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APPEARANCES

BOARD MEMBERS:

DANIEL FORTUNA, President and
Annuitant Trustee

WILLIAM MURPHY, Secretary and Active Trustee

ANTHONY MARTIN, Active Trustee

RESHMA SONI, City Comptroller

MARY SHERIDAN, Active Trustee

ATTORNEYS FOR THE BOARD:

BURKE, BURNS AND PINELLI, LTD.
BY: MS. SARAH A. BOECKMAN

ALSO PRESENT:

KELLY WELLER, Executive Director
LORNA SCOTT, Chief Investment Officer
JACLYN VLAHOS, Comptroller
JOHN CONNESS, Fund Accountant
MARK MYSLINSKI, City Treasurer's Office
BRADY O'CONNELL, Callan Associates

1 MEMBER MARTIN: I hereby convene the
2 Investment Committee for February 15, 2022.

3 Lorna, please call the roll.

4 MS. SCOTT: Trustee Martin.

5 MEMBER MARTIN: Here.

6 MS. SCOTT: Trustee Fortuna.

7 MEMBER FORTUNA: Here.

8 MS. SCOTT: Trustee Murphy.

9 MEMBER MURPHY: Here.

10 MS. BOECKMAN: You have a quorum.

11 MS. SCOTT: I'd like to acknowledge that
12 Trustee Sheridan appears to be here.

13 Trustee Sheridan, for the record, would
14 you like to say that you are present?

15 MEMBER SHERIDAN: I am here.

16 MS. SCOTT: Thank you. Always happy to
17 have non-committee members attend.

18 MEMBER MARTIN: Public Act 101-0640 and
19 the Governor's recent Disaster Proclamation dated
20 February 4, 2022 allows this meeting to be
21 conducted by audio and video conference. The Act
22 requires a roll call vote on each matter acted
23 upon. We are proceeding by videoconference because
24 we continue to believe that due to the pandemic it

1 is prudent to not be physically present in the same
2 space. We have posted notice of this meeting in
3 accordance with the Open Meetings Act and the
4 meeting is being recorded. A transcript of the
5 proceedings will be prepared and ultimately, after
6 approval, will be made available on the Fund's
7 website.

8 I'd like to now turn this over to Lorna
9 to proceed through our agenda.

10 MS. SCOTT: The first item is the MWDBE
11 brokerage report. Before we look at our minority
12 brokerage utilization, this first slide looks at
13 total brokerage and some other trading
14 characteristics of our managers.

15 This table is a reminder that brokerage
16 is an expense. It is actually cash paid to our
17 counterparties to execute trades. It is really
18 important to monitor how much our managers are
19 incurring and how much trading they are actually
20 doing.

21 Looking at this table, a couple of
22 highlights. We can see that total commissions in
23 2021 actually decreased compared to 2020 and 2019.
24 That is primarily due to the fact that we only had

1 one manager transition in 2021. If you recall, we
2 did sell out of Wells and got into Rhumblin so
3 there was a little bit of commissions incurred
4 there compared to the trading that we did in 2020
5 with Brown being hired.

6 We have a reduction in commissions just
7 due to fewer portfolio changes and also keep in
8 mind in 2021 we didn't have to sell as many assets
9 to raise cash for benefit benefits so that also
10 reduced our trading.

11 Just operations in general reduced
12 trading, which probably lead to a reduction in
13 expenses.

14 Looking at our turnover, we are
15 definitely a low turnover portfolio. Most of our
16 managers are just buying and selling. They are
17 buying and holding their positions as opposed to
18 turning and selling their portfolio.

19 Looking at this table, we can see Mellon
20 is one of our higher turnover managers, Globeflex
21 and Kennedy.

22 On a cost per share basis, we really look
23 for the one or two cents in execution. We are
24 seeing that in the large cap managers. Anybody who

1 is spending more than one or two cents in execution
2 is receiving research as well as execution. That's
3 causing a little bit of higher trades or higher
4 commissions.

5 Generally, our managers don't trade a lot
6 and we don't incur a lot in commissions.

7 Now let's move to MWDBE utilization. Our
8 goal is 22 percent and in 2021 our managers on a
9 total fund allocation basis allocated 40.9 percent
10 to minority brokers. So overall the Fund achieved
11 its goal and it surpassed prior years.

12 Looking at this, some of our managers did
13 not achieve that 22 percent. We have got Mellon,
14 who was a lagger, and Jackson Square and Brown
15 Capital.

16 I asked each one of these managers to
17 comment on why they failed to achieve the
18 utilization.

19 According to Mellon, they primarily
20 attributed their lack of achievement to the market
21 environment. They said they will continue to work
22 towards that goal.

