



**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 October 25, 2018, 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, Mr. Patrick McFadden, Mr. Joseph Nevius, Mr. Kevin Ochalla, Mr. Dennis White

Mr. Lawrence L. Wilson, CPA (by telephone)

Staff Present: B. Lewandowski, M. Maratea, F. Vinzons, and V. Calahong

Others Present: B. Bernard, S. Haskins, J. Jackson, A. O'Bradovich – Callan; G. Baker Chambers, A. Gilbert, D. Harmon – Artemis Real Estate Partners Income and Growth Fund; G. Berlin, K. Bizga, A. Szin – Brookfield Premier Real Estate Partners; J. Killian, B. Morris – Clarion Partners Lion Industrial Trust

1. ***Motion to Permit Trustee Wilson to Participate by Telephone.*** It was moved by Trustee Goode and seconded by Trustee Ochalla that Trustee Wilson be permitted to participate in the meeting by telephone.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

2. Approval of May 31, 2018, Investment Committee Minutes;

Motion for Approval and Adoption of Minutes. It was moved by Trustee White and seconded by Trustee Ochalla that the minutes of the May 31, 2018, Investment Committee meeting be approved and adopted.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

3. Administrative Updates

Mr. Vinzons provided the Committee with an update of the following items:

- The Rock Creek Group finalized their repurchase of Wells Fargo Asset Management's 65% equity interest in Rock Creek, effective August 17, 2018. Following the transaction, the Rock Creek Group is once again considered a woman-owned firm with \$14 billion in assets.
- FIS Group finalized their acquisition of Piedmont Investment Advisors as of September 17, 2018.
- Transition management activity for both funds is ongoing with Russell selected to manage the transition for the Cook County investments and Penserra was selected for Forest Preserve District investments.

Mr. Maratea proposed the following to the Committee:

- Flat 85%/15% split in securities lending revenue proposed between the Fund and BNY Mellon, the custodian. The current arrangement is tiered, with an 80%/20% revenue split up to \$1.7 million followed by 85%/15% for remaining revenue.

Motion to Approve the Proposed 85%/15% Securities Lending Revenue Split between the Fund and BNY Mellon.

It was moved by Trustee Fitzgerald and seconded by Trustee Goode to recommend to the Board that the proposed 85%/15% securities lending revenue split be approved.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

Mr. Vinzons concluded with a discussion of the following items:

- Fund Staff and Callan's participation in the Senate Special Committee on State and Pension Fund Investments hearing on October 17, 2018.
- Potential legislation from Senator Martinez concerning:
 - Allocation of funds to diverse emerging managers without engaging in the RFP process if there is a preexisting relationship and contract.
 - Real-time broadcasting of open Board meetings held by Illinois state retirement systems or pension funds

4. Cook County Performance Review;

Mr. Jackson provided general market commentary and reviewed preliminary third quarter 2018 performance for the Cook County Fund as prepared and presented by Callan Associates. The Cook County Fund had a market value of \$10.5 billion and returned 2.98% net of fees in the third quarter, outperforming the 2.97% custom benchmark return. Fixed income bested its benchmark, but domestic equity, international equity, and REITs all trailed their respective benchmarks. The Cook County Fund also outperformed the custom benchmark in the trailing one-year, three-year, and five-year periods, returning 7.99% (+39 bps), 9.94% (+63 bps), and 7.38% (+16 bps) net of fees for each period, respectively. The Cook County Fund increased in value during the third quarter with investment returns of \$303.9 million, reduced by \$12.2 million of outflows. Mr. Jackson noted that all asset classes with the exception of fixed income are within expected target ranges. A structural rebalance in the 4th quarter is expected to bring fixed income closer to its target allocation.

5. Forest Preserve Performance Review;

Mr. Jackson reviewed the third quarter 2018 performance for the Forest Preserve Fund as prepared and presented by Callan Associates. The Forest Preserve Fund had a market value of \$208.3 million

and returned 2.68% net of fees in the third quarter, slightly behind the custom benchmark return of 2.79%. International equities and fixed income provided the strongest absolute and relative returns versus the custom benchmark. The Forest Preserve Fund also outperformed the custom benchmark in the trailing one-year, three-year, and five-year periods, returning 8.34% (+130 bps), 9.73% (+4BPS), and 7.93% (+56 bps) net of fees for each period, respectively. The Forest Preserve Fund increased in value during the third quarter with \$5.5 million of investment returns outpacing net withdrawals of \$1.7 million.

6. Core/Core-Plus Real Estate Search Discussion and Finalist Presentations;

Ms. Haskins and Ms. Bernard began with a review of Cook County's current real estate structure and continued with a summary of the core/core plus real estate search, highlighting the need for a complimentary core/core plus real estate manager in the portfolio. They gave a recap of the RFP process, outlining the progression from 31 candidates to three finalists (Artemis Real Estate Partners Income and Growth Fund, Brookfield Premier Real Estate Partners, and Clarion Partners Lion Industrial Trust). They concluded with assessments of each finalist with respect to fit in the portfolio and a recommendation. Following this discussion, the finalists were invited to individually present to the Investment Committee and answer questions. After the presentations, the Investment Committee deliberated with consultation from Callan Associates.

Motion to Approve a \$50 million Mandate to Artemis Real Estate Partners Income and Growth Fund and an \$80 million Mandate to Clarion Partners Lion Industrial Trust.

It was moved by Trustee McFadden and seconded by Trustee Goode to recommend to the Board that a \$50 million mandate be awarded to Artemis Real Estate Partners Income and Growth Fund, and \$80 million mandate be awarded to Clarion Partners Lion Industrial Trust, as recommended by Callan.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

7. Blackstone Real Estate Partners IX Discussion;

Ms. Haskins and Ms. Bernard began with an assessment of Blackstone Real Estate Partners IX ("BREP IX") as a suitable follow-on investment for the Fund. They compared and contrasted this fund with Blackstone Real Estate Partners VIII ("BREP VIII"), the prior fund in the series and one in which the Cook County Fund is currently invested. In evaluating BREP IX, Ms. Bernard discussed the firm, strategy, and performance as well as Callan's recommended strategy of follow-on investments for vintage year diversification. Callan concluded with a recommendation for a \$30 million follow-on mandate to BREP IX.

Motion to Approve a \$30 million Mandate to Blackstone Real Estate Partners IX.

It was moved by Trustee McFadden and seconded by Trustee White to recommend to the Board that a \$30 million mandate be awarded to Blackstone Real Estate Partners IX, as recommended by Callan Associates.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

8. Adjournment.

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

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE