELOS: Mauricio is here.

2 MR. WESNER: Jamie Wesner.

3 MR. YOON: This is Steve Yoon.

4 MS. CARROLL: Kim Carroll here.

5 MR. WHITE: Here in the conference room
6 here at the MEABF offices, we have Kim, Stacey,
7 Dennis and Donna.

8 MR. CZIRYAK: This is Zack Cziryak with
9 Finance Investment News.

10 PRESIDENT THOMPSON: Good morning. We
11 have a quorum.

12 Do we have any public comments?

13 MS. HANSEN: There was one request but I
14 don't think he is on the phone call. I sent him
15 the correct number.

16 MS. BURNS: Who was that, Donna?

17 MS. HANSEN: Otis Tubbs. He's a Member.

18 MS. BURNS: Given that we are now at the
19 public comments section of the meeting, Madam
20 President, because of the unique circumstances and
21 the fact that we are conducting this meeting
22 pursuant to the authority granted to us by the
23 Governor in his Executive Order 2020-07, perhaps if
24 that member gets on the phone sometime later, that

1 you would allow that person to address the Board.
2 There is no reason to wait now though. You might
3 as well just continue on, if that is your pleasure.

4 PRESIDENT THOMPSON: Okay. Let's go to
5 the Agenda Items. All Refunds Pages 3 through 5.

6 MS. CARROLL: All in order.

7 TRUSTEE MCMAHON: Motion by McMahon.

8 TRUSTEE JOHNSON: Seconded by Johnson.

9 DOCTOR SULLIVAN: Doctor Sullivan
10 joining.

11 PRESIDENT THOMPSON: All in favor?

12 (Chorus of ayes.)

13 PRESIDENT THOMPSON: Administrative and
14 Investment Fees Pages 7 through 10.

15 MS. SHELBY: All in order.

16 TRUSTEE JOHNSON: Motion by Johnson.

17 TRUSTEE MCMAHON: Seconded by McMahon.

18 PRESIDENT THOMPSON: All in favor?

19 (Chorus of ayes.)

20 TRUSTEE SONI: Trustee Soni on the phone.

21 MS. BURNS: Madam President, could you
22 just make sure you please ask for any nays every
23 time?

24 PRESIDENT THOMPSON: Right, because we

1 are being recorded. Thank you.

2 Annuities for Employees, Widows,
3 Widowers, Minor Children, Reversionary Pages 11
4 through 16.

5 MS. CARROLL: All in order.

6 TRUSTEE JOHNSON: I have a question
7 really quick here. 45 new annuities, that seems
8 rather low. Is that par for the course for this
9 month on an average basis or are we starting to see
10 some people maybe not retiring?

11 MS. CARROLL: No, that is normal for
12 April.

13 TRUSTEE JOHNSON: That is normal for
14 April, 45. Okay.

15 PRESIDENT THOMPSON: Motion?

16 TRUSTEE MCMAHON: Motion by McMahon.

17 TRUSTEE JOHNSON: Seconded by Johnson.

18 PRESIDENT THOMPSON: All in favor?

19 (Chorus of ayes.)

20 PRESIDENT THOMPSON: Opposed?

21 Hearing none, the motion passes.

22 Ordinary and Duty Disability Benefits
23 Pages 17 through 18.

24 DOCTOR SULLIVAN: They are all in order.

1 TRUSTEE MCMAHON: Motion by McMahon.

2 TRUSTEE JOHNSON: Before I second that,
3 how are you handling the disability if they can't
4 get in to see their doctor? What is the process
5 that we have done?

6 DOCTOR SULLIVAN: We are just extending
7 them for two to three months, to make sure they get
8 their money.

9 TRUSTEE JOHNSON: Okay. That is all I
10 wanted to know.

11 Seconded by Johnson.

12 PRESIDENT THOMPSON: All in favor?

13 (Chorus of ayes.)

14 PRESIDENT THOMPSON: Opposed?

15 Hearing none, the motion passes.

16 Ordinary and Duty Disability Pages 19 and
17 20.

18 DOCTOR SULLIVAN: They are all in order.

19 TRUSTEE JOHNSON: Motion by Johnson.

20 TRUSTEE MCMAHON: Second by McMahon.

21 PRESIDENT THOMPSON: All in favor?

22 (Chorus of ayes.)

23 PRESIDENT THOMPSON: Opposed.

24 Hearing none, the motion passes.

1 MS. HANSEN: There are no Adjusted
2 Duties, that should be none.

3 PRESIDENT THOMPSON: Okay. Moving on.

4 MS. HANSEN: There is one membership
5 application though or change of birth rather on
6 Page 23.

7 TRUSTEE JOHNSON: Motion.

8 TRUSTEE MCMAHON: Second by McMahon.

9 PRESIDENT THOMPSON: All in favor?

10 (Chorus of ayes.)

11 PRESIDENT THOMPSON: Opposed?

12 None. Motion passes.

13 Thank you, doctor.

14 DOCTOR SULLIVAN: Thank you. Everybody
15 stay safe.

16 MS. BURNS: Before we got on the call, we
17 were talking. Doctor Sullivan said he hasn't seen
18 a patient with coronavirus in the last 11 days so
19 that was good news. He said it should give us all
20 hope the virus may be under control.

21 PRESIDENT THOMPSON: That is great news.

22 Motion to approve Treasurer's Report Page
23 24.

24 MR. SLACK: All in order.

1 TRUSTEE JOHNSON: Motion.

2 TRUSTEE MCMAHON: Second by Trustee
3 McMahan.

4 PRESIDENT THOMPSON: All in favor?

5 (Chorus of ayes.)

6 PRESIDENT THOMPSON: Opposed?

7 None. Motion passes.

8 Update on Fund's Net Position.

9 MR. YOON: Good morning, Trustees. This
10 is Steve.

11 Fund's Net Position. Funding ratio
12 remains steady compared to last month, based in
13 part to the City's contribution.

14 Any questions?

15 PRESIDENT THOMPSON: Let's move on along
16 to Investments.

17 MR. WESNER: Good morning, everyone. It
18 is Jamie Wesner with Marquette.

19 I am going to walk you through today a
20 brief update on the broad market environment and
21 then we will talk a little bit about the portfolio
22 performance for the first quarter of the year.

23 As you all know, it has been a very
24 volatile market environment since we last met at

1 the end of March.

2 We have seen fortunately a solid rebound
3 in the equity markets. A low for the market, the
4 equity market, was March 23rd. And, obviously, it
5 was a very quick decline, which we will highlight
6 in a moment with a few slides.

7 Since then in the U.S., we have seen
8 returns go up 25 percent. So from the lows it is a
9 very strong rebound, but one thing I remind people
10 of when you have a market -- A simple example, if
11 you go down 50 percent, in order to get back to
12 your starting point you then need to go up 100
13 percent.

14 So while 25 percent seems like a very
15 strong, robust number, maybe it doesn't get us back
16 to where we started. Obviously, we are still a
17 significant way from the height that we reached in
18 mid-February.

19 We will walk through it again the
20 situation that we are in and how it effects the
21 portfolio and what steps we are taking to protect
22 the portfolio assets.

23 So as we can see, you see volatility, we
24 obviously have money to continue to meet your

1 obligations and meet benefit payments.

2 On Page 2, broadly as we talk about the
3 stock market it does not equate to the broad
4 economy.

5 We just got this morning the jobless
6 claims for the last week. It was another 4.4
7 million. Over the last five weeks, we have had
8 total unemployment claims of 26.4 million and that
9 more than wipes out all of the job gains since the
10 great financial recession of 2008/2009.

11 It really puts it in context, not only
12 the severity of the decline but that it occurred at
13 a record pace.

14 What we anticipate in the economic
15 effects, obviously this will put us into a
16 technical recession, which is two consecutive
17 quarters of negative GDP growth. It will likely be
18 the first quarter, the second quarter. Depending
19 on the virus, the third quarter could very well be
20 negative as well.

21 Once we start to get to a point of having
22 some type of treatment and/or vaccine, that is
23 obviously when we are going to see the economy open
24 up more and we are going to see a much stronger and

1 more robust recovery in the economy as well as the
2 equity markets.

3 On the fixed income side, interest rates
4 are at zero and the Federal Reserve is cut and the
5 U.S. Government has put trillions of dollars in
6 fiscal stimulus into the economy as well.

7 Obviously, it takes time for both the
8 monetary stimulus and the fiscal stimulus to really
9 start to go through the economy and have positive
10 impact.

11 Again, when there is money put into the
12 economy, it is wonderful, but people can't spend
13 that money and use that money very much if they are
14 forced to stay in their homes.

15 It has been in the headlines earlier in
16 the week that oil went negative. What does that
17 mean? It basically means that more people who have
18 contracted to purchase oil for the most recent
19 contracts that were coming due, no one was able to
20 receive that oil. So they actually want to pay
21 people not to receive oil. You didn't want to pay
22 for oil. Most people had no place to put it.
23 People are not out driving. People aren't
24 consuming energy. Jet fuel. Typical large

1 consumption of energy are not taking place and
2 therefore we have a surplus of oil. So that was
3 just one thing in the headlines over the last
4 several days.

5 If we jump forward to Page 4, one thing
6 that it talks about quite a bit in fixed income, we
7 saw a lot of volatility in fixed income over the
8 last month.

9 We will see in a moment how high yield
10 and bank loans, which are asset classes you have in
11 your portfolio, declined. But on the flip side of
12 that, you're now being rewarded much more for
13 taking on that risk.

14 If you look at the yield that you are
15 receiving for owning the high yield bond, if you
16 look at the right side of Page 4, bank loans are
17 now getting 10 percent thrown in those bank loans.
18 High yield you are getting 9.4 percent. Those are
19 both well above historical norms. Well above where
20 we were to start the year.

21 So while the volatility has been painful,
22 by continuing to hold those assets, we're getting a
23 much higher yield on our investments than we were
24 in the past.

1 Page 5 highlights a lot of what we felt
2 over the last few months. What this highlights is
3 2008. What this describes is that when you first
4 have a market event everything goes down together.
5 But where asset classes and quality really
6 differentiates itself is in the recovery.

