BEFORE

MUNICIPAL EMPLOYEES'

ANNUITY AND BENEFIT FUND OF CHICAGO

INVESTMENT MEETING

STENOGRAPHIC REPORT OF PROCEEDINGS had at the audio and video conference meeting of the above-entitled matter, held at 321 South Clark Street, Suite 700, in the City of Chicago, County of Cook, State of Illinois, March 4, 2021, commencing at the hour of 9:00 a.m.

APPEARANCES

BOARD MEMBERS:
Jeffrey J. Johnson, President
Reshma Soni, Vice-President
Robert P. Degnan, Recording Secretary
Verma R. Thompson, Trustee
Melissa Conyears-Ervin, City Treasurer
Craig Slack, Deputy City Treasurer

ATTORNEYS FOR THE BOARD:
BURKE, BURNS AND PINELLI, LTD.
BY: MS. SARAH A. BOECKMAN

ALSO PRESENT:
Dennis White, Executive Director
Stacey Ruffolo, Deputy Executive Director
Donna Hansen, Office Manager
Steve Yoon, Investment Officer
Bukola Bello, Vision M.A.I. Consulting
Brian Wrubel, Marquette Associates
James Wesner, Marquette Associates
Neil Capps, Marquette Associates
Mauricio Banuelos, City Treasurer's Office
Luke Howe, Ullico
Reed Singer, Ullico
Karen Bowie, Nuveen Asset Management
Kitty Martin, Nuveen Asset Management
Eric Kurzweg, Nuveen Asset Management

PRESIDENT JOHNSON: I hereby convene this Board of Trustees meeting for March 4, 2021.

Ms. Hansen, please call roll call.

MS. HANSEN: Trustee Johnson.

PRESIDENT JOHNSON: Yes, ma'am.

MS. HANSEN: Trustee Degnan.

TRUSTEE MCMAHON: President.

MS. HANSEN: Trustee Thompson.

TRUSTEE THOMPSON: Yes.

MS. HANSEN: Mr. Slack.

MR. SLACK: Here.

MS. HANSEN: We have a quorum.

PRESIDENT JOHNSON: We have a quorum for today's meeting.

Public Act 101-0640 allows this meeting to be conducted by video and audio conference. The Act requires a roll call vote be taken on each matter acted upon. I ask that trustees please be prepared to unmute their microphones and clearly respond to the roll call vote on each matter that we consider for approval.

Further, consistent with Public Act 101-0640, I note for the record that the Executive Director, along with Trustee Thompson, staff and I, are physically present in the Fund's office. We are proceeding by video and audio conference because we continue to believe that due to the pandemic it is prudent to not all physically be present in the same space. We have posted notice of this meeting in accordance with the Open Meetings Act and the meeting is being recorded. A transcript of the proceedings will be prepared and ultimately, after approval, will be made available on the Fund's website.

Under Public Comments, consistent with Public Act 91-0715 and reasonable constraints determined by the Board of Trustees, at each regular meeting of the Board of Trustees or its committees that is open to the public, members of the public may request a brief time to address the Board on relevant matters within its jurisdiction.

Ms. Hansen, are there any requests?

MS. HANSEN: I do not have any requests to address the Board, sir, from the public.

PRESIDENT JOHNSON: Very good. First up we will do legislative update with Ms. Bukola Bello.

MS. BELLO: Good morning, everyone.

Thank you, Chairman Johnson. I appreciate you allowing me to just quickly bring you all up to speed on what is happening in Springfield.

Number one, let me start with the fact that Senate Bill 212, which is our employer funding bill, was scheduled for yesterday's Senate Pensions Committee but it was postponed. We did not have any intention of calling it yesterday.

I have had conversations with the chairman who would like to hold a subject matter hearing and so that subject matter hearing has not been posted yet but more than likely I have expressed to the chairman that we would like to have that for next week Wednesday which will be at ten a.m. As soon as it is posted, I will let you know. I have spoken to Director White. I let him know that this is coming.

The chairman has let me know that we will be allowed to have as many speakers as we want within reason. But I think this is a great opportunity to educate that committee on what our options are as far as funding

I think the questions that I have received from the vice-chair of that committee are where is the money coming from. So that will be a top priority for that committee to dig down and find out where the resources will be and how realistic we are in terms of our proposal.

The fact that they have posted it so quickly means that they are taking it seriously, but I wanted to make this body aware that this is coming up. Are there any questions on that?

PRESIDENT JOHNSON: Yes, I do. We have kind of done this tap dance before kind of like as I mentioned last month.

What is your kind of overall opinion with the state of things, especially with a possible stimulus package maybe getting thrown out there? Where do you see the appetite for any type of additional pension funding?

MS. BELLO: It is really tough to say. I know that leadership understands that there is a serious need to get the funds on the path to solvency.

