

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

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**Regular Meeting – Official Report  
Thursday, January 17, 2019**

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A regular meeting of the Board of Trustees of the Public School Teachers' Pension and Retirement Fund of Chicago was held Thursday, January 17, 2019.

The President, Mr. Jeffery Blackwell, called the meeting to order at 9:33 a.m.

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**PUBLIC PARTICIPATION**

**Presentation by John Butterfield**

Mr. John Butterfield, a retired member and President of the Retired Teachers Association of Chicago, expressed that he would like CTPF to consider reinstating the Pension Ambassadors program.

**Presentation by Lois Lubin**

Ms. Lois Lubin, a retired member, expressed her concern regarding CTPF email reminders.

**Presentation by Harriet Thomas**

Ms. Harriet Thomas, a retired member, stated that her pension was revised due to a change in her final average salary due to a coding error by CPS. Ms. Thomas stated that she was also informed that due to the change she is required under state statute to pay the Fund back for the pension overpayment. Ms. Thomas expressed her opinion that she should not be penalized for a mistake she did not make and stated that any payment obligation would be a hardship.

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## ROLL CALL

Members present: Mr. Jeffery Blackwell, Mr. Robert F. Bures, Mr. James Cavallero, Ms. Gervaise Clay, Mr. Mark F. Furlong, Ms. Tina Padilla, Ms. Jacquelyn Price Ward, Mr. Gregory Redfeairn, Ms. Maria J. Rodriguez, Ms. Gail D. Ward – 10

Members absent: Mr. Jerry Travlos, Ms. Mary Sharon Reilly – 2

Ms. Reilly subsequently arrived after roll call.

Also in attendance were Mr. Charles A. Burbridge (*Executive Director*), Ms. Mary Cavallaro (*Deputy Executive Director*), Mr. John F. Schomberg (*Chief Legal Officer*), Ms. Adriane McCoy (*Internal Audit Director*), Ms. Angela Miller-May (*Chief Investment Officer*), Ms. Marisel Hernandez of Jacobs, Burns, Orlove and Hernandez (*Board Counsel*), and various observers and staff members.

### **Motion to Approve Minutes of Regular Board Meeting on December 18, 2018, Approved**

Mr. Cavallero made a motion, seconded by Ms. Price Ward, to approve the minutes of the Regular Board Meeting on December 18, 2018.

The motion passed by the following vote:

Ayes: Mr. Blackwell, Mr. Bures, Mr. Cavallero, Ms. Clay, Ms. Price Ward, Mr. Redfeairn, Ms. Reilly, Ms. Ward – 8

Nays: Ms. Rodriguez – 1

Abstentions: Mr. Furlong, Ms. Padilla – 2

### **Special Committee Member Appointments**

After having previously appointed the chairs, President Blackwell appointed Trustee members to the following Committees:

<b>Special Committees</b>	<b>Chairperson</b>	<b>Members</b>
Disability	Travlos	Blackwell, Clay, Reilly
Return to Work	Rodriguez	Cavallero, Reilly, Travlos
Communications	Price Ward	Blackwell, Bures, Cavallero
Health Insurance	Bures	Blackwell, Reilly, Rodriguez
Policy	Blackwell	Padilla, Price Ward, Reilly
Technology	Redfeairn	Blackwell, Clay, Rodriguez

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## **REPORT OF THE EXTERNAL AUDITOR AND CONSIDERATION OF THE 2018 CAFR REPORT**

Representatives from Plante Moran presented the results of the Fiscal Year 2018 audit of the Fund. They stated that CTPF was cooperative and courteous during the audit; their assistance and professionalism are invaluable. They stated that the opinion letter is in draft form and that it is an unmodified opinion, which means that Plante Moran believes the financial statements based on their audit testing are materially accurate in accordance with generally accepted accounting principles. Plante Moran noted that they identified an internal control deficiency related to controls over census data that CTPF has been and is continuing to work with CPS to address. They stated they had no unusual findings and no significant disagreement with management. Plante Moran addressed questions raised by the Board.

### **Motion to Approve the 2018 Comprehensive Annual Financial Report, Approved**

Mr. Redfairn made a motion, seconded by Ms. Padilla, to approve the Fiscal Year 2018 CAFR.

The motion passed unanimously.

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## **REPORT OF THE INVESTMENT TEAM**

### **Prohibited Vendor List**

Ms. Angela Miller-May, Chief Investment Officer, reviewed the Prohibited Vendor List. Ms. Miller-May addressed questions raised by the Board.

### **3rd Quarter Performance Report**

Ms. Angela Miller-May, Chief Investment Officer and Mr. Yosangel Haddad of Callan Associates reviewed the third quarter performance report ending September 30, 2018. Ms. Miller-May reported that the Fund was valued at \$11.0 billion at the end of the third quarter, representing an increase of \$202.5 million from June 30, 2018. She stated that for the third quarter, the Fund underperformed the Total Fund Benchmark by 48 basis points, net fees, ranking in the 59th percentile of peers. Ms. Miller-May also reported that investment gains of \$258.7 million were offset by negative net cash outflow activity of \$56.2 million during the quarter. She stated that the portfolio's asset allocation was close to its strategic targets at quarter-end, reflecting a slight underweight to private equity, real estate, and fixed income, and a slight overweight to domestic equity. Mr. Haddad reviewed the RFP's that have been approved and are currently in progress or completed. Mr. Haddad provided a forward- looking review of the 4th quarter performance and the recent market environment.

### **Watch List Review and Recommendations**

Mr. Haddad reviewed the managers on the Watch List in accordance with CTPF's Watch List Policy. Channing Capital remains on CTPF's Watch List due to personnel changes. Ariel remains on CTPF's Watch List due to organizational issues. Mr. Haddad addressed questions raised by the Board.

### **2nd Quarter Private Equity Performance Report**

Ms. Weymouth reviewed the second quarter private equity performance report ending June 30, 2018. She reported an overall net asset value of \$311 million compared to the first quarter overall net asset value of \$298 million. She reported distributed capital of \$856 million. Ms. Weymouth reported that the total private equity value paid in was \$766 million. She reviewed each private equity manager's performance. Ms. Weymouth addressed questions raised by the Board.

### **Overview and Approval of Private Equity Pacing Plan**

Mr. Gary Robertson of Callan Associates reviewed CTPF's private equity commitment pacing study. He stated that CTPF's private equity portfolio was initiated in 1996 and has provided attractive and competitive returns. Callan and staff have conferred on the pacing analysis, and suggested that, in 2019, commitments of up to \$105 million are appropriate, based on initiatives to develop appropriate long-term portfolio characteristics. He noted that only \$105 million will be committed to partnerships in vintage year 2019. Mr. Robertson stated that CTPF staff and Callan request the approval of the proposed funding plan. Mr. Robertson addressed questions raised by the Board.

### **Motion to Approve Callan Private Equity Pacing Study for 2019, Approved**

Ms. Padilla made a motion, seconded by Ms. Price Ward, to adopt CTPF staff's and Callan's proposed funding plan.

The motion passed by the following vote:

Ayes: Mr. Blackwell, Mr. Bures, Mr. Cavallero, Ms. Clay, Mr. Furlong, Ms. Padilla, Ms. Reilly, Ms. Price Ward, Ms. Ward – 9

Abstentions: Mr. Redfearin, Ms. Rodriguez – 2

### **3rd Quarter Real Estate Performance Report**

Ms. Sally Haskins of Callan Associates reviewed the third quarter real estate performance report ending September 30, 2018. Ms. Haskins reported a total real estate market value of \$766 million. She reported that the portfolio's actual allocation of 7.95% is below the 9.00% target allocation and that \$108 million of unfunded commitments as of September 30 include commitments to Longpoint, Basis Investment Group Real Estate Fund I, GreenOak US Fund III, Blackstone High Grade Debt Fund, Oak Street Real Estate Capital Fund IV, and Newport Capital Partners II. She mentioned that the portfolio is well positioned with 87% of the portfolio in funds that pursue core strategies with income producing properties.

### **3rd Quarter Infrastructure Performance Report**

Ms. Jan Mende of Callan Associates reviewed the third quarter infrastructure performance report ending September 30, 2018. She reported that this portfolio comprised 2.24% of the total portfolio on a funded basis compared to a target allocation of 2.00%. She reported a total infrastructure market value of \$246 million and \$73 million in unfunded commitments. She stated that Macquarie represents 40% of current infrastructure exposure for the Fund.

### **Motion to Approve Callan Infrastructure Pacing Plan for 2019, Approved**

Ms. Price Ward made a motion, seconded by Ms. Padilla, to adopt CTPF staff's and Callan's proposed infrastructure pacing plan for 2019.