7 So when we saw 2008/2009 occur, this is
8 showing high yield bonds. By having higher quality
9 managers, which you do, and higher quality
10 investments, you do go down initially but the
11 recovery is much quicker and much more robust.

12 That is why you want to hold quality
13 assets in these spaces and because we'll see those
14 recover much better as we go forward.

15 We are going to see short-term volatility
16 but by holding the higher quality assets you will
17 see a much more pronounced recovery in those
18 assets.

19 Page 6 highlights the Government's
20 stimulus and I won't go through this. There is a
21 lot of words here.

22 As I talked about the Federal Government
23 is putting trillions of dollars out there into the
24 economy. In the most recent Bill, that is expected

1 to be passed by the House today, primarily adds
2 more money to the Payroll Protection Plan, but in
3 total puts about 500 billion dollars in additional
4 stimulus into the economy.

5 On Page 7, one thing to highlight here,
6 we talked about this quite a bit in the past, how
7 growth continues to outperform value.

8 One thing that we notice is that this
9 recession or this event is much different than a
10 typical recession.

11 In a typical rescission, you see growth
12 stocks get hit maybe a little bit more. Growth
13 stocks makeup the technology names and as we're all
14 confined to our homes we are consuming a lot more
15 technology. So the growth names have performed
16 much better. We're not yet at dot com lower levels
17 but we're getting close to growth outperforming
18 value in this valuation. So it is something
19 important to watch as we go forward.

20 Page 8, an important note is that we're
21 in a much stronger position then we were in 2008
22 with our financial institutions. Our banks are
23 much stronger. While this is very challenging for
24 the economy, the economy is in a much better

1 position to withstand the volatility that our banks
2 are in much better shape.

3 Pages 10 and 11, again to try to put a
4 positive spin on these short-term negative numbers.

5 When we lookback in history, when we have
6 had recessions in the past and when you look out to
7 see how the markets have recovered at six months
8 after, one year after, two-year after, these are
9 the four right-hand columns on the page.

10 (Static interruption.)

11 MS. BURNS: Wait. Whoever is on the call
12 needs to mute their phone, please, other than
13 Jamie.

14 MR. WESNER: Whoever just joined, if you
15 would mute your phone, it would be appreciated.
16 Thank you.

17 As you look at the drawdown column, for
18 example 2007, 2008, the soft market went down 56
19 percent during that period. Six months after the
20 bottom, we were up 52 percent in the lows. One
21 year you were up 68 percent. Two years you were up
22 95 percent.

23 So what it highlights is that while the
24 corrections are painful, that historically once you

1 get through the downturn, you are significantly
2 higher six months, one year, two years post.

3 So some positive things to look forward
4 to once we ultimately figure out where the bottom
5 is.

6 Whoever needs to mute the call.

7 MS. HANSEN: Whoever has the dog, please
8 mute the call.

9 MR. WESNER: I will try to keep going
10 over this.

11 Page 11, the same thing from an
12 international prospective.

13 For Page 12, it just shows how quickly
14 that downturn occurred. This was the quickest
15 downturn that we have seen in the history of the
16 equity markets because it is not a typical
17 recession.

18 Page 13, I highlighted that we are up 25
19 percent from the lows. While that is a wonderful
20 sign, we typically do see short-term rallies. We
21 certainly anticipate this will last a while longer.

22 Pages 15, 16, is the private equity
23 structure. We are watching those closely. You can
24 see how they perform.

1 Again, I would ask whoever joined the
2 call, please put your phone on mute.

3 TRUSTEE MCMAHON: Jamie, if I could make
4 a suggestion, Mary Pat, maybe we go in closed
5 session to finish this because someone is ignorant
6 and they won't mute their phones.

7 PRESIDENT THOMPSON: I think that just
8 worked.

9 MR. WESNER: Thank you, Trustee McMahon.
10 Maybe I needed to use some harsher language there.

11 Page 15, infrastructures. You all know
12 that was a more recent investment that we have and
13 we are certainly watching to see which parts of
14 infrastructure are going to be most affected.

15 As highlighted on that page, airports,
16 some of the mid-stream energy, toll roads will be
17 affected the most.

18 Also important to note that in the
19 infrastructure space about 65 percent there are
20 more consistent stable parts of the market.
21 Cellphone towers, water utilities, gas
22 distribution. Things that are still being consumed
23 that are holding up better.

24 So while certainly any investments in

1 airports are going to be struggling over the
2 short-term, a lot of these contracted relationships
3 in infrastructure are going to help smooth things
4 out. I just want to highlight that since we do
5 have a 2 percent investment within infrastructure.

6 MEMBER MCMAHON: How is our part in
7 infrastructure doing?

8 MR. WESNER: We don't have figures from
9 ULLICO yet for the quarter but there are a few
10 airport investments. They had a stake in the
11 expansion into La Guardia, that is still under
12 construction.

13 So we wait to be seeing how consumption
14 comes back in some of these areas. So a little bit
15 can be a little bit of a mixed blessing.

16 For La Guardia, for example, as they are
17 building out the new gates, which you're going to
18 have the investment through ULLICO, those are still
19 being constructed in many cases and that
20 construction can continue.

21 The big question is going to be when we
22 are all back online how is air traffic impacted by
23 that. It may impact the revenue generated by the
24 investment.

