



**MEETING OF THE INVESTMENT COMMITTEE OF THE RETIREMENT BOARD  
OF THE COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND  
OF COOK COUNTY AND EX OFFICIO FOR THE FOREST PRESERVE DISTRICT  
EMPLOYEES' ANNUITY AND BENEFIT FUND OF COOK COUNTY  
33 N Dearborn St, Suite 1000  
Chicago, Illinois 60602**

**Minutes for the January 26, 2017 Meeting**

The County Employees' and Officers' Annuity and Benefit Fund of Cook County and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County Fund are herein collectively referred to as the "Fund."

Call to Order and Roll Call at 9:30 a.m.

**Investment Committee**

**in attendance:**

Mr. Lawrence Wilson, CPA (Chairman), Mr. Robert DeGraff, Mr. John Fitzgerald, Ms. Diahann Goode, Mr. Andrew Jatiko, and Mr. Patrick McFadden.

**Staff Present:**

N. Hackett, M. Maratea, F. Vinzons, K. Quaye and V. Calahong.

**Others Present:**

J. Jackson, M. Joecken – Callan, M.P. Burns – Burke, Burns and Pinelli Ltd.

**1. Administrative Report;**

**a) Swap Rate Litigation**

- Mr. Vinzons summarized the outcome of the Fund's evaluation pursuant to the request from the City of Chicago Treasurer's Office regarding interest rate swap rate transaction exposure among local pension funds. Mr. Vinzons explained the Fund utilized the service of Cohen Milstein to review potential exposure to interest rate swap transactions in the event the Fund might have a claim in connection to a pending action. In a letter issued to the Fund, Cohen Milstein concluded there was no evidence of any interest rate swaps for both the Cook County and the Forest Preserve funds.

**b) 2016 Securities Lending Update;**

- Mr. Quaye provided an overview and update on the Fund's securities lending program. In summary, the program continues to be accretive to the Fund's overall market value with a conservative risk profile.

c) Personnel;

- Ms. Hackett provided a personnel update indicating that the Fund's Investment Officer, Kwesi Quaye, is leaving effective January 31, 2017 to relocate his family and pursue other opportunities. Ms. Hackett introduced Virgilio Calahong as the Fund's new Senior Investment Analyst. The committee thanked Mr. Quaye for this tenure and contributions.

2. Cook County Performance Review;

Mr. Jackson provided general market commentary and reviewed the third quarter 2016 performance for the Cook County Fund as prepared and presented by Callan Associates. The Cook County Fund had a market value of \$8.85 billion and outperformed its custom benchmark 3.92% (vs. 3.04% benchmark) during the third quarter. Absolute performance was driven by the portfolio's domestic and international equity strategies while relative outperformance was primarily driven by domestic equity and fixed income in the third quarter. The Cook County Fund outperformed its custom benchmark for the one year period 9.86% (vs 9.59%) and the five-year period 9.33% (vs. 8.77%). The Cook County Fund increased in value during the third quarter as investment returns of \$332.4 million added to net contributions of approximately \$2.8 million. As of September 30, 2016 assets were underweight in fixed income and hedge funds and slightly overweight positions in the remaining asset classes. Moreover, Mr. Jackson noted that during the quarter, the portfolio continued its progress towards its target allocation to private equity, funding an additional \$24.7 million to the asset class.

3. Forest Preserve Performance Review;

Mr. Jackson provided general market commentary and reviewed the third quarter 2016 performance for the Forest Preserve Fund as prepared and presented by Callan. The Forest Preserve Fund had a market value of \$192.3 million and underperformed its custom benchmark by returning 2.95% (vs. 3.64% benchmark) during the third quarter. Absolute performance was driven by international equity while some relative performance was generated from hedge funds (+0.03%) in the third quarter. Performance for the one year period underperformed the benchmark at 8.87% (vs. 9.88%) but continues to exceed for the five-year period at 10.38% (vs. 9.06%). The Forest Preserve Fund increased in value during the third quarter as investments returns of approximately \$5.5 million offset net withdrawals of \$2.1 million. As of September 30, 2016 the portfolio was slightly underweight fixed income and overweight in international equity (but all within the +/-4% revised target range as approved effective July 1, 2016).

4. 2017 Capital Markets Outlook;

Mr. Jackson next gave an overview of Callan's 2017 forecasted return expectations for various asset classes. Mr. Jackson highlighted various economic factors such as interest rates, global GDP growth, employment trends, inflation, central bank policies and other metrics behind the revision of Callan's 2017 Capital Market Projections. In light of the above revised return projections, Mr. Jackson cautioned the Committee that meeting the Fund's 7.5% assumed rate of return would remain challenging based on current and forecasted market conditions.

5. Cost of Doing Business Survey;

Mr. Joecken reviewed Callan's 2016 Cost of Doing Business Survey which highlighted expenses incurred by various types of peer sponsor funds including investment related expenses, custodial expenses, and other administrative expenses relative to the Fund's overall investment-related expenses. Mr. Joecken described drivers of investment related expenses which included asset allocations, fund sizes, fund types, and regional impacts explaining that across metrics the Fund compares favorably to its peers. In 2016, Cook County ranked between median and 75<sup>th</sup> percentile with regard to investment related fee expenses. The relatively lower investment management fee expense ratio was driven by favorable contract negotiations and a higher passive allocation relative to other funds surveyed.

6. Forest Preserve Rebalancing Considerations;

Ms. Hackett discussed the need for a review of rebalancing considerations for the Forest Preserve Fund in the absence of any funding mechanism to address liquidity needs. Continued liquidity pressure calls for a review of structure as benefit payout demands may not be consistent with current growth orientation. Ms. Hackett informed the committee of an upcoming meeting with Forest Preserve administration to discuss these issues and would report back with the outcome of this pending meeting.

7. Ethics Education;

Ms. Burns from Burke Burns and Pinelli conducted an annual ethics education session.

8. Adjournment.

It was moved by Trustee Fitzgerald and seconded by Trustee Goode that the meeting be adjourned.

[Vote Result:](#) MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE