



**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 May 27, 2020, 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. John Blair, Ms. Diahann Goode, Mr. Stephen Hughes, Mr. Patrick McFadden, Mr. Joseph Nevius, Mr. Kevin Ochalla (Chair), Mr. James O'Rourke, Mr. Lawrence Wilson

Staff Present:

Regina Tuczak, Caroline Vullmahn, Margaret Fahrenbach, Michael Maratea, Fernando Vinzons, and Virgilio Calahong

Others Present:

Mary Pat Burns – Burke Burns & Pinelli Ltd.
John Jackson, Jay Kloepfer, Ann O'Bradovich – Callan
Danielle Correa – FinDaily News

***CONDUCTED BY TELEPHONE CONFERENCE AS PERMITTED BY ILLINOIS GOVERNOR
EXECUTIVE ORDER NUMBER 2020-07, as extended by EXECUTIVE ORDER NUMBER
2020-33 DATED APRIL 30, 2020***

Public Comment

Prior to public comment, Trustee Ochalla, Chair of the Investment Committee, and Regina Tuczak, Executive Director, requested that all callers identify themselves for the record. Mr. Ochalla then opened the meeting for public comment and, with no one having requested to address the Committee, considered the next item of business on the Agenda.

1. ***Motion for Approval and Adoption of Minutes.*** It was moved by Trustee McFadden and seconded by Trustee O'Rourke that the minutes of the February 28, 2020 Investment Committee meeting be approved and adopted.

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

2. First Quarter 2020 Performance Review;

Mr. Kloepper began with an overview of the Covid-19 pandemic's impact on global capital markets in the first quarter, drawing attention to the swift downturn in global equity markets in March, the shutdown's effects on business and the labor force, and monetary and fiscal efforts from global central banks and national governments to stabilize the global economy. He transitioned the discussion to Callan's long-term capital market expectations, stressing that no changes have been made due to the pandemic, but that they would be revisited as the pandemic unfolds and the type of recovery that emerges (e.g., V-shaped, U-shaped, or L-shaped) becomes evident. He stressed that investors now should maintain discipline, reevaluate liquidity needs, rebalance if possible, and investigate impairments or unexpected performance in their portfolios. He concluded his remarks with scenario analysis of V-, U-, and L-shaped recoveries.

Mr. Jackson continued the conversation with a review of first quarter 2020 performance for the Cook County Fund as prepared and presented by Callan Associates. The Cook County Fund finished the quarter with a market value of \$9.8 billion, a \$1.4 billion decrease from the previous quarter. The Total Fund returned -12.61% net-of-fees in the first quarter, trailing the -11.51% custom benchmark return. With regard to the Fund's asset class returns, fixed income and domestic equity detracted from relative performance, whereas international equity and REITs contributed. Despite the downturn in global equity markets, all asset classes were within policy target ranges.

Mr. Jackson continued with general market commentary, drawing attention to significant relative underperformance of small cap compared to large cap stocks, and the flight to quality in the fixed income market that resulted in a rally for treasuries and underperformance of investment grade and high-yield bonds. He concluded his remarks with a discussion of the Fund's asset class returns and investment manager performance for the quarter.

Mr. Jackson then transitioned to first quarter 2020 performance for the Forest Preserve Fund as prepared and presented by Callan Associates. The Forest Preserve Fund had a market value of \$177.9 million, a \$29.8 million decrease from the previous quarter. The Total Fund returned -13.64% net-of-fees in the first quarter, trailing the -12.59% custom benchmark return. Domestic equity, international equity, and fixed income all detracted from relative quarterly performance, but over longer periods the Fund continues to outperform the benchmark. All asset classes were within their policy target ranges.

3. Investment Manager Updates;

A) Channing Capital Management

Mr. Jackson began with an overview of the firm, discussing Channing's organizational structure, key persons, firm ownership, assets under management (AUM), product dynamics, philosophy/process, and short- and long-term performance. He continued with an update on the firm in the context of the Covid-19 pandemic, making note of the drop in AUM due to market dynamics. He then discussed a 2019 SEC investigation related to incorrect block trading that took place in 2014-2018 on behalf of other clients. Cook County was not negatively impacted. As a result of the SEC investigation, Channing paid a fine, reimbursed affected clients, and made several improvements to firm operations and back-office capabilities. Callan continues to monitor the firm at this time, but notes

there is nothing actionable at this time

B) J.P. Morgan Asset Management EAFE Opportunities

Ms. O’Bradovich began with an overview of the organization, personnel, and the strategy’s history, drawing attention to management changes in recent years. She also noted the decline in AUM since 2017 due to the firm’s decision to transition more than 50% of the AUM to another product and the elimination of the strategy’s mutual fund and commingled fund, former avenues for the strategy to grow its client base. As a result, Callan will continue to monitor this strategy closely and reassess at a later date.

C) Piedmont Investment Advisors/FIS

Ms. Tuczak informed the Committee that FIS Group and its wholly owned subsidiary, Piedmont Investment Advisors, publicly announced intentions to rebrand into Xponance, a newly formed corporate entity. Ms. Burns, the Fund’s external legal counsel, advised the Committee that the newly formed company should clarify that it will assume the liabilities of past entities, both FIS Group and Piedmont.

Motion for Passive Consent to the Merger of Piedmont Investment Advisors into FIS Group, the Combined Entity Now Called Xponance Asset Management, Subject to Satisfactory Review or Merger Documents. It was moved by Trustee Nevius and seconded by Trustee Goode that the Investment Committee recommend to the Board to provide passive consent to the merger of Piedmont Investment Advisors into FIS Group, the combined entity now called Xponance Asset Management, subject to satisfactory review of merger documents and revision of existing agreements with the Fund. It is further moved that the Fund staff and Executive Director be authorized to take all actions reasonably necessary to effect the foregoing.

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

D) Adelante Capital Management

Ms. Tuczak informed the Committee that Adelante Capital Management has consented to review its financial statements with Callan Associates when Covid-19 pandemic travel restrictions are lifted and travel is considered safe to do so.

E) CastleArk Management LLC

Ms. Tuczak informed the Committee that Kevin Dolsen, CEO of CastleArk Management LLC, submitted his resignation from the firm, effective May 29, citing personal reasons. CastleArk reported that senior members of the firm will assume Mr. Dolsen’s responsibilities, and that the management team for the Small Company Growth Equity strategy remains unchanged. Ms. Tuczak noted that Fund staff and Callan will monitor the firm and strategy going forward.

4. Investment Consultant RFP Update
5. Administrative Matters – Consideration of Approval of Agreements or Amendments to Agreements

- A) Limited Partnerships
- B) Legal Update
- C) Russell Investments

Ms. Tuczak informed the Committee that agenda items 4 and 5, Investment Consultant RFP Update and Administrative Matters – Consideration of Approval of Agreements or Amendments to Agreements, would be discussed in an Executive Session convened pursuant to Section 2(c)(11) of the Open Meetings Act.

Motion to Convene an Executive Session

It was moved by Trustee Nevius and seconded by Trustee Blair that the Investment Committee convene an Executive Session pursuant to Section 2(c)(3) of the Open Meetings Act, 5ILCS 120/2(c)(3) to discuss the Investment Consultant RFP and Administrative Matters.

Roll Call Vote:

AYES: Blair, Goode, Hughes, McFadden, Nevius, Ochalla, O'Rourke, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

Motion to Adjourn Executive Session

It was moved by Trustee McFadden and seconded by Trustee Hughes that the Investment Committee adjourn the Executive Session called pursuant to Section 2(c)(3) of the Open Meetings Act and return to open session.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

Having completed discussion in Executive Session, the Committee returned to open session and made the following motions.

Motion to Recommend to the Board that the Board Object to the LaSalle Income & Growth Fund VI Second Extension Request Due to LaSalle's Failure to Grant a Fee Reduction for Such Extension

It was moved by Trustee McFadden and seconded by Trustee Nevius that the Investment Committee recommends to the Board that the Board object to the LaSalle Income & Growth Fund VI second extension request, due to LaSalle's failure to grant a fee reduction for such extension. It is further motioned that a formal letter be prepared to notify LaSalle of this action.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

Motion to Recommend to the Board that the Executive Director and Fund Staff Take All Actions Reasonably Necessary to Negotiate Lower Fees for the Russell Investments Large Cap Growth Mandate and to Complete an Investment Management Agreement (IMA)

It was moved by Trustee Goode and seconded by Trustee Blair that the Executive Director and Fund staff take all actions reasonably necessary to negotiate lower fees for the Russell Investments Large Cap Growth mandate and to complete an investment manager agreement

(IMA).

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

6. Old Business/New Business

No old or new business was discussed.

7. Adjournment.

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

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE