

Investment Committee Meeting

Held at the Office of the Policemen's Annuity and Benefit Fund of Chicago (the Fund)

Held on February 24, 2020

Presiding: Trustee and Investment Committee Chair: Mr. Thomas Beyna

Present: Trustees: Ms. Jennie Huang Bennett, Mr. Michael Lappe, Ms. Susie Park, Mr. Stephen Skardon, and Mr. Brian Wright

Trustee Present Later: Ms. Melissa Conyears-Ervin

Not Present: Trustee: Mr. Edward Wodnicki

Trustee Staff: Mr. Mauricio Banuelos, Office of the City of Chicago Treasurer, and Mr. Martin Johnson, Office of the City of Chicago Chief Financial Officer

Fund Office: Ms. Erin Keane, Executive Director, and Ms. Caroline Vullmahn, Comptroller

NEPC, LLC: Mr. Kevin Leonard, Partner, and Ms. Kristin Finney-Cooke, Senior Consultant

Others: Ms. Rosemarie Giambalvo, Annuitant Member, Mr. Jason Parks, Loop Capital, and Ms. Christine Williamson, Pensions & Investments

President Beyna called the meeting to order at approximately 9:00 a.m.

I. Cash Flow Analysis

Ms. Caroline Vullmahn, Comptroller of the Policemen's Annuity and Benefit Fund of Chicago (PABF or the Fund), began her presentation regarding the Fund's cash flow. Ms. Vullmahn provided the Committee members a PABF Cash Flow worksheet which was distributed and showed the Fund's cash balances, outstanding capital calls of approximately \$1.3 million, expected benefit payments, other expenses for the month, and the resulting expected cash on hand as of February 29, 2020. Ms. Vullmahn indicated that at the end of the month, the cash balance is anticipated to be approximately \$32.9 million.

Ms. Vullmahn explained the details pertaining to the Tax Receipt Collections information provided on the Cash flow worksheet, and the outstanding balance due of \$558.6 million.

In addition, Comptroller Vullmahn distributed to the Committee a 2019 Unaudited Cash-inflows and Cash-Outflows worksheet. Ms. Vullmahn discussed the sources of cash – investment manager redemptions, one-time investment events, distributions from private market, dividend and interest receipts, tax reclaims, net securities lending, tax receipts and interest (employer funding), intercepted funds, and member contributions. Ms. Vullmahn discussed the uses of cash – member benefit payments, capital calls, investment in managers (one-time events), direct investment fees, administrative expenses, and transfer to Richard J. Jones Annuitants Assistance Fund. Overall, Ms. Vullmahn reported the 2019 activity generated approximately \$68.1 million increase of cash.

Trustee Conyears-Ervin entered the meeting.

II. Cash Needs

Mr. Kevin Leonard and Ms. Kristin Finney-Cooke of NEPC, discussed rebalancing the equity portfolio to diversify the Fund's assets. After further discussion, Mr. Leonard recommended that the Committee approve NEPC work with the Fund's staff to determine the cash flow prior to rebalancing the equity portfolio.

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A motion was then made by Trustee Wright, seconded by Trustee Skardon to approve NEPC work with the Fund's staff in the rebalancing of the equity portfolio recognizing market conditions and cash flow.

ROLL CALL

For: Beyna, Conyears-Ervin, Lappe, Park, Skardon, and Wright (6)
Against: Bennett (1)
Absent: Wodnicki (1)

III. Performance Review

a. Northern Trust Performance Flash - January 2020

Mr. Kevin Leonard, NEPC, reviewed the unaudited Performance Flash at January 31, 2020 (unaudited) provided by the Fund's Custodian Bank, The Northern Trust Bank (TNT). The preliminary report indicated that the total Fund portfolio was approximately \$2.5 billion in assets, and had a loss of (0.74%) net of fees for the month. There was further discussion on the Fund's benchmarks.

IV. MWDBE Goals Recommendation

The next item was the Fund's Diverse Investment Manager policy for the Business Enterprise for Minorities, Females, and Persons with Disabilities Act ("MWDBE"). NEPC recommended increasing the Fund's goals for fixed income. An updated copy of the policy was distributed to the Committee. Mr. Leonard and Ms. Finney-Cooke of NEPC recommended increasing the Fixed Income Low from 3% to 11%, and increase the High from 5% to 15%.

A motion was made by Trustee Park, seconded by Trustee Skardon that the Committee approve to update the Fund's policy to reflect the new percentages for the Fixed Income portfolio.

