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INVESTMENT COMMITTEE MEETING  
FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

STENOGRAPHIC REPORT OF PROCEEDINGS had at  
the telephonic conference meeting of the  
above-entitled matter, on Monday, May 18, 2020,  
commencing at the hour of 8:30 a.m.

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APPEARANCES

BOARD MEMBERS APPEARING TELEPHONICALLY:

ANTHONY MARTIN, Secretary and Active  
Trustee

WILLIAM MURPHY, Active Trustee

TIMOTHY McPHILLIPS, Active Trustee

MELISSA CONYEARS-ERVIN, City Treasurer

RESHMA SONI, City Comptroller

ANNETTE NANCE-HOLT, Active Trustee

ATTORNEY FOR THE BOARD:

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

ALSO PRESENT TELEPHONICALLY:

STEVEN R. SWANSON, Executive Director  
LORNA SCOTT, Chief Investment Officer  
JACLYN VLAHOS, Comptroller  
MARC TORRES, IT Systems Analyst  
BRADY O'CONNELL, Callan Associates  
CRAIG SLACK, Deputy City Treasurer  
MARK MYSLINSKI, City Treasurer Portfolio  
Manager  
ZACK CZIRYAK, Financial Investment News

1 MEMBER MCPHILLIPS: We will do roll call  
2 for the Investment Committee Members. Trustee  
3 Martin.

4 MEMBER MARTIN: Present

5 MEMBER MCPHILLIPS: Trustee Nance-Holt.

6 MEMBER NANCE-HOLT: Present.

7 MEMBER MCPHILLIPS: Trustee

8 Conyears-Ervin

9 MEMBER CONYEARS-ERVIN: Present. Good  
10 morning.

11 MEMBER MCPHILLIPS: And I am present.

12 We also have Trustee Bill Murphy and  
13 Trustee Soni.

14 Due to the fact that the United States  
15 Secretary of Health and Human Services declared  
16 that Covid-19 presents a Public Health Emergency,  
17 and the fact that Governor Pritzker issued a  
18 Disaster Proclamation in response to Covid-19, this  
19 meeting will be conducted via Zoom.

20 The Governor's Executive Order 2020-33  
21 stated that such meetings of public bodies could  
22 take place without a quorum of trustees being  
23 physically present for the meeting.

24 Additionally, the Governor suggested in

1 this order that matters considered at such meetings  
2 should be limited to essential matters necessary to  
3 advance the business of the public body.

4 We are going to respect those guidelines  
5 of the Governor's Order today.

6 The open portion of the meeting is being  
7 recorded and a transcript will be available in the  
8 future on our website should anyone wish to read  
9 the proceeding.

10 Additionally, I would ask that anyone who  
11 speaks during this meeting first identify yourself,  
12 name and title, and remember that the standard  
13 rules for a board and committee meetings, including  
14 our public comments policy will apply.

15 With that being said, I will turn the  
16 meeting over to Lorna our CIO.

17 MS. SCOTT: I would like to request that  
18 the Committee consider a motion to go into  
19 Executive Session to start the meeting.

20 MS. BOECKMAN: Fund Comptroller Jackie  
21 Vlahos is now on the phone.

22 MEMBER MCPHILLIPS: I'd like to make a  
23 motion to go into Executive Session pursuant to  
24 Section 2(c)1 of the Open Meetings Act to discuss

1 the award of specific investment contracts. Do I  
2 have a second?

3 MEMBER NANCE-HOLT: Second.

4 MEMBER MCPHILLIPS: Roll call vote to go  
5 into Executive Session.

6 Trustee Martin.

7 MEMBER MARTIN: Yes.

8 MEMBER MCPHILLIPS: Trustee Nance-Holt.

9 MEMBER NANCE-HOLT: Yes.

10 MEMBER MCPHILLIPS: Trustee

11 Conyears-Ervin

12 MEMBER CONYEARS-ERVIN: Yes.

13 MEMBER MCPHILLIPS: I am a yes.

14 We are now in Executive Session.

15 I note that the members of the public  
16 will be disconnected from the Executive Session  
17 portion of this meeting and will be able to  
18 reconnect when the Committee moves back into open  
19 session.

20 (The Investment Committee went into  
21 Executive Session off the record.)

22 MEMBER MARTIN: Based on your  
23 recommendation, do you think we should make each  
24 motion separately with respect to the proposed

1 allocations?

2 MS. BOECKMAN: It is not necessary. If  
3 trustees would prefer, we can separate it out and  
4 do two motions. I am comfortable with that.  
5 However, you don't need to because it is the same  
6 dollar allocation and same investment mandate based  
7 on the Consultant and Staff recommendations. It is  
8 totally up to the Committee.

9 MEMBER MARTIN: I am fine with it.  
10 Tim, how would you prefer it?

11 MEMBER MCPHILLIPS: I would just combine  
12 it since it is only a Committee recommendation to  
13 the Board.

14 MEMBER MARTIN: Fine, that is the way we  
15 will do it.

16 MS. BOECKMAN: Mark, can you confirm that  
17 the members of the public are back in the meeting?

18 MR. TORRES: Zach, are you back with us?

19 MR. CZIRYAK: I am. Thanks.

20 MS. BOECKMAN: As a reminder to the  
21 Committee, you are now in open session.

22 MEMBER MARTIN: Mr. Chairman, I would  
23 like to make a motion to make an allocation to  
24 Brown Capital and Highclere International Investor

1 consistent with the Consultant and Staff  
2 recommendation.

3 MEMBER HOLT: Second by Trustee Holt.

4 MEMBER MCPHILLIPS: We have a motion to  
5 recommend to the full board to retain Brown Capital  
6 and Highclere International Investors, based on the  
7 recommendation of the Fund's Investment Consultant  
8 and CIO, subject to successful contract  
9 negotiations.

10 So we will have a vote on that. Trustee  
11 Martin.

12 MEMBER MARTIN: Yes.

13 MEMBER MCPHILLIPS: Trustee Nance-Holt.

14 MEMBER NANCE-HOLT: Yes.

15 MEMBER MCPHILLIPS: Trustee

16 Conyears-Ervin.

17 MEMBER CONYEARS-ERVIN: Yes.

18 MEMBER MCPHILLIPS: And I am a yes.

19 The motion passes. It will be  
20 recommended to the entire Board at the next  
21 meeting.

22 I would also like to make a motion to  
23 recommend to the Board to keep Globeflex on watch  
24 until September. Do I have a second?

1 MEMBER MARTIN: Second by Trustee Martin.

2 MEMBER MCPHILLIPS: I made a motion to  
3 recommend to the Board to keep Globeflex on watch  
4 until September. Seconded by Trustee Martin.

5 On the vote, Trustee Martin.

6 MEMBER MARTIN: Yes.

7 MEMBER MCPHILLIPS: Trustee Nance-Holt.

8 MEMBER NANCE-HOLT: Yes.

9 MEMBER MCPHILLIPS: Trustee  
10 Conyears-Ervin.

11 MEMBER CONYEARS-ERVIN: Yes.

12 MEMBER MCPHILLIPS: And I am a yes.

13 The motion passes.

14 Next on the agenda is 2020 Callan  
15 Executive Summary. Brady, please summarize your  
16 report for the Committee.

17 MR. O'CONNELL: I will try to keep this  
18 fairly brief but certainly would be open to  
19 discussion of the quarter in more detail.

20 So just at a high level, before we dive  
21 into this a little more, the first quarter of 2020  
22 was a very difficult one.

23 In February of this year, in fact, when  
24 we discussed 2019 results, we talked about how



1       extraordinarily it was a positive quarter. I think  
2       what we are seeing in the first quarter is the flip  
3       side of that coin.

4               The coronavirus pandemic and the  
5       containment measures that followed had a very  
6       drastic impact as we have all felt on economics and  
7       our daily lives.

8               The equity market recognized that  
9       negative impact very quickly. We saw a very steep  
10      drop in equity returns as you can see here on the  
11      right-hand side of the slide. Declines of up to 30  
12      percent in small cap. We also saw value continue  
13      to struggle relative to growth.

14              So small cap struggled, value struggled  
15      on the equities, and as we have discussed in the  
16      past, your portfolio has a tilt towards small cap  
17      and value.

18              When we look at how managers have done,  
19      that had a negative impact on your results relative  
20      to the benchmark.

21              The fact that we have been diversifying  
22      into private equity and real estate, we haven't  
23      fully made those allocations. When we look at how  
24      you performed relative to peers, those of your

1 peers that invest more heavily in private equity  
2 and real estate did not decline as much because  
3 quite frankly real estate and private equity are  
4 valued on a quarterly basis.

5 I think we'll see the negative impact of  
6 the coronavirus and the economic shutdown feed into  
7 those asset classes in the coming quarter or two.

8 Because of how we invested historically  
9 on not having as much in those private market asset  
10 classes made our results relative to peers look  
11 unfavorable.

12 If you can, Mark, maybe go forward to two  
13 or three slides. We will look at the results  
14 relative to the benchmark. This is the one that I  
15 think is important.

16 A very difficult quarter. The portfolio  
17 was down over 17 percent. The benchmark was done  
18 14. A very large margin of value added detracted  
19 from active managers to underperforming benchmark.

20 I mentioned small in value, not  
21 necessarily being in our favor, but also the bond  
22 strategy detracted from results during the quarter.

23 So we have Loomis and we have Western who  
24 are more aggressive managers. We know from past

1 experience that when there is a flight to quality  
2 market, when investors buy treasuries and sell high  
3 yield or other risky fixed income investments, both  
4 of those managers underperform by wide margins and  
5 we saw that in the first quarter.

6 Now what we do know is that those  
7 managers have effectively used their approach over  
8 long periods of time to add values successfully,  
9 but we do know when there is this flight to quality  
10 environment that we should expect them to  
11 underperform.

12 While we are disappointed that they  
13 underperformed, quite frankly, it would have been  
14 surprising if they would have beaten their  
15 benchmarks in an environment where high yield bonds  
16 and lower quality, less liquid investments sold off  
17 and treasuries rallied.

18 You have Earnest Partners who tend to  
19 focus more on the high quality segment of the  
20 market. They held out much better than those two  
21 managers.

22 We would expect both Western and Loomis  
23 to recover the value that they lost as the segments  
24 of the market, the fixed income market, that they

1 emphasize recover.

2           Maybe, Mark, advance to the bottom of the  
3 next slide.

4           Just looking at how the results of the  
5 first quarter compare to 2019, you can see that we  
6 are coming off a very positive period. I think it  
7 was very timely that we had that discussion in  
8 2019, early part of this year, about how strongly  
9 positive the year 2019 was and how unlikely it was  
10 to be sustainable.

11           But if you look at the trailing calendar  
12 years, we do see that when the market is down the  
13 Fund has tended to underperform. We saw that in  
14 2018; the calendar year. We have seen that so far  
15 in 2020. But we also see that in periods when  
16 markets are up, like 2017 and 2019, that the fund  
17 recovers value and has experienced value added  
18 relative to the benchmark.

19           So I think that the message I wanted to  
20 convey was one that, you know, the strategy of  
21 relying primarily upon liquid investments has  
22 detracted from results relative to peers. That  
23 active management in equities and in fixed income  
24 was disappointing during the quarter but not

1 surprising.

2 So we still have expectations that, you  
3 know, over the long-term, a strategy that  
4 emphasizes smaller cap and value would be able to  
5 outperform the market, but those conditions just  
6 weren't there during the first quarter.

7 The good news is I think subsequent to  
8 quarter end that we have seen a fairly meaningful  
9 rebound. It certainly times that are difficult to  
10 anticipate what future results will look like, but  
11 it was a very sharp and drastic decline in the  
12 markets but the good news is that it was followed  
13 by a fairly significant bounce back.

14 So we continue to monitor the managers on  
15 your behalf. Nothing of urgent concern from an  
16 active management standpoint.

17 I will see if there are any questions  
18 about the quarter or how you have done relative to  
19 peers or the benchmark.

20 MEMBER MCPHILLIPS: Brady, will you be at  
21 the Wednesday meeting --

22 MR. O'CONNELL: Yes.

23 MEMBER MCPHILLIPS: -- to present to the  
24 rest of the Board? Okay. Good.

1 I thought the summary was very good.

2 Thank you.

3 Anyone else? Lorna, do you want to move  
4 to May cash needs and balancing template?

5 MS. SCOTT: We will move on to Jackie and  
6 May cash needs.

7 MS. VLAHOS: For May, what we are looking  
8 at currently is we have a balance with our checking  
9 account at Chase of approximately 13.6 million  
10 dollars. We are still anticipating one more  
11 contribution for our salaries of our firemen of  
12 1.7 million. Bringing our available cash balance  
13 at Chase of 15.3 million dollars.

14 For our month of May, we're looking at  
15 approximately 31.5 million dollars in expenses and  
16 the majority of that figure includes our benefit  
17 checks.

18 With this, just looking at Chase alone,  
19 we are going to look at May 30th with approximately  
20 16.2 million dollars of a shortage, that we're  
21 going to have to take from the Northern Trust STIFF  
22 account, which I believe we currently have around  
23 45 million dollars in there to cover the  
24 difference.

1           Going to the next page, the cash flow  
2           projections. Clearly it is based on historical  
3           values. Obviously, we don't know whether or not --  
4           I know there is an extension that just came out for  
5           property taxes to be due I think 60 days after so  
6           this is obviously based on historical.

7           This is going to significantly change  
8           come July and even August if -- when we are  
9           anticipating -- if you look over on the first  
10          column, that says Average Tax Receipts for July,  
11          2020, we're anticipating 32 million dollars in cash  
12          receipts for property taxes.

13          With that extension, obviously, this is a  
14          new situation here. These are going to drastically  
15          change where basically in July, with those property  
16          tax receipts, we are anticipating not having to  
17          draw down.

18          However, with the extension of the due  
19          date -- I am not sure also if the tax bills are  
20          going to be out on time since there is this  
21          extension and how that may impact our receivables.

22          I know in the past where actually the tax  
23          bills have gone out late. With that being said, we  
24          know 100 percent we wouldn't get anything early at

1 that time.

2           However, do you guys know anything about  
3 that? Madam Treasurer or --

4           MEMBER SONI: No. This is Reshma. We  
5 haven't gotten any updates yet. From what we  
6 understand is that by the end of the week there  
7 would be more information. Of course, if there is,  
8 we will share it.

9           One question that I had, Jackie, is that  
10 based upon -- to your point, there's been times  
11 where the Cook County Treasurer's Office has sent  
12 bills out later with the due date of October or  
13 November, even December 1st.

14           When the money is in escrow, do we see  
15 the trend of that money -- I am checking over here  
16 as well, of course. Do we see that trend of the  
17 money coming in earlier for the escrow payments  
18 from, you know, the regular payments?

19           What I understand, even though there is  
20 going to be a due date of August 1st, there would  
21 be no penalty assessed for 60 days. The due date  
22 won't change, that is my understanding. That might  
23 change later on this week but the due date won't  
24 change. It's just that the time that you have



1 before penalties are assessed is 60 days more than  
2 that due date.

3 MS. VLAHOS: So we are anticipating that  
4 the bills will go out?

5 MEMBER SONI: Yes.

6 MS. VLAHOS: Because I know in the past,  
7 where we had it when it was October, November, if I  
8 remember correctly, those bills didn't actually go  
9 out. People didn't even know in August what their  
10 amount was.

11 MEMBER SONI: Yes.

12 MS. VLAHOS: With that being said, I  
13 still don't know if we are going to have people  
14 paying on time or not.

15 MEMBER SONI: Right. That is the main  
16 nuance that I see in this situation. The due date  
17 will still be August 1st. What I would think is  
18 that anybody who has an escrow account, monies in  
19 an escrow, that money would go out. But if there  
20 is a shortfall or if people don't have money in  
21 escrow and are not paying, that is where we're  
22 probably going to see the hit.

23 We are doing some research on our side  
24 here as well. I will be happy to inform the board

1 if we get additional information or if we have any  
2 numbers to predict what we think might be coming  
3 in.

4 MS. VLAHOS: That would be perfect, as  
5 well as obviously we're not going to know currently  
6 but how many businesses are going to actually --  
7 what percent is going to reopen because obviously  
8 they pay for a portion of the taxes.

9 MEMBER SONI: Yes. Now with the  
10 businesses that are opening, reopening, these are  
11 taxes from last year so they would be open, you  
12 know, as of last year. I understand a company  
13 might close down or file for bankruptcy, but if a  
14 company is closing down they would still have the  
15 liability to pay the taxes for last year.

16 MS. VLAHOS: Yes, definitely. I am  
17 talking about ones that are not going to reopen.

18 MEMBER SONI: You mean the ones that  
19 declare bankruptcy?

20 MS. VLAHOS: Exactly.

21 MEMBER SONI: Right. I just want to  
22 clarify that part, but, yes, agreed, that would be  
23 something we need to look into as well.

24 MS. VLAHOS: That is why I want to make

1 it clear, this is the based on historical numbers.  
2 Obviously, we will know in probably hopefully in  
3 the next couple of weeks how this is going to  
4 actually look so we are able to update these.

5 As long as everything goes as it normally  
6 would, we're looking at having to -- basically, in  
7 June, where it is saying that we'll also have a  
8 deficit of 25.7 million dollars, but we still  
9 should have enough to cover that. We're still not  
10 drawing down from our managers to cover these  
11 because we have enough in STIFF to cover them.

12 However, come July and August, when you  
13 are looking at tax receipts of approximately  
14 32 million in July and 56 in August, obviously, if  
15 that is a lot lower, we are going to have to --  
16 we're not going to have enough in cash. We are  
17 going to have to sell things from our managers in  
18 order to cover -- unless you guys are coming up  
19 with a plan as far as maybe something to fund us  
20 before the property taxes come in.

21 MEMBER SONI: Currently, I haven't heard  
22 any updated discussion on that. I can come back to  
23 the group, hopefully, by our Wednesday meeting.

24 MS. VLAHOS: We're in good shape until

1 July hits.

2 MEMBER MCPHILLIPS: Quick point of  
3 clarification to make sure I understood what was  
4 just stated. The bills are not going out late but  
5 taxpayers will have a 60-day grace period without  
6 penalty; is that correct?

7 MEMBER SONI: That is the understanding  
8 that we have currently. I think it still needs to  
9 get formalized. It is something that will probably  
10 happen later this week from what I heard.

11 MEMBER MCPHILLIPS: Rashma, did you say  
12 there might be an update on this situation in a  
13 week? Is that from the County?

14 MEMBER SONI: From our contacts with the  
15 County and this is purely on the side of us hearing  
16 in terms of collections because all the collections  
17 are sent over first to the Comptroller's Office and  
18 then we distribute.

19 We heard from one of our contacts at Cook  
20 County Treasurer's Office, that they would let us  
21 know by the end of the week. So that is where I am  
22 getting the information from.

23 If I hear any updates by Wednesday, of  
24 course, I will share it. If I hear anything from

1 the Mayor's Office, I will provide it. It might  
2 not be by Wednesday, but if I do I definitely will  
3 share it.

4 MEMBER MCPHILLIPS: I understand. It is  
5 a very fluid situation. If you can work with  
6 Jackie.

7 Jackie, if you can do any type of  
8 analysis to maybe show how these numbers might come  
9 out further down throughout the year.

10 MS. VLAHOS: Definitely.

11 MEMBER MCPHILLIPS: I think the Board  
12 would like to see that.

13 MS. VLAHOS: Sure.

14 MEMBER MCPHILLIPS: Thank you, very much.  
15 Anything else?

16 There won't be a need for rebalancing,  
17 correct, because we're not drawing down any cash?

18 MS. SCOTT: Let's look at the rebalancing  
19 template.

20 MEMBER MCPHILLIPS: Sure.

21 MS. SCOTT: This shows our current  
22 positioning as of May 11th. If you look at the  
23 bottom of the first column, you can see cash, very  
24 bottom of the first column, is 49.2 million. So

1 for the end of this month Jackie needs 16.5. We  
2 have 32.7, as long as we don't spend, we will have  
3 enough to cover the 25.7 that she is estimating.

4 So when you look at us versus our asset  
5 allocation policy, which is the very last column,  
6 the target versus where we were, as of the end of  
7 May we will be overweight in cash but we all know  
8 that is temporary. We are holding that cash to pay  
9 benefits. And I think that is really the point  
10 tthat we're overweight in cash right now but it is  
11 temporary and that is making all the other numbers  
12 look a little bit off but we're still within range.

13 That is all I wanted to say on the  
14 rebalancing template as far as just highlighting  
15 where we are currently with cash and the future  
16 draws coming up.

17 MEMBER MCPHILLIPS: Lorna, when would you  
18 anticipate funding the new SMID international  
19 mandate?

20 MS. SCOTT: When we are done with  
21 contracting, maybe in the next eight weeks. That  
22 money will come from our current positioning, but  
23 if you look at the Epoch portfolio of 27.2 million  
24 and the Globeflex of 24.3, both of those will just

1 change managers.

2 MEMBER MCPHILLIPS: Okay. You think you  
3 might do that in eight weeks?

4 MS. SCOTT: Yes. If we start  
5 contracting, the side letters usually go pretty  
6 quickly.

7 MEMBER MCPHILLIPS: I heard you say eight  
8 weeks twice and I didn't see Sarah blink an eye so.

9 MS. BOECKMAN: I am prepared for that  
10 timeline.

11 MEMBER MCPHILLIPS: Anything else?

12 MS. SCOTT: That is all.

13 MEMBER MCPHILLIPS: I have on this Agenda  
14 Public Comments. I thought we did that in the  
15 beginning.

16 MS. BOECKMAN: That is okay, we did not  
17 handle public comment yet so we do need to handle  
18 that item before we move on to the next agenda  
19 item. I think the last thing on the Agenda is to  
20 adjourn. I think the only member of the  
21 public on the call is Zach.

22 Zach, I don't know if you have any  
23 interest in making a comment during this portion?

24 MR. CZIRYAK: No. But, thank you, though

1 for the opportunity.

2 MEMBER MCPHILLIPS: Motion to adjourn.

3 Do I have a second?

4 MEMBER NANCE-HOLT: Second.

5 MEMBER MCPHILLIPS: Seconded by Trustee

6 Holt.

7 All in favor?

8 (Chorus of ayes.)

9

10 (WHICH WERE ALL THE PROCEEDINGS

11 IN THE ABOVE-ENTITLED MEETING

12 AT THIS DATE AND TIME.)

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1 STATE OF ILLINOIS )  
2 ) SS.  
3 COUNTY OF DU PAGE )  
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6 DEBORAH TYRRELL, being a Certified Shorthand  
7 Reporter, on oath says that she is a court reporter  
8 doing business in the County of DuPage and State of  
9 Illinois, that she reported in shorthand the  
10 proceedings given at the taking of said cause and  
11 that the foregoing is a true and correct transcript  
12 of her shorthand notes so taken as aforesaid; and  
13 contains all the proceedings given at said cause.  
14  
15  
16

17 Debbie Tyrrell  
18 DEBBIE TYRRELL, CSR  
19 License No. 084-001078  
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