1 Again, ULLICO is very similar to others
2 where they have a lot of contracted stable
3 investments within the portfolio that should holdup
4 quite well.

5 TRUSTEE MCMAHON: I know that the
6 President is letting every state dictate, but do
7 you guys have any inside information or anything
8 more than what we get from the media about when
9 this projected more or less flow over will really
10 calm down enough where America opens up again?
11 Where everybody, you know, is back. Or I know it
12 is not going to be back for probably a year at
13 least with all this unemployment and businesses
14 going down, but is there any projection when we'll
15 start getting back on our feet?

16 MR. WESNER: I think what is in the
17 process is accurate. I think what Doctor Fauci
18 says in terms of the virus will dictate the pace of
19 the economy reopening is very much going to be
20 true.

21 I was on a call with a hedge fund manager
22 a few days ago with Doctor Scott Gotlieb. He was
23 part of the administration up until a year ago and
24 he was highlighting that while we'll see how the

1 economy reopens in the summertime, the thing that
2 we all need to be prepared for is that we could see
3 more rolling shutdowns as we get into the flu
4 seasons in the fall and winter, if we don't have an
5 effective treatment. Obviously, a vaccine won't be
6 developed between now and the flu season. I think
7 that will take a while to be tested.

8 I think one of the things we have to be
9 prepared for is if this lasts longer than
10 anticipated.

11 What we have seen is that the economy has
12 adapted and the proper social distancing and the
13 wearing of masks, I think you will see some kind of
14 opening. But it is going to be certainly in stages
15 and a lot of it is going to be based on are there
16 flares-ups and outbreaks in certain metropolitan
17 areas.

18 TRUSTEE MCMAHON: Okay. Thank you.

19 MR. WESNER: The goal certainly is region
20 by region and state by state. You can see what is
21 going on in Georgia right now with the Governor
22 trying to reopen some nonessential businesses and
23 getting some flow back not only from the media but
24 from the President himself.

1 TRUSTEE MCMAHON: Right. Correct.

2 MR. WESNER: I think that will be a good
3 first step to see how do some of these areas do
4 that have been impacted, who is first to open up
5 and how does it go and does it end up being a
6 roadmap for others to open up in the future. There
7 are a lot of unknowns.

8 TRUSTEE MCMAHON: Okay.

9 MR. WESNER: The final five pages in here
10 are some takeaways from our research team. I am
11 not going to go over that.

12 Steve had distributed out to everyone a
13 few days ago the link to our YouTube channel. Our
14 research team went through their quarter market
15 environment. It gives you an opportunity to hear
16 from our asset class experts, other than myself and
17 Brian.

18 So a good prospective on the impact that
19 the pandemic is having on all the various asset
20 classes.

21 TRUSTEE MCMAHON: Thank you.

22 MR. WESNER: If there aren't any
23 questions, we will jump forward to the quarterly
24 report, which is the MEABF Monthly 0320 file.

1 Within that file, I will point you to
2 Page 3 to start off with. These numbers -- again,
3 I said numerous times, we have come up quite a bit
4 from these low numbers. A lot of the recovery did
5 take place at the end of March and is captured
6 here. But the U.S. equity markets, the S&P is up
7 over 8 percent since these lows. The NASDAQ is up
8 11 to 12 percent since these lows.

9 So we have seen continued recovery in the
10 equity markets, but you do see on this page for the
11 month of the March we were down 8.8 percent.
12 Outperforming the benchmark which was down 9.4.
13 Year-to-date we are down 13.2 versus the benchmark
14 down 13.8.

15 If you go down to the bottom table on the
16 page and just highlight graphically the different
17 composite, everything was negative that we have
18 figures for except for real estate. Real estate
19 was up slightly. It will take awhile for these
20 impacts to flow through the real estate market.

21 Fixed income was down 4 percent. U.S.
22 equities down 23, 24 percent. International
23 equities down similar amount 24 percent. Hedge
24 funds basically are protecting on the downside down

1 12.7 percent.

2 Where do we stand from an asset
3 allocation prospective on Page 4, not surprising
4 given the decline in the equity markets. We are
5 underweight to our equity target. We are much
6 closer to those targets now as equity markets
7 continue to rally.

8 Not surprising, we are overweight in
9 things like hedge funds and real estate because
10 these are much more defensive in nature and
11 protected.

12 You are a little bit skewed here in these
13 figures because at 7.8 percent, that other is
14 because of the timing of the contribution from the
15 City and that was in cash. And so that will go out
16 to meet benefit payments and that number will come
17 down over the next couple of months and then it
18 will bring up all the other targets as well.

19 From an asset allocation prospective, you
20 are as far off from target as it appears here
21 because of that cash deposit.

22 Cash flow summary. I won't go over that.
23 You know the difficult cash flow profile that we're
24 in. But the one year column that is an example

1 when you do have negative investment performance
2 during a period, coupled with the negative cash
3 flows, it certainly is difficult for the Fund to
4 continue to grow when cash flows are going out and
5 assets are not able to remain in the Fund to
6 recover when we do see a bounce back in the equity
7 markets.