23 Jackson Square primarily runs a very
24 concentrated portfolio with a higher AUM. So they

1 said they will continue to seek liquidity wherever
2 they can find it but no promises on achieving with
3 MWDBE brokers. They say they try very hard. For
4 the most part, it is the bigger brokers that kind
5 of accommodate them.

6 Lastly, we have Brown Capital, who said
7 it is really due to low turnover in their
8 portfolio. So given the recent market and the
9 higher volatility, they went with wherever they
10 could find the flow and that wasn't with the
11 minority brokers, but they will work and make sure
12 they make it up in 2022.

13 Our next slide is fixed income. Our goal
14 is 12 percent. In 2021, our managers in aggregate
15 achieved a 42.9 percent, that surpassed our goal.

16 There is only one manager who did not
17 achieve this goal and that is Loomis. We have
18 heard from Loomis before. I did ask Loomis to
19 comment. They said they will continue to seek out
20 opportunities to utilize minority brokers but
21 something we will have to continue to monitor.

22 That is our MWDBE utilization for 2022.
23 Our recommendation is to not change our goals.
24 These targets are challenging for some of our

1 managers and other managers aren't using our goals
2 as maximums. They continue to push beyond our
3 goal. Our current goals are really a nice balance
4 between a goal that is achievable for some
5 strategies and a goal that is a stretch goal for
6 other strategies.

7 I will pause for any comments.

8 MEMBER MARTIN: Trustee Soni has joined
9 the meeting. Trustee Soni, will be marked as
10 present.

11 MS. SCOTT: Moving on to the next slide,
12 which is our Investment Policy Statement. I do
13 have a few changes to the Investment Policy
14 Statement to summarize on this slide. There are
15 really three categories.

16 The biggest change is the update to the
17 asset allocation model that was approved at
18 December's board meeting.

19 Secondly, I am reorganizing the document
20 a little bit.

21 Thirdly, there are some minor edits and
22 clarifications.

23 What I'd like to do is just page through
24 and kind of highlight these changes.

1 That is a date change. This is the
2 reorganization. Here it looks like a lot of red
3 but what I really want to do is make this
4 Definitions and Conclusions to be the last item on
5 the Table of Contents. So these items right here
6 are just getting shifted up.

7 Paging through, clarification here, the
8 Board that conducts the searches, adding in the
9 Board. Providing education to the Investment
10 Committee and to the Board. Again, these are just
11 minor clarifications, minor edits. This part of
12 that reorganization. I have shifted these
13 categories to different pieces. This is a
14 clarification.

15 We do our allocations here by manager
16 type not by the underlying holdings so I struck
17 that language.

18 This is the big one where I am taking
19 away the old asset allocation model and adding in
20 the new one.

21 Minor edits and clarifications.

22 This is part of that reorganization that
23 was below the Conclusions. I am adding it up here.

24 This one is a clarification

1 simplification. Here the policy is that if a
2 manager deviates from its guidelines, they should
3 notify the Board, so I am simplifying it to just be
4 the policy. I am actually removing all the extra
5 language on how they should notify and when they
6 should notify. The main point here is that if a
7 manager deviates from the policy, they must report
8 the deviation, and I am just removing the extra
9 language.

10 I think the rest of these are just minor
11 reorganizations and clarifications. We can see
12 this is all the sections that are getting moved
13 around at the end.

14 With that, I will pause for any
15 questions. Otherwise, I will be looking for a
16 motion to recommend to the Board to approve the
17 revised Statement of Investment Policy.

18 MEMBER MARTIN: I have had the
19 opportunity to review these with Fund counsel and
20 our Chief Investment Officer.

21 MEMBER MURPHY: I will make the motion.

22 MEMBER SONI: Second.

23 MEMBER MARTIN: Motion by Trustee Murphy.
24 Seconded by Trustee Soni.

1 Roll call vote. Trustee Murphy.

2 MEMBER MURPHY: Yes.

3 MEMBER MARTIN: Trustee Fortuna.

4 MEMBER FORTUNA: Yes.

5 CHAIRMAN FORTUNA: Trustee Soni.

6 MEMBER SONI: Yes.

7 MEMBER MARTIN: I vote yes.

8 Motion carries so it will be recommended
9 to the Board tomorrow.

10 The next item, Lorna.

11 MS. SCOTT: The Infrastructure RFP.

12 Brady, did you want to walk us through
13 this?

14 MR. O'CONNELL: Sure. Good morning,
15 everyone.

16 Lorna just touched on some of the major
17 changes that were included in the IPS, which is
18 really one of the most important guiding documents
19 of the investment program.

20 As a result of the Asset Liability Study
21 that we conducted last year, we made a couple of
22 additions from an asset class perspective to the
23 target strategy that is now included in that IPS.

24 One of those is the introduction of a new

1 asset class infrastructure. We adopted a 3 percent
2 target and we would like to propose a RFP in order
3 to find managers to implement that position on our
4 behalf.

5 As the summary page here indicates, that
6 is about \$32 million. We will be looking for what
7 we call private or unlisted open-end infrastructure
8 funds. These will function similar in operations
9 to the open-end core funds that we have. There is
10 some slight differences that we will tease out for
11 you throughout the evaluation process.

12 Basically, it is an ongoing fund. Once
13 we commit capital into it, they will return income
14 to us over time and then we will also experience
15 the appreciation of the underlying assets.

16 Callan's research specialists will be
17 involved. They have identified some of these
18 attributes that are ideal for managers, including a
19 minimum fund size of \$2 billion. Infrastructure
20 assets are very large so we want to make sure any
21 fund has a big enough scale to buy assets and
22 diversify their portfolio.

23 We won't be looking at fund-to-fund
24 products. We won't look at anything that is sector

1 specific so we want it to be well diversified
2 across a lot of different type of infrastructure
3 investments.

4 Then we have also established a set of
5 minimum criteria or requirements. We need somebody
6 that is registered. These are all consistent with
7 minimum requirements we have established for
8 searches in the past. They need to be a fiduciary
9 to the Board and to the Fund. We're looking for a
10 three year track record and at least \$2 billion as
11 I mentioned.

12 As we have done before, those
13 requirements will be relaxed if a firm can
14 demonstrate that they are MWDBE.

15 We do not anticipate any of those
16 responding just based on our knowledge of the
17 marketplace. It is fairly small and all the
18 managers in this space are part of larger
19 investment organizations. So we don't anticipate
20 getting a ton of participation from small or
21 diverse owned firms but we are certainly open to
22 consider those as we have done with RFPs in the
23 past.

24 And then, lastly, any manager that is

1 selected, we don't want to be more than 20 percent
2 of their portfolio and they will have to adhere to
3 all the policies and requirements, including some
4 of those that we heard earlier today just like all
5 the other managers that work on behalf of the FABF.

6 Our goal would be to issue the RFP upon
7 approval by the Committee and ultimately the Board.
8 So we'd like to issue this tomorrow. Managers will
9 be asked to submit by April 1st and then as we have
10 done these searches in the past, Lorna and I will
11 work with Callan's research time to evaluate all
12 the RFP responses that have interested managers
13 that submit. We will narrow that list down to a
14 subset that will come in to make presentations to
15 the Investment Committee. And then we would
16 ultimately like to have you select the manager or
17 managers and then work on getting our capital
18 allocated whenever contracting and all the
19 paperwork is complete and the manager is willing
20 and able to take capital.

21 Like real estate, sometimes there can be
22 what we call entry and exit queues so people lining
23 up to contribute money, the manager doesn't take
24 that until they have identified assets.

1 As part of the search process, we'll also
2 spend a little time understanding which managers
3 have effectively lines to get in and we will make
4 sure we all understand the flip side of that.
5 Which is when people want to redeem money, the
6 process that is involved in getting our capital
7 back out.

8 So that is the RFP summary. Happy to
9 entertain any questions about it.

10 MEMBER MARTIN: Is this universe large
11 enough to get a pretty diverse or large response
12 from the investment community?

13 MR. O'CONNELL: We think there are some
14 strong candidates out there. The number of
15 responses we anticipate is probably somewhere
16 between 9 and 15.

17 This is a space similar to core real
18 estate where there is not a ton of firms. When we
19 have done searches in more conventional asset
20 classes, like international small cap, we do expect
21 to receive sometimes 20, 30 or 40 RFP responses.

22 Here the universe of products is rather
23 small, that's due to the fact that it is a fairly
24 specialized asset class. Also, it is a fairly new

1 asset class so that is one of the reasons why we
2 are adding it now. There is not a lot of products
3 in the marketplace. So I would suspect we will get
4 kind of high single digits, maybe 10 or 12
5 responses. So there won't be as many as we have
6 seen in searches for maybe the traditional stock or
7 bond managers.

8 MEMBER MARTIN: Since it is such a small
9 universe, are you going to reach out to some of
10 these managers to advise them or encourage them to
11 respond?

12 MR. O'CONNELL: That is correct. The
13 practice has been when we have issued RFPs on your
14 behalf is to post it on Callan's website and also
15 proactively reach out to managers that we think
16 have a strong product offering to make sure that
17 they are aware that the RFP is here and encourage
18 them to respond.

19 Two, we also reach out to any diverse or
20 female owned firms to make sure they are aware of
21 the opportunity and that they respond.

22 We plan to do that in this case. And,
23 again, based on preliminary indications talking to
24 our infrastructure specialists, in the open-end

1 core infrastructure space, there is not female or
2 diverse owned firms that we are aware of but we
3 will take another hard look. We also fully
4 encourage responses from those managers even if
5 they don't satisfy some of these minimum
6 requirements that are illustrated here.

7 MEMBER MARTIN: Are there any other
8 questions?

9 If there are no other questions, I'd like
10 a motion to recommend to the full board tomorrow to
11 issue the RFP on infrastructure.

12 MEMBER MURPHY: I will make the motion.

13 MEMBER FORTUNA: Second.

14 MEMBER MARTIN: Seconded by Trustee
15 Fortuna.

16 On the vote, Trustee Murphy.

17 MEMBER MURPHY: Yes.

18 MEMBER MARTIN: Trustee Soni.

19 MEMBER SONI: Yes.

20 MEMBER MARTIN: Trustee Fortuna.

21 MEMBER FORTUNA: Yes.

22 MEMBER MARTIN: I am a yes.

23 Motion carries. Tomorrow we will
24 recommend to the full board to approve the issuance

1 of that infrastructure RFP.

2 Moving on to the next item on the agenda,
3 Lorna.

4 MS. SCOTT: It is the Investment report.
5 Actually, I will have Brady continue to talk about
6 the fourth quarter review.

7 MR. O'CONNELL: I would just like to
8 maybe make six or seven high level observations
9 about the fourth quarter.

10 Markets have turned a little bit south as
11 we have heard from Lorna in the report on January.
12 Kind of subsequent to fourth quarter. But I think
13 it is always good to go through these quarterly
14 reports and understand how the portfolio performed
15 and what things we're looking out for.

16 Just kind of going back in time a little
17 bit, the fourth quarter of 2021 was a good one from
18 a risky asset standpoint. As we show here in these
19 bar charts, the bars on the left were up fairly big
20 for the quarter. So that is the S&P 500 and the
21 Russell 1000 Growth up over 11 percent. So the
22 fourth quarter was a strong quarter for equities.

23 If you look at the trailing year, so all
24 of 2021, we had equities up over 20 percent.

1 Extraordinarily favorable results from the equity
2 markets.

3 The flip side of that is bond markets.
4 Bonds for the fourth quarter, you can't even see
5 the bar, it is flat at 0.0 for the Bloomberg
6 aggregate and for the trailing year bonds were down
7 about 1 and a half percent.

8 We saw interest rates come up a little
9 bit and that always has a negative performance
10 impact on bonds.

11 The backdrop was big strong results in
12 equities. Growth outperforming value and
13 importantly small underperforming large cap.

14 As I will show you in a second, that had
15 a bit of an adverse impact on our results during
16 the fourth quarter.

17 Flip forward and give you a sense of just
18 how the portfolio performed during the fourth
19 quarter. We were up 3.57 percent on a gross of
20 fees basis. That was about 1.1 percentage points
21 behind the policy target so we had some
22 underperformance. Compared to other public pension
23 plans, we were right at the bottom of the third
24 quartile.

1 I think compared to what we have seen in
2 the past, compared to what we expect going forward,
3 this was a disappointing quarter. So we
4 underperformed and we ranked below the median of
5 the peer universe.

6 The good news is these quarterly
7 observations flip around a lot more frequently than
8 do the longer term and the longer term results are
9 still favorable on a number of different levels.

10 If you look at that ten year column,
11 we're looking at an annualized return of 10.68
12 percent, which was ahead of the target policy of
13 9.88. That return had us in the top quartile of
14 public pension plans.

15 A bit of a disappointing quarter, but we
16 don't expect this portfolio to outperform every
17 single quarter. We are looking for the long-term
18 trends.

19 Just to unpack what happened during the
20 quarter, we show these attribution charts down here
21 at the bottom.

22 Really the story was this negative 1.10
23 underperformance from active managers particularly
24 in equities. You can see domestic equity at

1 negative 0.84. These numbers total to the combined
2 impact of active management decisions. In
3 aggregate for the plan, those were negative during
4 the quarter. I will make a few observations on
5 some of the managers that we're looking at more
6 specifically.

7 Before I touch on the managers, there is
8 one other point that is worth emphasizing as we
9 review the structure of the FABF domestic equity
10 portfolio.

11 So, Trustee Martin, this is something you
12 and I have discussed. We talked about it with
13 Lorna as well.

14 The Fund historically has had an
15 overweight allocation to small and mid-cap,
16 including microcap.

17 This exhibit at the top of Page 10 of our
18 report just tries to plot this on what we call a
19 style chart or a style map. Where we plot from a
20 style standpoint as well as a capital standpoint,
21 where the Russell 3000 index is, which is a broad
22 measure of the U.S. stock market, and that is the
23 green bar. And then we plot where our combined
24 domestic equity portfolio is. You can see that

1 when we add up all the holdings across all the
2 managers, we wind up more as a mid-cap manager.
3 That is because we have a higher allocation and we
4 put some numbers behind this in this complicated
5 table at the bottom.

6 We have got about 45, 46 percent in large
7 cap holdings. The index has about 78 percent.

8 Where we are underweight to large cap, we
9 are overweight to mid, small and micro.

10 Over long periods of time, we think that
11 is still a good way to add value. In periods like
12 the fourth quarter, where I mentioned large cap
13 outperformed small, that had a negative impact on
14 our results.

15 This is one thing that we will be
16 revisiting as part of just a re-evaluation of U.S.
17 equity strategy. Just making sure we understand
18 this and confirming we want to continue with this
19 strategy or adopt one that is more like the market.

20 I will pause there before touching on
21 maybe four managers that we think require kind of a
22 direct comment this morning.

23 All right. Let's touch on some of the
24 managers. One that I'd like to touch on first is

1 Brown Advisory. This is a large cap growth
2 manager. This is one where Lorna in particular and
3 myself to a lesser extent have had a number of
4 conversations with them of late.

5 You can see their portfolio. It was
6 still positive in the fourth quarter but behind the
7 benchmark, the Russell 1000 Growth. So this is a
8 manager who tries to invest in securities in the
9 large cap growth space. They had a difficult
10 quarter. For the year, they are still behind the
11 benchmark by a fairly wide margin. They have got a
12 distinct approach to portfolio construction which
13 is causing them to lag. So they have decided that
14 in order to maintain diversified portfolios, they
15 will not allocate more than 5 percentage points of
16 the portfolio to any one security.

17 But the Russell 1000 Growth now is
18 dominated by technology and telecom type names. In
19 fact, Apple is the biggest holding in that index
20 and it is now around 11 or 12 percent of that
21 particular index.

22 So the manager says we're not going to
23 hold more than 5 percent in any single security but
24 the benchmark has 11 percent in Apple alone.

1 Brown is underweight to a lot of these
2 big tech names and when they have rallied the
3 manager has lagged. They have got a corresponding
4 overweight to mid-cap so those factors have caused
5 the manager to underperform a bit.

6 We have had a number of conversations
7 with them about this. I think as you see names
8 like Apple, they don't hold any allocation to
9 Tesla, as these names experience big gains the
10 manager by nature will underperform. So really
11 they have struggled as a result more of what they
12 don't own rather than what they do own. That is a
13 manager that we are keeping an eye on. They
14 haven't made any changes. There has been no
15 changes in personnel that are significant. There's
16 been no changes in style. These portfolio
17 construction attributes that they have are not new.
18 It's just the benchmark has shifted and the market
19 has become even more concentrated. And like most
20 managers, they claim that the market will be
21 eventually be proven wrong and their diversified
22 approach to portfolio construction will be proven
23 correct. That is something we will be watching
24 very closely.

1 Just the flip side of that on the large
2 cap value side, we have got Mellon Investments
3 here. Just an administrative update for the
4 Committee. This is the organization that used to
5 be known as the Boston Company. They are part of
6 the BNY Mellon Asset Management. And BNY Mellon
7 recently reorganized some of the boutique
8 investment firms under their umbrella. It is now
9 called Mellon Investments. I think in the coming
10 quarter you may even see it as Newton going
11 forward.

12 It is the same team in place and they
13 have managed to post some pretty strong
14 outperformance during this same period of time.

15 I'd like to touch quickly on the
16 watchlist managers and then maybe open it up for
17 questions.

18 Globeflex is one of those. You can see
19 Globeflex, the small mid portfolio, for the fourth
20 quarter was up over 11 percentage points. Well
21 ahead of the benchmark that was up 0.20 percent.
22 That strong fourth quarter contributed to a strong
23 year so they are up over 33 percent while the
24 benchmark was up over 5.

1 Really a strong rebound in performance
2 because the longer term track record here is still
3 behind the benchmark. They have still got some
4 ground to make up.

5 But the fourth quarter has reiterated
6 some of the reasons that we have the number of
7 managers that we do. If you look just above
8 Globeflex, who is on the watch list, we have
9 Jackson Square who is not. Jackson Square coming
10 into 2021 was really kind of a performance super
11 start. They had exceeded their benchmark
12 consistently. They ranked well ahead of peers
13 regularly. And then they came into a period of
14 underperformance and that is illustrated here.

15 We have got one SMID growth manager who
16 is underperforming and we have got Globeflex who
17 has a different approach to that same style and
18 capitalization who has been able to do better to
19 compensate for that.

20 We will continue to keep an eye on
21 Globeflex but we are certainly encouraged that we
22 saw a rebound in performance.

23 Keeley Teton is another manager on the
24 watchlist. Some slight underperformance here but

1 nothing major to report. This is a manager who
2 kind of earns their value added in kind of big
3 chunks over time.

4 Lastly, the third watchlist manager is
5 Kennedy Capital. You may recall we provided the
6 Committee or the Board an update on some portfolio
7 manager changes that were made midway through last
8 year. They made some subsequent changes to the
9 microcap portfolio. The early results of that are
10 very encouraging. So they are up 9 percentage
11 points for the fourth quarter. Ahead of the
12 Russell Microcap Index which was down over 2
13 percent. The new people in place have added value.
14 They have changed the portfolio around. The
15 results look encouraging but it is still a fairly
16 short period of time. It is just six months under
17 this new approach.

18 Those are some of the things that we are
19 watching. I will pause and see if there are any
20 questions from the Committee about the managers or
21 any other aspects of the investment program.

22 MS. SCOTT: Brady, do you want to touch
23 on the next item which is the annual conference?
24 Do you want to highlight that?

1 MR. O'CONNELL: Thank you, Lorna.

2 We have provided an invitation to
3 Callan's annual conference that is taking place
4 April 25th through 27th at The Palace Hotel in San
5 Francisco.

6 As all our events are, it is educational
7 and focused, including a number of speakers that
8 address topics of broad interest to the investment
9 world as well as more sessions more tailored to
10 your particular specific portfolio.

11 We are encouraged to be able to continue
12 to offer in-person events. So, if the Board or the
13 Committee are interested, we would love to host you
14 at that event in April.

15 MEMBER MARTIN: Thank you.

16 MS. SCOTT: Next the manager update.

17 MR. O'CONNELL: More of an informational
18 item. PIMCO is the sole manager of the commodity
19 allocation. This is an announcement from our
20 research team about the retirement of Nick Johnson
21 who is a named Portfolio Manager on that account.

22 PIMCO as an organization does tend to
23 have higher than average turnover. But the good
24 news is they attract a lot of talent and they have

1 got a lot of redundancies built into the manager of
2 portfolios.

3 So while Nick Johnson is retiring, they
4 do have capable people taking over and we're
5 comfortable continuing to maintain the investment
6 in the PIMCO commodity strategy despite this
7 impending change. More of an informational item
8 for the Committee.

9 MS. SCOTT: There are a couple of reports
10 from the January report that I wanted to touch on
11 that I didn't get a chance to talk about at the
12 January meeting.

13 This first slide captures the dollar
14 change in the portfolio. It translates the 13.3
15 percent net return into dollar terms, which can
16 sometimes be a little bit more meaningful.

17 Looking at the 2021 column, we started
18 the year with \$921 million. Throughout the year we
19 received contributions and we paid benefits. It
20 resulted in a net addition to the investment
21 account of \$19.6 million.

22 So this is funds flowing into the
23 investment account. This is a huge difference
24 compared to prior years where we were always

1 selling assets and transferring money to the
2 operating account to pay benefit payments. This
3 year was a big exception in that we received money
4 and it was a positive contribution in.

5 Then we had gross earnings around 14 and
6 a half percent, which translates to \$134 million.
7 We paid fees of around \$5.6 million, which resulted
8 in a net increase from investment earnings of \$128
9 million.

10 Contributions, plus earnings, is a net
11 increase of \$147 million for the year. It was a
12 very, very strong year.

13 The other report I wanted to touch on was
14 the private market cash flows given the 2021
15 underperformance and some of that was due to being
16 unallocated to private equity.

17 This slide shows cash flows from private
18 market investments for 2021. You are seeing an
19 increase in capital calls, that was about \$6.9
20 million. That was offset with distributions of
21 around 4.7, which was a net cash outflow for
22 private equity of \$2.17 million.

23 Again, unfunded commitments for \$46.3
24 million. Again, highlighting that we have funds

1 allocated to private equity. We're just waiting
2 for that cash to be called in and invested. It is
3 a reminder that capital can be called, like it was
4 in 2021, but that is offset against distributions.
5 We have an increase to our allocation coming here,
6 which turns around and is offset by distributions
7 which decrease our allocation.

8 This next slide provides a little more
9 detail on our private market investments.
10 Specifically, these are our closed in funds and
11 that is capital that is locked up.

12 Here I am showing the Fund's commitments,
13 the unfunded amount, and this is the ratio of how
14 much was drawn versus commitment.

15 If you draw this line at the older
16 vintages, you can see that looking at the PIC, the
17 PIC, the managers generally don't draw 100 percent
18 of the capital.

19 Looking at the new funds after 2012, you
20 see our capital is still starting to be drawn but
21 there are still a ways to go. Everybody is drawn,
22 except for Pomona X, which still hasn't called
23 anything yet.

24 Probably the more interesting ratio on

1 this page is this DPI, distribution of capital.
2 This is the ratio of how much cash we have received
3 in distributions over what we have contributed.

4 At minimum we want to get all of our
5 money back. So at minimum we are looking for at
6 least 100 percent. Anything over 100 percent.

7 Again, looking at our 2012 funds, you can
8 see we have really got some nice distributions
9 coming back. We received more than what we
10 contributed.

11 Adams V 2012, I expect to receive more
12 distributions from that fund. We should have that
13 one up above 100 percent. I am not expecting
14 Mesirov to get there and I am not expecting Apollo
15 to get there either but generally some really good
16 returns from our private market investments.

17 So this other report is class action
18 claims. This is a new report. Securities class
19 actions are another source of income for the Fund.
20 Really at this point we don't take a position. We
21 just participate in the settlements. How that
22 happens is Northern files on our behalf. They file
23 of course for a fee.

24 What happened in 2021, I was looking at

1 Northern's class action fees, and I noticed that
2 their processing fees didn't line up with our
3 custody contract. I was expecting \$5.00 minimum.
4 I was expecting a 2 percent max. I didn't see that
5 so I asked Northern about it.

6 Also within our contract, there is a
7 language that states that these fees may change
8 over time in response to increased costs.

9 Yes, Northern had increased costs and yet
10 they had increased their fees. As a gesture of
11 goodwill, they apologized for not telling me about
12 this increase and they refunded us some of those
13 fees back. They added a credit of \$3,500 to our
14 custody bill but the increase in processing fees
15 did go into effect on July 1st. That is new fees
16 being allocated to our account.

17 Looking at 2021, we collected \$62,000 in
18 class action settlements. Most of those were filed
19 by Northern but then there is this other category.
20 These are primarily antitrust class actions. These
21 are lawsuits not really associated with a specific
22 security but it is a lawsuit against a group.

23 For example, a group of counterparties
24 with some allocations with some antitrust behavior.

1 Like a price fixing or a rate fixing. An example
2 of that would be when all the headlines were rate
3 fixing from a few years ago.

4 Northern doesn't file these. That either
5 leaves me to file them or our managers to file
6 them.

7 This is where Robbins Geller really helps
8 out. As a reminder, Robbins Geller is a security
9 litigation firm that we hired back in 2018 to
10 provide us some free class action monitoring
11 reports. We didn't hire them to litigate. We
12 hired them to help us with monitoring.

13 So I do receive monthly reports from
14 them. I compare their report to what Northern has.
15 They basically do file everything but this is a
16 nice check.

17 What is more interesting on their report
18 are these antitrust class actions. This is where
19 again Northern doesn't file.

20 When I get this report, I look and I see
21 Mexican government bonds, that is something we
22 probably had exposure to.

23 I reached out to Western and Loomis, our
24 fixed income managers. Western provided me with

1 the transactions relevant to this class action and
2 I filed that paperwork. Loomis on the other hand
3 said they would file it for us. That is kind of
4 how I use this report.

5 The other thing that was interesting was
6 this Blue Cross Blue Shield class action and that
7 one I emailed over to Jackie and John to let them
8 know about in case that is something that we would
9 want to participate in at the fund level.

10 In summary, we don't take a position on
11 class actions at this point in time. We
12 participate in the settlements. Northern and the
13 managers and me, we all file where we can.

14 There could be a point where we would
15 want to litigate, i.e., if we had really large
16 losses. That is something that we would want to
17 think about how we would go about doing that.

18 I am thinking that maybe that I should
19 probably draft a security litigation policy to
20 provide some guidelines around when we would want
21 to litigate. That is something I am playing with
22 and there is more to come on this.

23 MEMBER MARTIN: I think we are going to
24 have to have discussions on that later. Thank you,

1 very much, Lorna.

2 MS. SCOTT: Moving on is the performance
3 report for January. So I am not going to spend a
4 lot of time on this because January is just one
5 month. Like Brady mentioned, it started off pretty
6 rough.

7 Looking at this page, there is one little
8 change here. On this first page, performance is
9 shown net of fees. That is net of manager fees and
10 net of operating fees.

11 Three years ago I worked with Matt Clark,
12 who was the Fund's Assistant Comptroller, to
13 establish a process where we would pay the manager
14 fees directly from the manager's account. By doing
15 so, we would be giving Northern the ability to
16 calculate an accurate net of fees performance.

17 That process was effective January 1st of
18 2019. Here it is three years later and I can now
19 provide Northern calculated net of fee returns up
20 to the three year period. The one and three year
21 numbers are exact. The five and ten year periods
22 are estimates. I had used 55 basis points a year.

23 Looking at this value add, you can see we
24 are not covering our fees for one, three and five

1 year periods.

2 This is something that Brady and I will
3 be looking into as we review the structure of our
4 equity and our fixed income investments.

5 If our active managers aren't
6 outperforming the index, maybe we shouldn't have
7 active managers in certain areas of the market. So
8 that is something we will be considering and more
9 to come on this.

10 So let's just look at January's
11 performance very quickly. This is the one month
12 return. One month return of the various asset
13 classes where we are invested. So, again, not a
14 very good start for the year at all. Commodities
15 is the only positive asset class up 8 percent.
16 U.S. equities as a whole underperformed the
17 non-U.S. Underperformed emerging markets.
18 Emerging markets is actually the standout in all
19 the equities. Even within U.S. equities, small cap
20 is still underperforming large cap. Then gross is
21 underperforming value.

22 In this market, how did the Fund do? The
23 Fund declined 4.9 percent underperforming its
24 benchmark which is down 3.6. This is

1 underperformance primarily due to the growth
2 allocations that we have in the portfolio and
3 underperformance by our growth managers. Longer
4 return numbers still remain pretty strong with the
5 Fund up 9.6 percent over ten years.

6 We look at our MWDBE allocation. Again,
7 no changes here.

8 The additional performance is for
9 reference. I will point out that our diversifying
10 funds did have positive performance in January. We
11 have positive performance in commodities, right
12 here, and then illiquid diversifying.

13 I will leave this other performance
14 information for reference.

15 Flipping to the last report. This is a
16 draft report of the manager fees that we paid in
17 2021. This table shows the total fees paid by
18 manager as a percentage of each manager's average
19 market value for the year.

20 Private equity fees appear to be pretty
21 high. That is because we pay fees on the
22 commitment amount and not on what is invested.
23 Those fees as a percentage will get lower over
24 time.

1 From a total fund perspective, we paid
2 about 60 basis points in management fees and that
3 is a favorable comparison to funds of about our
4 size. This is from Callan's 2021 Investment
5 Management Fee Survey where they paid 63 basis
6 points.

7 That is how we look compared to our
8 peers. The next question is how do our managers
9 look compared to their peers? Did we hire the most
10 expensive large growth manager?

11 The next couple of charts show that.
12 Again, this is using the Callan 2021 Investment
13 Manager Fee Survey report. I just charted our
14 managers.

15 The ideal spot is we want to be at the
16 bottom of these universe charts. We want to be
17 down with the cheaper managers. For the most part
18 we are there.

19 Brown is at the higher end and that will
20 be a discussion that we will have with them to see
21 if we can get lower fees from them.

22 Also interesting to note how much cheaper
23 the passive managers are compared to the active
24 managers, that is large cap.

1 Next chart is small cap. Generally, all
2 of our managers are down at the lower end.
3 Neuberger is not but Neuberger I have talked to
4 them in the past and they feel their fee is
5 justified. They are outperforming for us over the
6 long-term. But, again, having this kind of
7 information is worthy of a conversation again.

8 I think micro cap Kennedy may appear at
9 the high-end here but I think this is a small cap
10 universe and not a micro cap universe. It is a
11 small cap universe so I think the micro cap
12 universe Kennedy may appear a little bit lower. We
13 actually have a fee break with them right now as
14 well.

15 Our global ex.US managers, not bad.
16 These are a little high. I think that is a product
17 of the mandate size. Our mandate size is \$30
18 million. This universe is for mandates under \$100
19 million. So we don't have the fee break that would
20 show up in a \$100 million mandate. This is a
21 little bit skewed here.

22 I think LSV is also another manager that
23 has done well for us. They are a little bit on the
24 high end here.

1 Loomis appears to be a little bit high.
2 This universe was very interesting to have TIPPS
3 this wide. The more expensive managers are up here
4 as well. It must be the amount of active
5 management that someone is taking within that
6 universe.

7 The takeaway is we are monitoring these
8 fees and we do use the Callan survey to go back and
9 have conversations with our managers about the
10 level of fees that we are being charged.

11 Again, I pause for any questions or
12 comments. Otherwise, I will turn it over to
13 Trustee Martin.

14 MEMBER MARTIN: We will open it for
15 public comment.

16 MR. WELLER: If there is public comment,
17 please press star six to make yourself known.

18 MEMBER MARTIN: Given that there is no
19 public comments, we will move on.

20 Old Business/New Business. Is there any
21 old business to discuss today? Any new business?

22 MEMBER MURPHY: Motion to adjourn.

23 MEMBER FORTUNA: Second.

24 MEMBER MARTIN: All in favor?

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(Chorus of ayes.)

(WHICH WERE ALL THE PROCEEDINGS
IN THE ABOVE-ENTITLED MEETING
AT THIS DATE AND TIME.)

1 STATE OF ILLINOIS)
) SS.
2 COUNTY OF DU PAGE)

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 DEBORAH TYRRELL, being a Certified Shorthand
Reporter, on oath says that she is a court reporter
doing business in the County of DuPage and State of
Illinois, that she reported in shorthand the
proceedings given at the taking of said cause and
that the foregoing is a true and correct transcript
of her shorthand notes so taken as aforesaid; and
contains all the proceedings given at said cause.

Debbie Tyrrell

DEBBIE TYRRELL, CSR
License No. 084-001078

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