



**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 July 25, 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, Ms. Diahann Goode (left during Item 4), Mr. Patrick McFadden, Mr. Joseph Nevius, Mr. Dennis White (entered during Item 2)

Staff Present:

R. Tuczak, F. Vinzons, M. Maratea, and V. Calahong

Others Present:

J. Jackson, J. McKee, G. Robertson – Callan
M. Feldman – Unite Here Local 1

Public Comment

Trustee DeGraff, Chair of the Investment Committee, 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 Nevius and seconded by Trustee Goode that the minutes of the May 30, 2019, Investment Committee meeting be approved and adopted.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

2. Private Equity Portfolio Review;

Mr. Robertson began with a general overview of private equity as an asset class, reviewing the different types of investments, partnership structures, and the typical lifecycle of a private equity investment program. He next discussed Cook County's private equity portfolio in the context of its current and historical investments, structure, and lifecycle. He continued with a review of current market conditions and future expectations for the private equity portfolio

given remaining investment commitments, future distributions, and liquidity needs of the Fund. Mr. Robertson also gave an overview of the portfolio's performance, drawing attention to very good relative performance vs peers' private equity portfolios, both historically and currently. He continued with reviews of the Fund's two private equity managers, Mesirow Private Equity and Muller & Monroe Asset Management, highlighting each firm's personnel, AUM, strategies, and performance. Mr. Robertson concluded with a review of the Fund's legacy private equity investments, highlighting strong relative returns from the Fund's earliest investments in the asset class.

3. Hedge Fund Portfolio Review;

Mr. McKee began with a general overview of hedge funds as an asset class, detailing the different types of hedge fund strategies available as well as their strengths and weaknesses. He continued with a review of both Cook County and Forest Preserve's current hedge fund portfolios, discussing the current allocation versus target allocation, strategy diversification, and market risk exposures. Mr. McKee then transitioned to overviews of Blackstone Alternative Asset Management and The Rock Creek Group, the two managers overseeing the hedge fund program. He reviewed returns, performance statistics, strategy allocations, attribution, and market exposures in the context of peer group analysis for both managers. He concluded with portfolio observations and Callan's recommendations for increasing the stated Core target allocation range from 50%-70% to 60%-80% to reflect the more diversified, less volatile performance of the Core mandate. This revised Core target allocation will be reflected in the annual review of the Investment Policy Statement to be conducted at a future Investment Committee meeting.

4. June Quarter Preliminary Performance;

Mr. Jackson provided general Q2 market commentary, noting drivers for the market's positive reversal in the first half of the year from the Q4 downturn. He then reviewed preliminary second quarter 2019 performance for the Cook County Fund as prepared and presented by Callan Associates. The Cook County Fund had a market value of \$10.6 billion and had a 3.34% return net of fees in the second quarter, in-line with the preliminary 3.32% custom benchmark return. Domestic equity, international equity, and REITs outperformed their respective benchmarks, whereas fixed income modestly underperformed. The Cook County Fund trailed the custom benchmark in the one-year and five-year periods, returning 6.22% (-122 bps) and 5.94% (-16 bps) net of fees for each period, respectively. In his remarks, Mr. Jackson noted underperformance of small cap stocks in these periods. However, for the three-year period the Fund bested the custom benchmark by 64 bps with a 9.25% return. The Cook County Fund increased in value during the second quarter with investment gains of \$344.0 million and \$81.4 million of outflows. Mr. Jackson noted that all asset classes are within expected target ranges.

Mr. Jackson then 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 \$202.5 million and returned 3.27% net of fees in the first quarter, ahead of the preliminary 3.15% custom benchmark return. Domestic and international equities contributed to second quarter performance. The Forest Preserve Fund trailed the custom benchmark in the trailing one-year and three-year periods, returning 5.66% (-82 bps) and 8.81% (-4 bps) net of fees for each period, respectively. However, the Fund outperformed the custom benchmark by 11bps for the five-year period with a 6.25% return. The Forest Preserve Fund increased in value during the first quarter with \$6.4 million of investment gains and net withdrawals of \$3.8

million.

5. Investment Manager Fee Discussion;

Mr. Jackson began with a recap of Callan's investment manager fee review presented at the May 30, 2019 Investment Committee Meeting. Ms. Tuczak, Mr. Vinzons, and Mr. Jackson then presented to the Committee a summary of proposed changes to three investment managers' fee schedules that resulted from negotiations by Callan and Fund Staff with the respective managers.

Motion to Recommend to the Board to Accept the Proposed Management Fee Reductions Negotiated by Callan Associates and Investment Staff.

It was moved by Trustee Fitzgerald and seconded by Trustee McFadden to recommend to the Board to accept the proposed management fee reductions negotiated by Callan Associates and Fund Staff from Frontier Capital Management, MacKay Shields, and Wells Capital Management.

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

6. Adjournment.

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

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