8 I am going to jump forward to Page 7 to
9 briefly highlight performance and a couple of
10 themes. You really have two main themes within the
11 portfolio that occurred during the month.

12 So this is Page 7, which has the
13 investment manager performance.

14 On the fixed income side of the
15 portfolio, any manager that had any exposure to
16 corporate credit, even investment grade corporate
17 bonds, are going to have all underperformed.

18 So as we look at the numbers here and you
19 see your assets fixed income managers, you see most
20 of the managers underperforming the benchmarks.

21 It wasn't that long ago, just a couple of
22 months ago, that all the managers were
23 outperforming their benchmarks.

24 The reason for this is when we saw that

1 liquidity crunch we did see a lot of investment
2 grade corporate bonds significantly underperform
3 the treasury market, that is the benchmark as
4 mostly U.S. treasurer's agencies.

5 The takeaway here is that the Federal
6 Reserve went in and really put a lot of money into
7 buying these types of corporate bonds. You have
8 seen a strong recovery in the bond market over the
9 last several weeks. And even though you see this
10 underperformance here, these bonds -- very few of
11 them have gotten downgraded. Very few of them have
12 gotten into trouble.

13 So the bond market, the important thing
14 to remember, is that if you hold those bonds to
15 maturity they come back and pay out at par.

16 While we do see short-term price
17 volatility, we do anticipate as we go forward and
18 see the recovery start to take hold, that the
19 investment grade bond manager will go back to
20 outperforming their benchmarks.

21 To note as an example is NIS. Up until
22 last month they had been your best performing fixed
23 income manager. They have more corporate credit.
24 You can see for the month of March they

1 underperformed by about 3 percent.

2 We would anticipate that when the bond
3 market continues to rally back, they are going to
4 be the manager that will outperform the most.

5 High yield. Highlight on the high yield
6 side. They outperformed due to their more
7 defensive nature even though they were down because
8 the high yield market was down significantly and
9 they protected very well on the downside.

10 On the equity markets, which is the
11 bottom of this page and continuing on to the
12 following page, you actually saw very good
13 outperformance by nearly all of your active
14 managers.

15 So you see your active managers here in
16 nearly all green on this page. Great Lakes Aerial
17 outperforming and protecting well.

18 As you continue on to the next page, you
19 saw tremendous outperformance by Kayne Anderson
20 outperforming by 12, 13 percent for the quarter.
21 Unfortunately, they underperformed about 3 percent
22 for the quarter. So, fortunately, Kayne Anderson's
23 outperformance more than made up for the
24 underperformance. We are watching these closely.

1 On the international side, you see a lot
2 of green. Most all of the managers outperformed
3 and outperformed significantly. High yield
4 outperformed by 4 percent. Walter Scott
5 outperforming by 14 percent. Segal Bryant Hamill
6 is a manager that is on alert and continues to
7 underperform.

8 Steve and I continue to have numerous
9 calls with the group and we are following up with
10 them. This likely will be one where there will be
11 some recommended action coming up at some future
12 meetings.

13 William Blair outperforming by 8 percent.

14 The vast majority of active managers
15 really add great value.

16 We will wrap up on Page 9. Global low
17 volatility. Getting more conservative in nature.
18 Protecting you on the downside. Your hedge fund
19 strategy. Rock Creek listed at the top performers.
20 A little bit of volatility in the last month, but
21 all the other managers outperform on the downside.

22 And then on the real estate front all of
23 the managers slightly higher. We do anticipate
24 real estate will start to see some stresses over

1 the second quarter and the third quarter. So we
2 will be talking about rebalancing and trimming some
3 of those gains that we see in real estate as there
4 are potentials for some weakness as this recession
5 continues.

6 Any questions? I know I went through a
7 lot. There is a lot of pieces right now.

8 Just as everyone knows, Marquette, your
9 investment staff at the Fund, we are all here, if
10 you have any questions between meetings. We are
11 all working to make sure the Fund continues to have
12 the liquidity to meet its obligations and benefit
13 payments.

14 Madam President, that is all I have for
15 now.

16 PRESIDENT THOMPSON: Great. Thank you so
17 much.

18 MS. HANSEN: Next up is the Executive
19 Director Report.

20 MR. WHITE: Good morning, trustees. I
21 just want to highlight a few issues here for you.

22 One, just normally with us operating in a
23 streamline mode I wouldn't provide a FOIA update,
24 but since one of the FOIA requests involves an

1 inquiry from the Sun-Times we wanted to highlight
2 that for you. They were seeking
3 information on Pat Doherty, who I think who was an
4 assistant working with County Commissioner
5 Tobolski, and at one time he had been an employee
6 of the City.

7 The Sun-Times was seeking all of the data
8 and information we have regarding Pat Doherty.
9 Just in case you see something in the paper
10 regarding Mr. Doherty, I wanted to highlight that
11 fact for you.

12 Moving on to the technology report. We
13 wanted to let you know as of April 6th, the IT
14 Manager position is currently vacant and our IT
15 Interim Managed Services are in place and we are
16 moving forward.

17 The Interim Managed Services has been
18 very helpful in terms of making sure that all of
19 our employees have been setup and able to access
20 our VPN and work from home and so basically they
21 are practically at their office in terms of
22 accessing of files and getting their information.
23 It's been very helpful in that regard.

24 In terms of long-term IT support, I think

1 I sent the draft to each of the Trustees regarding
2 a RFP for IT Managed Services. We have now posted
3 that RFP. It is on our website. And in addition
4 to posting it on our website, we emailed notices so
5 that certain providers can go and take a look and
6 download the copy of the RFP.

7 I have listed the entities to whom we
8 have already sent the Notice and we'll have details
9 in terms of what the quiet period is for that. We
10 will refer back to that.

11 MS. BURNS: Just for the record, excuse
12 me, Dennis. I apologize for interrupting you but I
13 wanted to make sure the Trustees know the quiet
14 period has started now that the RFP has been issued
15 so you are not to talk to any potential vendors who
16 may be interested in responding to the RFP. If you
17 do get any outreach, please contact Dennis.

18 MR. WHITE: In the instructions for the
19 RFP, we indicated if they have questions, they have
20 a limited time to submit those questions in writing
21 and we committed to sharing those questions and the
22 responses, posting those on the website as well
23 once we receive any questions from anyone so that
24 everyone has equal information.

1 TRUSTEE CONYEARS-ERVIN: The information
2 is on the website?

3 MR. WHITE: Yes, it is.

4 In terms of questions, if we receive
5 questions, the questions and responses to those
6 questions will be posted, but the RFP is currently
7 up.

8 Funding Inquiries. Recently we have had
9 some email correspondence and received some
10 inquiries from both the State and the City.

11 We received the inquiry from the State on
12 April 15th. They have given us until April 30th to
13 provide a response and they have also asked us to
14 present on this coming Tuesday.

15 So we have developed a draft response in
16 consultation with our actuary and our in-house
17 investment team. We have endeavored to answer
18 their questions and for the most part, they really
19 are looking what the impact of the COVID has been
20 on our operations.

21 They asked if we have any legislative
22 priorities other than funding. At this point our
23 draft response is just that our primary, secondary,
24 tertiary are funding so I am not sure if there is

1 something else that we really need to mention
2 there. To my knowledge, those are really the
3 utmost things that if taken in an emergency view of
4 things that are important to us.

5 They also asked what our finances are in
6 terms of our estimated market value at the end of
7 the year versus the end of the quarter March 31st
8 and the resulting funding levels so we have that
9 information for them.

10 They just asked them some questions in
11 general terms of our processes so we worked with
12 our actuaries on that. We have a draft response
13 prepared. It's been submitted to our actuaries to
14 take another look at it and some of our internal
15 staff. And once we have that I will shoot a copy
16 out to the Trustees before we send it out to the
17 State.

18 In addition, we have received inquiries
19 from the City of Chicago and some of the
20 information is pretty similar. They both were
21 looking for the estimate of market value of our
22 assets as of the end of the year and as of the end
23 of March.

24 In addition, the City asked for

1 information regarding our cash on hand and our net
2 return of assets for the first quarter. We
3 provided all of that information to the City.

4 One thing we wanted to make sure the
5 Trustees were aware of is the Pension Verification
6 Project. Because of the stay-at-home order and the
7 difficulty people will have getting out and getting
8 things notarized and responding, we thought it make
9 sense to delay the Pension Verification Project
10 until the stay-at-home order is lifted in Illinois.

11 In the interim, we certainly are
12 receiving weekly reports from Illinois Department
13 of Health and from PBI Research Services. We're
14 still looking at the information and doing our due
15 diligence but we just haven't sent out the mailings
16 like we did for 2019, but we hope to resume that as
17 soon as the stay-at-home order is lifted.

18 MS. BURNS: Madam President, may I just
19 ask a question about that?

20 PRESIDENT THOMPSON: Yes, ma'am.

21 MS. BURNS: I'm sorry, this is the first
22 I am hearing about this. As fiduciary counsel, I
23 want to make sure if couldn't we just keep sending
24 it out and not require the notary or is there some

1 other way so that we have a process in place where
2 we are trying to make sure we are not paying people
3 who may not be alive?

4 Certainly, when you say you're comparing
5 the information to the Public Health records, if
6 you discover somebody on that list, you are not
7 continuing to send out the money, right?

8 MR. WHITE: Correct.

9 MS. BURNS: Isn't there a way to keep
10 this process moving forward so that you continue to
11 verify that these people are alive and just maybe
12 not require a notary application during this period
13 so at least we are keeping on top of it for the
14 Trustees' perspective, rather than cancelling it
15 entirely?

16 MR. WHITE: We didn't say cancelling.
17 What we have said is that we've been delaying it
18 just for the stay-at-home order, which has only
19 been in place since March 20th.

20 I think in the past the letters have gone
21 out in June, at least the first round of them, so
22 certainly if in fact things are good to go, we will
23 be ready to move forward at that time.

24 MS. BURNS: I want to make sure the

1 verification process is continuing. I think there
2 are things we can do as a Fund that would continue
3 to protect the Trustees but not put too much of a
4 burden on our members.

5 There is a legal requirement now that you
6 verify these things. We have to comply with state
7 law.

8 MR. WHITE: We certainly will reach out
9 to you, Mary Pat, and run through with you where we
10 are and what we are doing and how we are ready to
11 go once the order is lifted so we will keep you in
12 the loop in terms of where we are on that.

13 MS. BURNS: I appreciate that.

14 MR. WHITE: No problem.

15 In terms of the Audit, we remain on track
16 to have the full Financials by the end of May.

17 And, Miscellaneous, I think we wanted to
18 let you know that we have started to look at things
19 we can do once the stay-at-home order in fact is
20 lifted by the Governor.

21 We started looking for PPE equipment.
22 Certainly it is tough to find right now. We
23 started at least putting that together so that we
24 can protect staff and system and once face-to-face

1 meetings do resume that we have them and they are
2 not exposed.

3 That is it on my end. If you have any
4 questions, please let me know.

5 TRUSTEE JOHNSON: I have a question.

6 MS. BURNS: I'm sorry, we cannot hear
7 you, Trustee Johnson.

8 TRUSTEE JOHNSON: What is the process now
9 if someone wants to retire soon? They want to come
10 in for a benefit estimate. What are we telling
11 them or how are we planning on doing this?

12 MS. HANSEN: The question is what is the
13 process now if a member wants to come in and wants
14 to retire now, what are we telling them and how are
15 they being counseled.

16 Kim Carroll, our Benefits Manager, is
17 here to answer that question.

18 MS. CARROLL: We will send them through
19 their email a benefit estimate as well as the
20 application.

21 If they don't want it through the email,
22 I will personally come in the office and send it
23 via mail. We also had some phone consultations
24 with people. We will send them an estimate like

1 say through their email and we'll discuss it with
2 them over the phone.

3 It is still kind of business as usual,
4 just in a different format.

5 Does that answer your questions, Trustee
6 Johnson, because we still can't hear you?

7 TRUSTEE JOHNSON: Technical difficulties.

8 Yes, that does answer my questions.

9 PRESIDENT THOMPSON: Old Business/New
10 Business?

11 Legal Update.

12 MS. BURNS: Again, there isn't one
13 keeping with the Governor's directive that we keep
14 these meetings only to essential business. There
15 is really nothing to report.

16 You do have the updated legal report and
17 update on collection efforts and I thought maybe we
18 were going to go into closed session, but I don't
19 have that on the Agenda so I don't know if that is
20 a new addition or not.

21 TRUSTEE CONYEARS-ERVIN: A question to
22 Mary Pat because -- is Reshma on the phone?

23 TRUSTEE SONI: Yes, I am.

24 TRUSTEE CONYEARS-ERVIN: Because

1 yesterday there was a conversation that we had in
2 our -- I don't know if it was yesterday or the day
3 before right now. We had a conversation at our
4 Labor Pension meeting that I thought that we would
5 have this morning, Reshma. Would that be in closed
6 session?

7 MS. BURNS: I would prefer that, Madam
8 Treasurer, for all kinds of reasons. I do believe
9 that staff has circulated, if I am not incorrect,
10 correct me if I am wrong, of a possible call-in
11 number in case just the Trustees and Dennis and I
12 and Sarah wanted to go into closed session, if that
13 is your desire.

14 MR. WHITE: Yes, the information is at
15 the bottom of the Agenda.

16 MS. BURNS: Hopefully not the public
17 agenda.

18 MS. HANSEN: No.

19 MS. BURNS: Just the notice the Trustees
20 got, right? So if that is the case, then, Madam
21 President, perhaps you would consider a motion to
22 go into closed session pursuant to Section 2c(11)
23 of the Open Meetings Act to consider a possible
24 litigation matter that is involving some funding

1 for the Municipal Benefit Fund.

2 If that is a motion, you will need a roll
3 call vote on that.

4 TRUSTEE MCMAHON: Motion to go into
5 closed session by McMahon.

6 TRUSTEE JOHNSON: Seconded by Trustee
7 Johnson.

8 MS. HANSEN: Madam Treasurer.

9 TRUSTEE CONYEARS-ERVIN: Yes.

10 MS. HANSEN: Trustee Johnson.

11 TRUSTEE JOHNSON: Yes.

12 MS. HANSEN: Trustee McMahon.

13 TRUSTEE MCMAHON: Yes.

14 MS. HANSEN: Trustee Soni.

15 TRUSTEE SONI: Yes.

16 MS. HANSEN: Madam President.

17 PRESIDENT THOMPSON: Yes.

18 MS. BURNS: Madam President, what will
19 have to happen is you cannot adjourn so we will
20 have to come back into open session to adjourn the
21 meeting. And so what you're going to have to do is
22 let anybody from the public who is still on this
23 call, I know we have staff, I don't know if we have
24 any other members of the public on the call, but we

1 have to come back into this call once closed
2 session ends.

3 I am not sure what the issue is in closed
4 session. Madam Treasurer, based on your other
5 meeting, would a half hour be enough or would 15
6 minutes?

7 I think there is two issues we might want
8 to talk about. Shift differential and this funding
9 issue and the litigation relating to them. Would a
10 half hour be sufficient do you think?

11 MEMBER CONYEARS-ERVIN: I think so.

12 MS. BURNS: Thank you. So then, Madam
13 President, I would recommend you recess this public
14 meeting for a half hour. We then call into the
15 toll free number for the closed session meeting
16 right now and then we will have to go back into
17 this open meeting to be able to adjourn.

18 And, Donna, I would ask you during the
19 interim to make sure you coordinate that we can get
20 back into this same call that you just sent around
21 this morning.

22 MS. HANSEN: Okay. Sure.

23 TRUSTEE MCMAHON: Can I ask a question?
24 We have a few different numbers and for the closed

1 session it is the 866 --

2 MS. BURNS: Wait. Trustee McMahon, you
3 can't say it openly or people will dial in.

4 MS. HANSEN: If you read the agenda,
5 Trustee McMahon, it is where it says "for topics
6 that may be discussed in closed session".

7 TRUSTEE MCMAHON: Very good. Thank you.

8 MS. BURNS: Donna, make sure you email us
9 just to all the Trustees.

10 I'd ask all the Trustees to call in now
11 so that we can make sure we can proceed
12 expeditiously.

13 To any members of the public listening,
14 we will be back in a half hour. But at that time,
15 Madam President and Donna, please remind us to open
16 it up for public comment again in case that
17 individual we hadn't heard from wants an
18 opportunity to address the Board.

19 Now it is a little confusing because as I
20 understand it the number that was posted on the
21 public agenda for this call was not correct.

22 MS. HANSEN: It was on the website. It
23 was on the first page of the website. It was
24 correct on the website.

1 MS. BURNS: I understand that.

2 I just want the Trustees to know that
3 because, again, we are going to come back, even
4 though chances are no members of the public will
5 listen and no members of the public are going to be
6 present, but we need to do what we can so we have a
7 record that we are trying the best we can under
8 these unique circumstances to comply with the rules
9 not only with the Open Meetings Act but the
10 Governor's Executive Order. That is why we need to
11 come back on to this call after we finish the
12 trustees' closed session.

13 Donna should be emailing us all the
14 number to call in. Stop the recording and then we
15 we will re-record.

16 (The Board went into
17 Executive Session.

18 Upon coming out of executive session.)

19 MS. BURNS: Madam President.

20 PRESIDENT THOMPSON: Yes.

21 MS. BURNS: I think you have a quorum to
22 resume the open meeting because you have Trustee
23 McMahan, Trustee Johnson, Trustee Conyears-Ervin,
24 yourself, and I don't know if I heard Trustee Soni.

1 PRESIDENT THOMPSON: Do we have anything
2 else? Do we have any public comments?

3 MR. TUBBS: Hello, I have one. My name
4 is Otis Tubbs.

5 Let me get to a better location. Is this
6 any better for you guys?

7 MS. BURNS: It is a little hard to hear
8 you.

9 You have with you today President
10 Thompson, Trustee McMahon, Trustee Johnson, the
11 City Treasurer Trustee Melissa Conyears-Ervin, and
12 I believe Trustee Soni who is the Comptroller of
13 the City.

14 TRUSTEE SONI: Yes, I am on.

15 MS. BURNS: Could you please state your
16 name, sir, and then address the Board?

17 MR. TUBBS: My name is Otis Tubbs. I am
18 currently a City employee with Municipal.

19 I just want to make a comment about this
20 forum here. I understand the circumstances that we
21 all are in and that we are in this forum. I was
22 just wondering if you could make this a permanent
23 part of the meeting so those of us who work can at
24 least listen in?

1 MS. BURNS: That is such a great
2 question. We don't have the capabilities to do
3 that now, sir, but the Board will certainly explore
4 that and see if there is a way to provide that.

5 As you know, we are located at 321 North
6 Clark and you are always welcome to attend any
7 meetings. We would encourage you to look at our
8 website because on our website we always have
9 Minutes of each meeting, which would allow you to
10 see what transpired.

11 I understand your point and it is
12 something that the Fund can look into in the
13 future.

14 Anything else that you would like to say
15 to the trustees?

16 MR. TUBBS: No, that is it.

17 MS. BURNS: Thank you, very much for
18 participating.

19 President Thompson.

20 PRESIDENT THOMPSON: Yes. If there is
21 nothing else, can I have a motion to adjourn?

22 TRUSTEE MCMAHON: Motion by McMahan.

23 TRUSTEE JOHNSON: Seconded by Trustee
24 Johnson.

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PRESIDENT THOMPSON: All in favor?

(Chorus of ayes.)

(WHICH WERE ALL THE PROCEEDINGS
IN THE ABOVE-ENTITLED MEETING
AT THIS DATE AND TIME.)

1 STATE OF ILLINOIS)
2) SS.
3 COUNTY OF DU PAGE)
4
5

6 DEBORAH TYRRELL, being a Certified Shorthand
7 Reporter, on oath says that she is a court reporter
8 doing business in the County of DuPage and State of
9 Illinois, that she reported in shorthand the
10 proceedings given at the taking of said cause and
11 that the foregoing is a true and correct transcript
12 of her shorthand notes so taken as aforesaid; and
13 contains all the proceedings given at said cause.
14
15
16

17 Debbie Tyrrell
18 DEBBIE TYRRELL, CSR
19 License No. 084-001078
20
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