

**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 23, 2023 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

Members in attendance: Kevin Ochalla (Chair), Hal Dardick, Patrick McFadden, Jerry Pray, Tracy Reed, Lawrence Wilson

Staff Present: Brent Lewandowski, Executive Director; Michael Maratea, Director, Finance and Administration; Margaret Fahrenbach, Legal Advisor; Saron Tegegne, Comptroller

Others Present: Mary Patricia Burns, Burke, Burns & Pinelli, Ltd.; Ann O'Bradovich, Callan LLC; John Jackson, Callan LLC; Barbara Bernard, Callan, LLC; Peter Keliuotis, Callan LLC; Rich Picalrillo, PGIM; Jake Kemeny, PGIM; Anna Danik, PGIM; Elizabeth Halpin, PGIM

The Chair opened the meeting for public comment and because no one requested to address the Committee, the next item of business on the agenda was considered.

1. Review and Approval of:
 - a. February 28, 2023, Investment Committee Meeting Minutes

It was moved by Trustee Dardick and seconded by Trustee Reed that the minutes of the February 28, 2023, Investment Committee meeting be approved and adopted.

Vote Result: MOTION ADOPTED BY VOICE VOTE

2. Real Estate Strategic Plan and Performance Review

Ms. Barbara Bernard of Callan LLC stated that, in general, real estate investments had negative appreciation values and that interest rates were up. The office property segment of this asset class was particularly challenged. She presented a summary of the allocations for the County Fund's real estate portfolio and the investment positions as of December 31, 2022, for Core, Non-Core and REIT investments. The total real estate portfolio exceeds the 9% target for this asset class, but is within the policy range. The portfolio is in line with the stated limits for Core, Non-Core and REIT investment target allocations. The Core investments and non-Core investments out-performed their benchmarks over the trailing one, three, five and ten years. The REITs collectively underperformed

the benchmark by -280 basis points in the last year, but out-performed the benchmark across the three year period by 73 basis points and outperformed the benchmark for the five year period by 50 basis points. It was discussed that the REITS could be used as a source for funding possible RFPs for Core investments and Non-Core investments.

It was moved by Trustee Reed and seconded by Trustee Pray, that the Committee recommend that the Board approve the release of a Request for Proposal (“RFP”) for investment in a Core real estate fund for the County Fund with a mandate of an estimated \$110M as presented and recommended by the Fund’s Investment Consultant, Callan LLC.

Roll Call Vote:

AYES: Dardick, McFadden, Ochalla, Pray, Reed, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee Pray and seconded by Trustee Reed, that the Committee recommend that the Board approve the release of a RFP for investment in a Non- Core real estate fund for the County Fund with a mandate of an estimated \$60M as presented and recommended by the Fund’s Investment Consultant, Callan LLC, to be issued after the RFP for the Core real estate fund had been completed.

Roll Call Vote:

AYES: Dardick, McFadden, Ochalla, Pray, Reed, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

The Callan representatives also presented a summary of the real estate portfolio for the Forest Fund for the period ending December 31, 2022, and stated that the current positions should be monitored. The trustees noted that the Forest Fund would receive an increase in contributions due to newly enacted legislation which might provide an opportunity for additional investment at a later time.

3. First Quarter 2023 Performance Review

Mr. John Jackson of Callan began with a review of the 1Q 2023 performance for the Cook County Fund as prepared and presented by Callan, LLC. The Cook County Fund had a market value of \$12.3B which was an increase of \$445M from the 4Q 2022 ending value of \$11.8B. He reported that all the asset classes were within target ranges. The hedge fund allocation was still overweight, because the Infrastructure and Private Equity strategies had not yet been implemented. The County Fund returned 4.37% versus the benchmark return of 4.32% for 1Q 2023. Over the last 3-year period, the Fund had an annualized return of 11.17% outpacing the benchmark return of 10.24%, but trailed its median peer. For the last 5-year period, the Fund earned a 6.58% return which was in line with the benchmark and ranked at the 42nd percentile among its peers. For the last 10-year period the Fund gained 7.02% on an annualized basis, which exceeded the benchmark return of 6.86%, but modestly trailed its median peer.