The motion passed by the following vote:

Ayes: Mr. Blackwell, Mr. Bures, Mr. Cavallero, Ms. Clay, Mr. Furlong, Ms. Padilla, Ms. Reilly, Ms. Price Ward, Ms. Ward – 9

Abstentions: Mr. Redfearin, Ms. Rodriguez – 2

**Private Equity Emerging Markets - Africa**

Ms. Miller-May and Ms. Weymouth reported on the potential Private Equity Emerging Markets Africa Managers. Ms. Weymouth reviewed the scope that was created for the three funds that presented at the November 2018 Board meeting. She discussed the process of reviewing the private equity managers. Ms. Miller-May and Ms. Weymouth discussed the estimated cost for Callan to conduct additional, pre-selection due diligence, beyond the established due diligence already applied through the RFP process. Ms. Miller-May made a modification to her previous recommendation to recommend allocating \$10 million to AFIG Funds and allocating \$10 million to DPI. Ms. Miller-May addressed questions raised by the Board.

**Motion to Allocate \$10M to AFIG Funds and to Allocate \$10M to Development Partners International, Approved**

Ms. Reilly made a motion, seconded by Mr. Cavallero, to retain AFIG Funds and DPI at the above allocations, subject to legal negotiations.

The motion passed by the following vote:

Ayes: Mr. Blackwell, Mr. Bures, Mr. Furlong, Ms. Price Ward, Ms. Reilly, Ms. Ward – 6

Nays: Ms. Clay, Ms. Padilla, Mr. Redfeairn, Ms. Rodriguez – 4

Abstentions: Mr. Cavallero – 1

**Institutional Limited Partners Association SEC Letter**

Ms. Miller-May presented and reviewed a letter from ILPA requesting member support. She stated that ILPA would like members to send a follow up letter to their August 8, 2018, and November 21, 2018, comment letters submitted to the chairman, commissioners, and staff of the Securities & Exchanges Commission regarding the challenge to fiduciary protections that investors are facing in the private equity asset class and the actions the commission can take to ensure investors' confidence in the market place. Ms. Miller-May addressed questions raised by the Board.

**Motion to Approve Institutional Limited Partners Association SEC Letter, Approved**

Ms. Reilly made a motion, seconded by Mr. Cavallero, to approve the ILPA letter to the SEC on proposed action to strengthen fiduciary protections for investors.

The motion passed unanimously.

**Motion to go into Executive Session, Approved**

Ms. Reilly made a motion, seconded by Mr. Redfeairn, to go into Executive Session for the purpose of discussing litigation matters, personnel matters, internal control matters, and disability and duty disability applications.

The motion passed unanimously.

The Executive Session lasted from 12:52 p.m. to 4:07 p.m.

Mr. Bures, Mr. Furlong, Ms. Padilla and Ms. Ward left the meeting during Executive Session.

**Motion to go into Open Session, Approved**

Ms. Price Ward made a motion, seconded by Mr. Redfeairn, to go into Open Session.

The motion passed unanimously.

**Motion to Approve Purchase of GCL Government Risk and Compliance Solution, Approved**

Ms. Reilly made a motion, seconded by Mr. Cavallero, to approve the purchase of GCL Government Risk and Compliance Solution in amount of \$29,600.

The motion passed unanimously.

**Motion to Approve Non-Duty Disability Application, Approved**

Ms. Reilly made a motion, seconded by Mr. Redfeairn, to accept the non-duty applicant presented in Executive Session at the January 17, 2019, Board meeting.

The motion passed by the following vote:

Ayes: Mr. Blackwell, Mr. Cavallero, Ms. Clay, Ms. Price Ward, Mr. Redfeairn, Ms. Reilly – 6

Abstentions: Ms. Rodriguez – 1

**Motion to Seek to Become Lead Plaintiff in the Dentsply Securities Litigation, Approved**

Mr. Redfeairn made a motion, seconded by Ms. Price Ward, to approve the Fund seeking to become lead plaintiff in the Dentsply Securities Litigation, delegating to Fund staff the power not to file if a larger, respectable institutional investor files and can adequately represent the Fund's best interest and delegating to in-house and Board Counsel to first negotiate fees with Bernstein Litowitz and, if a reasonable fee cannot be negotiated, to then negotiate with Labaton.

The motion passed by the following vote:

Ayes: Mr. Blackwell, Mr. Cavallero, Ms. Clay, Ms. Price Ward, Mr. Redfeairn, Ms. Rodriguez – 6

Abstentions: Ms. Reilly – 1

**Motion to Authorize In-House and Board Counsel to Retain Outside Counsel for the Purpose of Providing a Statutory Opinion, Subject to Contract Negotiations, Approved**

Mr. Redfeairn made a motion, seconded by Ms. Price Ward, to approve the authorization of in-house and Board counsel to retain outside counsel for the purpose of researching and providing a 3rd opinion regarding a discrete benefits-related statutory issue, subject to contract negotiations.

The motion passed by the following vote:

Ayes: Mr. Blackwell, Mr. Cavallero, Ms. Clay, Ms. Price Ward, Mr. Redfeairn, Ms. Reilly – 6

Nays: Ms. Rodriguez – 1

**Motion to Reverse the Board's Final Administrative Decision Regarding Marek Michalski's Return to Work, Approved**

Ms. Price Ward made a motion, seconded by Mr. Blackwell, to approve the reversal of the Board's final administrative decision regarding Marek Michalski based on new information for the 2016-2017 school year, now finding that he did not exceed the return to work limitations for the 2016-2017 school year.

The motion passed unanimously.

**Motion to Refer the Return to Work Matter for Ronald Ragsdale Back to the Return to Work Committee and Hearing Officer, Approved**

Ms. Rodriguez made a motion, seconded by Mr. Redfeairn, to refer the Return to Work matter for Ronald Ragsdale back to the Return to Work Committee and Hearing Officer for a supplemental hearing on any supplemental or new evidence.

The motion passed unanimously.

**Motion to Authorize Outside Counsel to Issue Demand Letter to Bronzeville Academy Charter School for Recovery of Outstanding Statutory Penalties, Liquidated Damages, and Interest, Approved**

Ms. Rodriguez made a motion, seconded by Mr. Redfeairn, to authorize outside counsel to issue a demand letter to Bronzeville Academy Charter School, formerly known as Chicago Lighthouse Charter School, for recovery of outstanding statutory penalties, liquidated damages, and interest.

The motion passed unanimously.

**Motion to Refer Rowe Elementary School to the Chief Legal Officer for a Demand Letter for Outstanding Statutory Penalties, Liquidated Damages, and Interest, Approved**

Ms. Rodriguez made a motion, seconded by Mr. Redfeairn, to refer Rowe Elementary School to the Chief Legal Officer to issue a demand letter for outstanding statutory penalties, liquidated damages, and interest.

The motion passed unanimously.

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**REPORT OF THE COMMITTEE ON INVESTMENTS**

President Blackwell moved the Report of the Committee on Investments to the omnibus.

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**REPORT OF THE COMMITTEE ON PENSION LAWS & ADMINISTRATIVE RULES****Legislative Update**

Ms. Bukola Bello of Vision Mai, Steve Zahn of Zahn Governmental Solutions, and Mr. Michael Lieteau gave a legislative update and reviewed the CTPF legislative agenda. They addressed questions raised by the Board.

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**ADJOURNMENT**

The meeting adjourned at 4:57 p.m.

Respectfully submitted,



Jacqueline Price Ward  
Recording Secretary



PROCEEDINGS  
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**Board of Trustees**  
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**Executive Session – Official Report**  
**Thursday, January 17, 2019**

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An Executive Session of the Board of Trustees of the Public School Teachers' Pension and Retirement Fund of Chicago was held Thursday, January 17, 2019.

The President, Mr. Jeffery Blackwell, called the meeting to order at 12:44 p.m.

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**ROLL CALL**

Members present: Mr. Jeffery Blackwell, Mr. Robert F. Bures, Mr. James Cavallero, Ms. Gervaise Clay, Mr. Mark F. Furlong, Ms. Tina Padilla, Mr. Gregory Redfeairn, Ms. Mary Sharon Reilly, Ms. Maria J. Rodriguez, Ms. Jacquelyn Price Ward, Ms. Gail D. Ward – 11

Members absent: Mr. Jerry Travlos – 1

Also in attendance for portions of the Executive Session (with Ms. Hernandez attending in its entirety) were Mr. Charles A. Burbridge (*Executive Director*), Ms. Mary Cavallaro (*Deputy Executive Director*), Mr. John F. Schomberg (*Chief Legal Officer*), Ms. Adriane McCoy (*Internal Audit Director*), Mr. Daniel J. Hurtado (*Associate General Counsel*) and Ms. Marisel Hernandez of Jacobs, Burns, Orlove and Hernandez (*Board Counsel*).

Discussion ensued regarding litigation/return to work matters, personnel matters, internal control matters, and a non-duty disability application. No action was taken.

Mr. Bures, Mr. Furlong, Ms. Padilla, and Ms. Ward left during Executive Session.

There being no further business, the Executive Session adjourned at 4:07 p.m.

Respectfully submitted,



Jacqueline Price Ward  
Recording Secretary