



**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  
70 W Madison St, Suite 1925  
Chicago, Illinois 60602**

**Minutes for the February 27, 2019 IC 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. Robert DeGraff (Chair), Ms. Diahann Goode, Mr. Patrick McFadden, Mr. Dennis White, Mr. Lawrence L. Wilson, CPA

**Staff Present:** R. Tuczak, F. Vinzons, M. Maratea, and V. Calahong

**Others Present:** B. Abesamis, J. Kloepfer, J. Jackson, A. O'Bradovich – Callan;  
X. Ge – Pension & Investments

1. ***Motion for Approval and Adoption of Minutes.*** It was moved by Trustee White and seconded by Trustee Goode that the minutes of the October 25, 2018 Investment Committee meeting be approved and adopted.

**Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE**

2. Capital Markets Projections;

Mr. Kloepfer began with a discussion of current market conditions, reviewing factors that impacted 2018 returns such as market volatility and Federal Reserve policy. He continued with a presentation of Callan's economic and asset class outlooks, reviewing expectations for domestic and international markets, GDP growth, and inflation. He concluded the presentation with Callan's 2019 long-term capital market projections, relating the projections to target asset allocations and 10-year return expectations for both the Cook County and Forest Preserve Funds.

3. Cook County Performance Review;

Mr. Jackson provided general market commentary, reiterating points from the capital markets review, and reviewed fourth quarter 2018 performance for the Cook County Fund as prepared

and presented by Callan Associates. The Cook County Fund had a market value of \$9.6 billion and had a -7.63% return net of fees in the fourth quarter, trailing the -6.54% custom benchmark return. International equity and real estate bested their benchmarks, but domestic equity and fixed income trailed their respective benchmarks. In his remarks, Mr. Jackson noted that poor fourth quarter performance impacted longer period returns. The Cook County Fund trailed the custom benchmark in the one-year and five-year periods, returning -3.79% (-86 bps) and 4.69% (-23 bps) net of fees for each period, respectively. However, for the three-year period the Fund bested the custom benchmark by 24 bps with a 6.11% return. The Cook County Fund decreased in value during the fourth quarter with investment losses of \$794.4 million and \$41.4 million of outflows. Mr. Jackson noted that all asset classes are within expected target ranges, owing to a structural rebalance executed in the 4<sup>th</sup> quarter.

Mr. Jackson concluded the discussion with a preliminary January 2019 performance update. The Cook County Fund rebounded from the poor 4<sup>th</sup> quarter performance, posting a return of 4.91%, slightly trailing the custom benchmark by 6 bps. The Fund increased in market value to \$10.1 billion, recovering \$470.6 million in value against \$21.3 million in outflows for the month. With the exception of hedge funds, all asset classes outperformed their respective benchmarks.

4. Forest Preserve Performance Review;

Mr. Jackson reviewed the fourth quarter 2018 performance for the Forest Preserve Fund as prepared and presented by Callan Associates. The Forest Preserve Fund had a market value of \$186.6 million and returned -7.91% net of fees in the fourth quarter, behind the custom benchmark return of -7.13%. International equities outperformed its benchmark whereas all other asset classes underperformed. The Forest Preserve Fund also outperformed the custom benchmark in the trailing one-year and five-year periods, returning -4.04% (+13 bps) and 5.35% (+46 bps) net of fees for each period, respectively. The Forest Preserve Fund decreased in value during the fourth quarter with \$16.4 million of investment losses and net withdrawals of \$5.1 million.

Mr. Jackson concluded the discussion with a preliminary January 2019 performance update. The Forest Preserve Fund rebounded in January with a 5.0% return, slightly trailing the custom benchmark by 11 bps. The Fund increased in market value to \$194.3 million, recovering \$9.3 million in value against \$1.6 million in outflows for the month. All asset classes outperformed their respective benchmarks with the exception of hedge funds.

5. Transition Management Review;

Mr. Abesamis began with a general review of the purpose for transition management, discussing situations when a fund would need a transition manager, the responsibilities of transition managers, costs, and benefits. Mr. Vinzons then reviewed a memorandum summarizing the results of transition activity for both the Cook County and Forest Preserve District funds undertaken in late 2018. He discussed actions leading up to the transition, including Board approval for asset allocation changes, formation of the Fund's transition manager bench, and the selection of the appropriate transition managers for Cook County and the Forest Preserve. In particular, he drew attention to the selection of an emerging manager to handle the Forest Preserve transition. Mr. Vinzons then reviewed the execution and results of both transitions, with specific emphasis on timeline, complexity, costs, and benefits.

6. County Presentation on February 19 – Informal Q&A;

Ms. Tuczak provided the Committee with a brief update on a recent presentation she made to the Cook County Board of Commissioners with respect to the Cook County Fund. She reported interest from certain commissioners with respect to investment manager fees paid by the Fund.

7. Consideration and Approval of Amendment to IMA relating to MFN Provisions – Fees Discussion

Ms. Tuczak reviewed a memorandum detailing a MFN (Most Favored Nation) clause being triggered that reduced an international equity manager's fee schedule. This resulted in an amendment to the investment manager agreement (IMA) to account for the reduced fee schedule. The Committee also clarified all future amendments to any investment manager's IMA should be brought forth to the Committee for consideration.

***Motion to Approve a Fee Amendment to the IMA of an International Equity Investment Manager's Relating to MFN Provisions.***

It was moved by Trustee McFadden and seconded by Trustee White that the Investment Committee recommend to the Board to approve the amendment to the international equity manager's fee schedule reflecting the MFN-based fee reduction.

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

8. Adjournment.

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

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