ROLL CALL

For: Bennett, Beyna, Conyears-Ervin, Lappe, Park, Skardon, and Wright (7)
Against: None (0)
Absent: Wodnicki (1)

Before the next item, Private Equity Secondaries Finalist Presentations, *a motion was made by Trustee Conyears-Ervin, seconded by Trustee Lappe to go into Executive session as allowed by the Illinois Open Meetings Act Section 2 (c) (7) to discuss the investments.*

ROLL CALL

For: Bennett, Beyna, Conyears- Ervin, Lappe, Park, Skardon, and Wright (7)
Against: None (0)
Absent: Wodnicki (1)

Trustees Jennie Huang Bennett and Susie Park exited the meeting.

At the conclusion of the Executive Session, *a motion was made by Trustee Lappe, seconded by Trustee Wright to come out of Executive Session.*

ROLL CALL

For: Beyna, Conyears-Ervin, Lappe, Skardon, and Wright (5)
Against: None (0)
Absent: Bennett, Park, and Wodnicki (3)

V. Private Equity Secondaries Finalist Presentations

As directed at the January 27, 2020 Investment Committee meeting, five managers in the Private Equity Secondaries category were selected to make presentations at the February 24, 2020 Investment Committee meeting. The firms selected in this category listed in the order of appearance and the representatives appearing on behalf of each firm were as follow:

Adams Street Partners, LLC (Adams Street)

Matthew Autrey, Principal
Joseph P. Goldrick, Partner
John W. Gray, CFA, Partner

Auldbrass Partners (Auldbrass)

Vish Apte, Principal
Christopher Salley, Managing Director
Howard Sanders, Managing Director

Coller Capital, Inc (Coller)

Paige Brotherton, Partner
Eric Foran, CFA

Glendower Capital (Glendower)

Joshua Glaser, Partner
Adam Graev, Partner

HarbourVest Partners, LLC (HarbourVest)

Nathan F. Bishop, Managing Director
Jeffrey R. Keay, Managing Director
Sanjiv K. Shah, Managing Director

At the conclusion of the five **Private Equity Secondaries Finalist Presentations**, *a motion was made by Trustee Wright, seconded by Trustee Skardon to go into Executive session as allowed by the Illinois Open Meetings Act Section 2 (c) (7) to discuss potential investment contracts.*

ROLL CALL

For: Beyna, Conyears-Ervin, Lappe, Skardon, and Wright (5)
Against: None (0)
Absent: Bennett, Park, and Wodnicki (3)

At the conclusion of the Executive Session, *a motion was made Trustee Wright, seconded by Trustee Lappe to come out of Executive Session.*

ROLL CALL

For: Beyna, Conyears-Ervin, Lappe, Skardon, and Wright (5)
Against: None (0)
Absent: Bennett, Park, and Wodnicki (3)

A motion was then made by Trustee Lappe, seconded by Trustee Wright to hire Glendower Capital and HarbourVest in Private Equity Secondaries for \$25 million to each manager, subject to contract and fee negotiations.

ROLL CALL

For: Beyna, Lappe, and Wright (3)
Against: Conyears-Ervin, and Skardon (2)
Absent: Bennett, Park, and Wodnicki (3)

After the motion was passed, Trustee Conyears-Ervin made a statement “I think that looking at our beneficiaries and annuitants of the Fund, I think that it’s a shame that of all of the five people that we looked at today that we would consider Glendower, the less diverse of all the firms that we have here, and they are performing no better in regards to target, IRR, target equities, maybe slightly, as well as the rates that they’re charging. I think there were other firms that we could have looked at, and I just strongly oppose the fact that this Fund just went into contract negotiations with Glendower.”

President Beyna commented that those statements were not accurate and stated there is a difference in performance - noting Glendower’s average return is 21 percent across all their funds. In addition, he pointed out Glendower’s fees will be lower than other funds after the discount discussed during their presentation.

VI. Any Other Business

Before the motions, NEPC Kevin Leonard discussed the re-up of Dorchester and inviting the firm to the March Board meeting. The Committee requested additional information in advance of the March 2020 Board meeting for a determination.

A motion was then made by Trustee Conyears-Ervin, seconded by Trustee Wright to adjourn the meeting.

ROLL CALL

For: Beyna, Conyears-Ervin, Lappe, Skardon, and Wright (5)
Against: None (0)
Absent: Bennett, Park, and Wodnicki (3)

Respectfully submitted,

APPROVED

Brian Wright
Recording Secretary of the Board of Trustees
Investment Committee Member