Mr. Jackson presented the 1Q 2023 performance review for the Forest Preserve Fund as prepared by Callan. The Forest Preserve Fund had a market value of \$195.4M which was an increase of \$6.9M from the 4Q 2022 ending value of \$188.5M. All asset classes were near their long-term target allocations. The Forest Fund returned 5.23% versus the benchmark return of 4.70% for 1Q 2023. Over the last 3-year period, the Fund had an annualized return of 10.68% and outperformed the benchmark return of 9.91%. For the last 5-year period, the Fund returned 5.74% which was in line with the benchmark return of 5.76%. For the last 10-year period, the Fund returned 7.04% which exceeded the benchmark return of 6.67%.

4. Investment Policy Statement Matters

a. Consideration and Possible Recommendation of Minority/Emerging Investment Manager Policy Exhibit C

Mr. Brent Lewandowski, Executive Director, stated that Exhibit E to the Investment Policy establishes the minority utilization goals that are to be approved by the Board. A draft of a proposed Exhibit E was presented to the Committee. He stated that the Committee might refer the matter to the Emerging Manager Investment Sub-Committee (“EMIC”) so that they could consider the appropriate utilization goals and make a recommendation to the Board. If the matter were referred to the EMIC, the newly retained Chief Investment Officer (“CIO”) would be on staff and would have the opportunity to participate in the discussion.

It was moved by Trustee Reed and seconded by Trustee Dardick that the Investment Committee refer the Minority/Investment Manager Policy Exhibit E to the EMIC for further consideration and to allow for the newly retained CIO’s participation in the discussion and recommendation to the Board about the utilization goals to adopted.

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

b. Investment Manager Guideline

Mr. Jackson provided an update about two investment managers who held positions that were not consistent with the Fund’s Investment Policy. While the investments were consistent with the policy at the time they were initiated, when the Fund changed its Investment Policy, those positions were no longer in compliance. At the time that the Investment Policy was changed, the Fund notified all investment managers of the revisions and requested comments. The two managers under consideration were MacKay Shields, who failed to notify the Fund that it held an investment that did not comply with the policy and PGIM, who gave notice to the Fund that it was no longer in compliance with the policy because of the change.

The trustees discussed that all investment managers needed to be in compliance with the Investment Policy. Mary Pat Burns, fiduciary counsel, emphasized that the investment managers’ adherence to the policy was essential. While Callan recommended that each investment manager retain their respective positions under discussion, the trustees wanted more information about the process followed by the investment manager who did not notify the Fund that it held investments that failed to comply with the Investment Policy. Representatives from PGIM were present at the meeting and were able to discuss the status of the investments under consideration.

5. Private Equity Education

Mr. Peter Keliuotis from Callan LLC gave a presentation on private equity investments for the trustees. He gave a general description of private equity and a summary of the County Fund's private equity program. He stated that investments in this asset class were unlisted investments in operating companies that were typically accessed through limited partnerships. The private equity market was estimated to be \$9.8 trillion, or about 4% of public and private assets. Public pension funds were a dominant presence in private equity investments. The primary appeal of private equity investment was the potential to outperform publicly traded stocks and bonds. The primary drawbacks were illiquidity, program complexity and high return dispersion. He noted that in 2022, private equity returns fell modestly as compared to returns for public equities. Investments are made in private equities through capital calls from the general partners directed to the limited partners. The general partner then invests in operating companies. The limited partners receive distributions as investments are sold or as income is collected. He presented a timeline of a private equity fund and stated that it usually takes four to six years for a capital call to be invested and distributed back to the limited partner.

6. New/Old Business

There was no old business or new business discussed.

7. Adjournment

It was moved by Trustee Reed and seconded by Trustee Dardick that the Investment Committee meeting be adjourned.

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