MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO
SPECIAL MEETING MINUTES NO. 2018-03-01
MARCH 12, 2018

A special meeting of the Retirement Board of the Municipal Employees' Annuity and Benefit Fund of Chicago was held in the Fund offices on March 12, 2018. The meeting was called to order at 9:03 a.m.

Roll call:

Trustee Johnson	Present
Trustee Keane	Present
Trustee McMahon	Present
Trustee Thompson	Present

A quorum was present.

Additional attendees include the following individuals:

Ms. Kelly Flannery, Deputy Comptroller (Proxy for the Vice President), Mr. Jabari Porter, Chief Investment Officer for the City Treasurer (Proxy for the Treasurer), Mr. James Mohler, Executive Director, Ms. Mary Pat Burns, Burke, Burns & Pinelli, Mr. Brian Wrubel, Marquette Associates, Mr. Jamie Wesner, Marquette Associates, Mr. Neil Capps, Marquette Associates, Mr. Greg Longenberger, Marquette Associates, Mr. Matt Strom, Segal Consulting, Mr. Jacob Libauskas, Segal Consulting, Ms. Mandi Mueller, Benefits Counselor/Actuarial Analyst, Mr. Steve Yoon, Investment Manager, Ms. Stacey Ruffolo, Executive Manager and Ms. Donna Hansen, Supervisor of Support Services.

There were no requests to address the Board.

Updated Actuarial Experience Study
Mr. Mohler reviewed the steps undertaken by the Fund's Consulting Actuaries and Investment Consultant to date in response to the questions regarding certain assumptions included by the Consulting Actuaries in their Experience Study, including without limitation the assumptions that resulted in the proposed discount rate for the 2017 Valuation Report.

Mr. Strom discussed the current Actuarial Standard Operating Procedures (ASOPs) utilized for the in depth analysis requested since the initial presentation in September 2017.

Mr. Libauskas reviewed the results of the updated analysis and reported that while the actuaries had modified some of their projections based on questions asked by the Trustees, most of the assumptions for consideration of the Board of Trustees remained the same.

Supplement to Actuarial Experience Study – Operating Cash Flow Projection
Mr. Wesner presented cash flow projections for the years 2018-2022 based on the updated Actuarial Experience Study and sample findings from various market return scenarios. When asked the Consultant's opinion of the proposed rate of return, Mr. Wrubel explained that the cash flow projections are based on a ten-year period of rolling returns and that Marquette projected a 7.2% rate of return for that ten-year period, based on the Fund's current asset allocation. Both Mr. Wesner and Mr. Libauskas explained that one of the differences between the Investment Consultant's proposed rate of return and the Actuaries' proposed rate of return was that the Investment Consultant's used a 10 year period while the Actuarial Experience Study is based on a thirty year horizon.

Vigorous discussion between the Trustees and consultants ensued with Trustees asking questions of the Actuaries as to the basis for their assumptions and the reasonableness of those assumptions based on the Fund's actual historical experience. Discussion also included questions as to how the Actuaries rounded up and/or down on their estimates and whether it was prudent to do so.

Trustee Johnson inquired as to the ability of utilizing the current employee contributions to pay required monthly benefits. Counsel reminded the Trustees the an inquiry had been made to the IRS and they responded that absent the imminent insolvency of the Fund or a state statutory provision addressing the issue, that IRS would be unable to provide a determination letter.

Trustees discussed the legal ramifications of not taking any action at all at this point in time, in view of the actuaries' projections and inquired as to what other similarly situated public pension funds were doing in regards to the rate of return.

Ms. Burns informed the Board that at least one state pension fund recently lowered its rate of return to 6.75% and it is likely other pension funds will lower rates of return, as well, although most of the Illinois based funds seem to be comfortable with a rate of return based on each pension fund's asset allocation of around 7.0%. Further, Ms. Burns reminded the Board of their fiduciary responsibilities and that based on the findings presented, they needed to agree upon a prudent rate of return in order to allow the actuaries to complete the 2017 Valuation.

After additional discussion amongst the Trustees, the Fund's Actuaries were questioned as to whether a 7% rate of return would trigger a qualified report. The Actuarial Consultants stated it would not.

Based on the recommendation of the Fund's Consulting Actuary and the further information provided by the Fund's Investment Consultant as to an expected 7.2% return based on the Fund's asset allocation, Trustee McMahon made a motion to set the Fund's rate of return at 7% for the 2017 Actuarial Valuation and to accept the remaining evaluation recommendations as stated in the Experience Study Report. Seconded by Trustee Thompson.

Carried: Ayes – Trustee Johnson, Trustee Keane, Trustee McMahon, Mr. Porter (Proxy for the Treasurer) and Trustee Thompson. Nays – None.

There being no further business before the Board, Trustee McMahon made a motion to adjourn the Special Meeting at 9:57 a.m. Seconded by Trustee Thompson. Carried by a voice vote.