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 30, 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), Mr. John Fitzgerald, Mr. William Kouruklis (entered during Item 3, left during Item 5), Mr. Kevin Ochalla, Mr. Joseph Nevius, Mr. Lawrence L. Wilson, CPA
Staff Present:	R. Tuczak, F. Vinzons, M. Maratea, and V. Calahong
Others Present:	B. Bernard, S. Haskins, J. Jackson, A. O'Bradovich – Callan

1. ***Motion for Approval and Adoption of Minutes.*** It was moved by Trustee Nevius and seconded by Trustee Wilson that the minutes of the February 27, 2019 Investment Committee meeting be approved and adopted.

   Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

2. Cook County Performance Review;

   Mr. Jackson provided general Q1 market commentary, noting drivers for the market's positive reversal from the Q4 downturn. He then reviewed first quarter 2019 performance for the Cook County Fund as prepared and presented by Callan Associates. The Cook County Fund had a market value of $10.4 billion and had an 8.06% return net of fees in the first quarter, in-line with the 8.05% custom benchmark return. International equity, fixed income, and REITs outperformed their respective benchmarks, whereas domestic equity modestly underperformed. In his remarks, Mr. Jackson noted that underperformance from domestic equities impacted longer period returns. The Cook County Fund trailed the custom benchmark in the one-year and five-year periods, returning 3.92% (-138 bps) and 5.93% (-19 bps) net of fees for each period, respectively. However, for the three-year period the Fund bested the custom benchmark by 62 bps with an 8.67% return. The Cook County Fund increased in value during the first quarter with investment gains of $771.8 million and $18.9 million of outflows. Mr. Jackson noted that all asset classes are within expected target ranges.

3. Forest Preserve Performance Review;

Mr. Jackson reviewed the first quarter 2019 performance for the Forest Preserve Fund as prepared and presented by Callan Associates. The Forest Preserve Fund had a market value of $199.9 million and returned 8.28% net of fees in the first quarter, ahead of the 8.12% custom benchmark return. Domestic and international equities contributed to first quarter performance. The Forest Preserve Fund trailed the custom benchmark in the trailing one-year and three-year periods, returning 3.07% (-111 bps) and 8.28% (-3 bps) net of fees for each period, respectively. However, the Fund outperformed the custom benchmark by 12bps for the five-year period with a 6.33% return. The Forest Preserve Fund increased in value during the first quarter with $15.3 million of investment gains and net withdrawals of $2.1 million.

4. Investment Management Fee Review;

Mr. Jackson began with an overview of Callan's methodology for evaluating the public markets investment strategy fees for both the Cook County Fund and the Forest Preserve Fund, drawing attention to Callan's use of its proprietary peer group data on fees for benchmarking and comparative purposes. He presented the results for each investment manager to the Committee, highlighting instances where particular managers' fees were above median for its peer group.

Motion to Authorize Investment Staff and Callan to Negotiate Investment Manager Fees as Noted in Callan's Investment Management Fee Review.
It was moved by Trustee Fitzgerald and seconded by Trustee Wilson to authorize Investment Staff and Callan to negotiate investment manager fees with a few identified managers as noted in Callan's Investment Management Fee Review.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

5. Real Estate Performance Review and Strategic Plan;

A) Cook County Real Estate Discussion

Ms. Haskins and Ms. Bernard started their presentation with general real estate market commentary, noting that while real estate markets are healthy, returns are expected to normalize in coming years with income becoming the primary driver of returns, as opposed to capital appreciation. Ms. Haskins and Ms. Bernard continued with a review of Cook County's real estate structure and performance. Currently, real estate composes 8% of the Fund, just under the 9% portfolio target but within the Policy range. Commitments to Clarion and Artemis approved last year will bring the portfolio in compliance with core policy limits when they are funded. Their addition will also diversify the Fund's core real estate managers and increase exposure to Industrial real estate, the strongest real estate sector. With regard to non-core real estate, they highlighted the need to maintain vintage year diversification through follow-on investments, liquidity needs permitting.

They continued with an overview of returns, noting relative outperformance versus the Fund's total real estate benchmark in Q1 and the trailing one-, three-, and ten-year periods. Private real estate has been the primary return driver, as REITs have underperformed the benchmark with the exception of Q4 2018. They concluded with a summary of investment pacing for the Fund, which included funding the new core mandates (Artemis and Clarion), annual commitments to non-core funds to maintain pacing, liquidating non-strategic REITs, and managing allocations to policy targets.

B) Forest Preserve Real Estate Discussion

Ms. Haskins and Ms. Bernard began with a review of Forest Preserve's real estate structure and performance. Currently, real estate composes 8% of the Fund, just under the 9% portfolio target but within the Policy range. Core real estate composes 94% of the real estate exposure, with 6% to non-strategic REITs. They continued with an overview of returns, noting relative outperformance versus the total real estate benchmark in Q1 2019 but underperformance in the trailing one-, three-, five-, and seven-year periods. The primary detractor for trailing period performance has been REITs, with liquidated core funds playing a role in underperformance for the five-year period. They concluded with a summary of investment pacing for the Fund, which included liquidating the non-strategic REITs and considerations to increase investment in core real estate to meet the 9% Policy target.

6. Adjournment.

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

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE