

PROCEEDINGS
OF THE
Board of Trustees
OF THE
**Public School Teachers' Pension and
Retirement Fund of Chicago**

**Regular Meeting – Official Report
April 23, 2015**

A regular meeting of the Board of Trustees of the Public School Teachers' Pension and Retirement Fund of Chicago was held Thursday, April 23, 2015.

The President, Mr. Jay C. Rehak, called the meeting to order at 9:50 a.m.

ROLL CALL

Members present: Mr. Jeffery Blackwell, Mr. Robert F. Bures, Ms. Bernice Eshoo, Ms. Tina Padilla, Dr. Walter E. Pilditch, Mr. Jay C. Rehak, Ms. Mary Sharon Reilly, Mr. Raymond Wohl – 8.

Members absent: Ms. Lois W. Ashford, Dr. Carlos M. Azcoitia, Mr. Jerry Travlos, Ms. Andrea L. Zopp – 4.

Ms. Ashford arrived during Public Participation. Dr. Azcoitia arrived following Communications.

Also in attendance were Mr. Charles A. Burbidge (*Executive Director*), Ms. Tiffany Reeves (*Chief Legal Officer*), Dr. Kasthuri Henry (*Chief Financial Officer*), Ms. Mary Cavallaro, (*Chief Benefits Officer*), Mr. Robert Jurinek, (Internal Auditor), Mr. Joseph Burns of Jacobs, Burns, Orlove and Hernandez (*Legal Counsel*), Mr. Robert Kochis and Mr. Chris Cunningham of The Townsend Group (*Real Estate Investment Consultant*), and various observers and staff members.

PUBLIC PARTICIPATION

Presentation by Jim Baker

Mr. Jim Baker, of Unite Here, expressed his concern about the Fund's investment in the UBS Trumbull Property Fund due to their underperformance and fee structure. Mr. Baker questioned if other core real estate investment managers would perform better. Mr. Baker also questioned if UBS Trumbull has received performance fees when underperforming the benchmark.

Presentation by Louis Pyster

Mr. Louis Pyster, a CTPF member, commented that at a Chicago Public Schools (CPS) meeting in March 2015, a Chicago Teachers Union (CTU) official expressed that CTU would work with CPS and Illinois lawmakers in an effort to increase revenue for CPS. Mr. Pyster expressed his opinion that subsequent to the comments at the CPS meeting, CTU has minimized the deficit issues affecting CPS. Mr. Pyster commented that layoffs could ensue if revenue is not generated legislatively. He expressed that CPS and CTU should have a conversation about revenue.

Presentation by Patricia Kubistal

Ms. Patricia Kubistal, a CTPF member, commended Mr. Charles Burbridge, CTPF Executive Director, on choosing "Good to Great" as an instrument for staff training. Ms. Kubistal commented on some of the content in the book and commented that the appropriate team should address cost cutting measures and redundancies in the internal and external Communications staffing, and acquisition of additional space. She also suggested more timely and effective communications to CTPF members relative to decisions made on health insurance matters.

Presentation by Arlene Crandall

Ms. Arlene Crandall, of the Retired Teachers Association of Chicago, welcomed Mr. Burbridge to CTPF and thanked him for meeting with her group in April 2015. Ms. Crandall expressed that there are many challenges with funding and health insurance and she looks forward to working collaboratively on issues affecting the members.

COMMUNICATIONS

Illinois Freedom of Information Act Requests

- Mr. Matthew Cunningham-Cook, of *IB Times*, requested a list of underlying assets held in private equity, real estate, and infrastructure funds of funds, and limited partner agreements of all fund of funds managers. The request was fulfilled in part and denied in part. Mr. Cunningham-Cook was advised that certain records are exempt from disclosure under the FOIA law.
- Ms. Catherine Ajaero, of S&P Capital IQ, requested the Fund's alternative investments performance for 4Q13, 1Q14, 2Q14, 3Q14, and 4Q14. The request was fulfilled in part. Ms. Ajaero was advised that 4Q14 data is not available.
- Mr. Jim Baker, of Unite Here, requested investment data regarding UBS. The request was fulfilled.
- Mr. Edward Ballantine, of Pension360, requested pension data for retired members of the fund for years 2005, 2012, and 2014. The request was fulfilled.
- Mr. Louis Pyster, a CTPF member, requested material distributed at the March 19, 2015, Board Meeting. The request was fulfilled.

- Mr. Michael Nehf, of State Teachers' Retirement System of Ohio, requested records relating to CTPF's financial outlook, particularly records relating to years remaining until insolvency. Mr. Nehf was advised that the Fund maintains no records responsive to his request; however, he was provided with the Fund's Actuarial Report.
- Ms. Amy Mills, of PitchBook Data Inc., requested 3Q14 private equity performance data. The request was fulfilled.
- Ms. Haley Parker, of Preqin Ltd, requested commitment, contribution, distribution and value of the Fund's Private Equity/Venture Capital funds as of September 30, 2014. Ms. Parker was advised that the data is not available.
- Mr. Matthew Cunningham-Cook, of *IB Times*, requested the January 28, 2015 FOIA request from Mr. Kevin B. Huber, and the response by the Fund. The request was fulfilled.
- Mr. Oren Baumerder, of Palico, requested 4Q13, 2Q14, and 4Q14 private equity performance data. The request was fulfilled in part. Mr. Baumerder was advised that the 4Q14 data is not available.

APPROVAL OF MINUTES

Motion to Accept Minutes of Regular Board Meeting on March 19, 2015, Approved

A motion was made by Ms. Reilly, seconded by Mr. Blackwell, and unanimously passed, to approve the minutes of the Regular Board Meeting on March 19, 2015.

EXECUTIVE SESSION

Motion to Go Into Executive Session, Approved

A motion was made by Ms. Reilly, seconded by Dr. Pilditch, and unanimously passed, to go into executive session for the purpose of discussing personnel matters, approval of Executive Session minutes, and legal counsel RFP finalists.

The executive session lasted from 10:10 a.m. to 2:21 p.m.

Motion to Return to Open Session, Approved

A motion was made by Ms. Reilly, seconded by Mr. Bures, and unanimously passed, to return to open session.

Motion to Approve Release of Executive Session Minutes through March 2015, Approved

A motion was made by Ms. Reilly, seconded by Mr. Bures, and unanimously passed, to approve the release of Executive Session minutes through March 2015.

Motion to Retain Legal Counsel, Approved

A motion was made by Mr. Bures, seconded by Dr. Pilditch, to retain the following firms as outside legal counsel: Jacobs, Burns, Orlove & Hernandez as fiduciary and general counsel; Steptoe & Johnson as tax counsel; and Foster Pepper as investment counsel, as discussed in Executive Session, subject to contract negotiations and legal review. The motion passed unanimously by the following roll call vote:

Ayes: Dr. Azcoitia, Mr. Blackwell, Mr. Bures, Ms. Eshoo, Ms. Padilla, Dr. Pilditch, Ms. Reilly, Mr. Wohl, Ms. Zopp – 9.

Abstentions: Ms. Ashford, Mr. Rehak – 2.

Motion to Approve Creation of Staff Positions as Recommended by the Executive Director, Approved

A motion was made by Ms. Zopp, seconded by Ms. Reilly, to approve the following positions as recommended by the Executive Director: Information Security Administrator at a Grade 11 or 12; Director of Human Resources at a Grade 15; Assistant Counsel at a Grade 13; and Director of Investments at a Grade 15. The motion passed unanimously by the following roll call vote:

Ayes: Dr. Azcoitia, Mr. Blackwell, Mr. Bures, Ms. Eshoo, Ms. Padilla, Dr. Pilditch, Mr. Rehak, Ms. Reilly, Mr. Wohl, Ms. Zopp – 10.

Abstentions: Ms. Ashford – 1.

REPORT OF THE INVESTMENT CONSULTANT

BNY Custodian Transition Presentation

Mr. Tony Wilkins of BNY Mellon reported that CTPF successfully completed the custody transition to BNY Mellon. Mr. Wilkins stated the transition was smooth. He reviewed the transition process and those involved. He thanked the CTPF staff and consultants for their support, and commented that the transition was flawless due to their responsiveness. Mr. Wilkins noted that the Annual Financial Report will be automated going forward and there will be ongoing online training of the CTPF staff for better efficiencies.

Mr. Wilkins also reported that BNY Mellon and Muller & Monroe Asset Management, LLC have made a commitment to reach out to Chicago Public Schools students for investment education opportunities. He reported that several high school students were selected to participate in Personal Branding sessions during the National Association of Securities Professionals Conference in Chicago in June 2015 where they will learn professional development skills and will have an opportunity to network with marketers, plan sponsors and trustees. Mr. Wilkins will be a panelist.

REPORT OF THE REAL ESTATE INVESTMENT CONSULTANT

The Townsend Group

Review of 4th Quarter Real Estate Performance Report

Mr. Robert Kochis and Mr. Chris Cunningham of The Townsend Group reviewed the fourth quarter performance report ending December 31, 2014. Mr. Cunningham reported that CTPF has approximately \$1.3B invested in Real Assets comprising 12.9% of total plan assets. Mr. Cunningham noted that the majority of the over allocation is in the real estate portfolio which outperformed its benchmark in 2014. The infrastructure which is under allocated underperformed its benchmark. Mr. Cunningham commented that Townsend is reviewing ways to improve the infrastructure portfolio. He reported that Real Assets are well diversified across private and public market real estate and infrastructure, and that reasonable liquidity is maintained through flexible investment structures. Mr. Cunningham reported that the total Real Assets portfolio has outperformed its benchmark, the Custom Benchmark, gross of fees annually for 15 out of the last 19 years. Mr. Kochis and Mr. Cunningham addressed questions raised by the Trustees.

Real Estate Due Diligence Presentations

Core Real Estate managers representing Prudential Real Estate Investors, UBS Trumbull Property Fund, LaSalle Investment Management, JP Morgan Strategic Property Real Estate, JP Morgan Infrastructure, and

Macquarie Infrastructure made routine due diligence presentations in accordance with the Fund's investment policy. Each manager reviewed portfolio, organization, philosophy, and performance, and addressed questions raised by the Trustees.

Discussion ensued regarding UBS Trumbull's underperformance. The Trustees reviewed options for the UBS Trumbull assets.

Motion to Authorize Liquidation of UBS Trumbull Assets, Approved

A motion was made by Mr. Wohl, seconded by Ms. Padilla, and unanimously passed, to authorize liquidation up to 50% of the UBS Trumbull portfolio on the timeframe as recommended by CTPF consultant and staff.

Mr. Kochis recommended that the assets be redirected to another manager. Townsend will come back with recommendations.

Dr. Azcoitia, Mr. Bures, Ms. Eshoo, and Dr. Pilditch left the meeting.

REPORT OF THE PRESIDENT

Trustee Eligibility Status

President Rehak reported on a matter regarding Mr. Wohl's eligibility status as a Trustee. Attorney Reeves stated that the matter of Mr. Wohl's teaching status is currently under review, and it is her opinion and the opinion of the Fund's outside counsel that Mr. Wohl's current status is active.

Charter Schools Committee Formed

President Rehak reported on an issue pertaining to sub-contracted substitute teachers teaching in Charter Schools. He recommended that a committee be established to review such issues.

President Rehak appointed the following Charter School Committee members: Mr. Rehak, Ms. Ashford, and Ms. Zopp.

AAI OVERPAYMENT

Ms. Mary Cavallaro, Chief Benefits Officer, reported that an estimated 177 pensioners have been recently identified as receiving an overpayment of the Automatic Annual Increase (AAI). She reviewed the financial impact to the Fund and stated that the underlying system issues are being addressed and corrected. She reported that staff would like the Board to establish repayment options and protocols for recoupment of these overpayments from future pension benefits.

Motion to Establish AAI Overpayment Recovery Protocol, Approved

A motion was made by Ms. Zopp, seconded by Ms. Ashford, and unanimously passed, to accept the recommendation of staff to establish a recovery protocol for Automatic Annual Increase overpayments.

Blue Cross Blue Shield Focused Claims Audit Results

Ms. Cavallaro reported that the Fund received the results of the focused health insurance claims audit and administrative review of the Blue Cross Blue Shield (BCBS) Supplement to Medicare plan. Trilogy Consulting conducted the audit for four enrollees with claims processed as primary in the absence of, or denial of, coverage by Medicare. These claims accounted for 20% of plan costs. Ms. Cavallaro stated that

Trilogy's review identified approximately \$2M in overpayments made by BCBS. Discussion ensued regarding seeking reimbursement from BCBS and potentially conducting a full claims audit. Legal counsel will review the existing BCBS agreement and will meet with BCBS to discuss negotiations and determine a potential course of action.

REPORT OF THE EXECUTIVE DIRECTOR

Election Update

Mr. Charles Burbidge, Executive Director, reported that the Teacher-Trustee and Pensioner-Trustee elections will be conducted in November 2015. Mr. Burbidge reported that nominating petitions will be available upon request beginning May 1, 2015.

REPORT OF COMMITTEE ON PENSION LAW AND RULES

Legislative Update

Chairperson Ashford expressed her concern about the Fund's progress on health initiatives. She informed the Trustees that she plans to schedule a Committee meeting in the near future to discuss health initiatives.

REPORT OF THE COMMITTEE ON INVESTMENTS

Investment Committee Meeting Scheduled

Chairperson Padilla scheduled an Investment Committee Meeting on May 1, 2015, at 2:00 p.m.

OMNIBUS VOTE


Committee Reports Deferred

The Committee reports which were presented at the April 23, 2015, Board meeting were deferred in their entirety.

ADJOURNMENT

The meeting adjourned at 5:14 p.m.

Respectfully submitted,



Raymond Wohl
Recording Secretary

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The President, Mr. Jay C. Rehak, called the meeting to order at 10:10 a.m.

ROLL CALL

Members present: Ms. Lois W. Ashford, Dr. Carlos M. Azcoitia, Mr. Jeffery Blackwell, Mr. Robert F. Bures, Ms. Bernice Eshoo, Ms. Tina Padilla, Dr. Walter E. Pilditch, Mr. Jay C. Rehak, Ms. Mary Sharon Reilly, Mr. Raymond Wohl, Ms. Andrea L. Zopp – 11.

Members absent: Mr. Jerry Travlos – 1.

Also in attendance were Mr. Charles A. Burbidge (*Executive Director*), Ms. Tiffany Reeves (*Chief Legal Officer*), Dr. Kasthuri Henry (*Chief Financial Officer*), Mr. Robert Jurinek (*Internal Auditor*), and Mr. Joseph Burns of Jacobs, Burns, Orlove and Hernandez (*Legal Counsel*).

Discussion ensued regarding personnel matters, approval of Executive Session minutes, and legal counsel RFP finalists. No action was taken.

There being no further business, the executive session adjourned at 2:21 p.m.

Respectfully submitted,



Raymond Wohl
Recording Secretary