I know that they are considering this proposal, which is again why I mentioned that they posted it so quickly, and they do want to get to it. Ultimately it is going to be where the City is going to choose to allocate those resources, if there is additional federal funds that come in and we have to do our best to advocate that as strongly and as loudly as possible.

Once I get more information, particularly around what they are going to do with that funding, I will report back but this is the best case scenario that we have. We have a platform. We have legislation both in the Senate and the House around funding.

And I am not sure if this fund has ever received a subject matter hearing on this topic but that is the best and easiest and fastest way to educate legislators up on the need of this particular Pension Fund.

MR. WHITE: Good morning, Bukola. I spoke to President Johnson. He and I both are pretty flexible next week. Any time Wednesday will work with us.

Certainly, I sent an email to our actuaries as well just to let them know that this is a possibility. And Steve probably knows and I will probably get him involved as well. That will probably be our team.

MS. BELLO: That sounds perfect, thank you so much.

Let me quickly move on. I have three bills that staff has asked for our position on so I am hoping that we'll be able to hammer that out today.

The first is House Bill 232, which will be in committee this Friday. House Personnel and Pension Committee. It is a divestiture bill.

Essentially, it would require this Board and others to make its best efforts to identify all for-profit companies that contract to shelter migrant children and include those companies in the list of restricted companies for purposes of investment distributed to each retirement system and the Illinois State Board of Investments.

I had a conversation with the sponsor of this bill yesterday. She is going to call it. As of right now the Chicago police are neutral, Chicago teachers is neutral. She has not heard from any other funds but she would anticipate that those funds would be neutral. And this is along the lines of divesting from Sudan, if you remember that legislation that came out several years ago.

Divesting from companies in terms of assault weapons, this is along those lines.

It is political in terms of investments and our fiduciary obligation. Anything that would interfere with that obligation, we would raise eyebrows on but politically it is going to be really difficult to oppose something like this. But, obviously, I defer to you on what your position would be.

MR. WHITE: If our legal counsel is on the line, certainly, Sarah, if there is anything you would like to add on this point

MS. BOECKMAN: Thanks, Dennis.

This would traditionally be a bill that we would not take a position on. It sounds like Bukola did raise this with the sponsor, but I would respectfully request that she reiterate that as fiduciaries we have a duty to seek the best returns for our participants in order to pay benefits. And with the funding levels with the way that they are, we are cautious about any bill that restricts our ability to have everything at our disposal when it comes to making prudent investment decisions to maximize returns for participants is concerning.

That being said, this is not a piece of legislation that the Fund traditionally takes a firm position on. I think it would just be respectfully requesting Bukola to remind the sponsor and other legislators that we do have a fiduciary duty to maximize those returns and with our funding levels the way they are we are cautious about any bill that restricts our investment freedom to seek those best returns on behalf of our annuitants.

Do we have any exposure, Steve, in these type of companies? I don't know how this piece of legislation would impact our current holdings. I don't know if you have looked at that, Steve.

MR. YOON: No, I haven't had a chance to look at specifically on the for-profit companies that are contracted to shelter migrant children.

I think we need a better clarification from the sponsor of this bill on how they are defining as well as if they are using any type of a specific list.

Sudan and Iran has been out there so there's a lot of vendors that have those type of lists.

Where this is rather new. I do not know

if this is something similar to the ICE exercise that we did a couple of years ago. Using that as a base, we didn't have too much exposure there but this is something that we will have to take back once we have some more clarification from the sponsor.

MS. BELLO: Steve, thank you for that.

I did ask the sponsor how she was defining those type of companies. She did not have a response for me. I don't know if staff is working on that either. I think this is just more of a -- sometimes these pieces are filed and introduced as a compensation point for constituents. Implementation of how it will actually work doesn't get worked out until much later. I can go back and ask that but I think the position is that we are not taking a position, is that what I am hearing?

PRESIDENT JOHNSON: It seems easier just to stay neutral right now.

MS. BELLO: Okay. Does there need to be a vote on that?

MS. BOECKMAN: No.

MS. BELLO: Okay. Let me clarify then,

because I do have other clients when they are neutral, they go on the record as being neutral. Is it this body's direction that you are going on the record as being neutral or you are being quiet and being neutral?

PRESIDENT JOHNSON: Apples and oranges. It doesn't matter. I am good with whatever. If we go on record and say neutral until we get more information or we just stay quiet until we get more information.

MS. BELLO: For the purposes of committee being on Friday and the sponsor calling the bill, I would recommend that you are neutral publicly and then I can work with staff on definitions of how they would expect us to define or utilize the term and then I can report back. When it actually reaches the Senate and gets to the Governor's office, we have a clear understanding of what we have to do.

PRESIDENT JOHNSON: I am good with that.

MS. BELLO: Excellent.

The next one is House Bill 447, that is a pension felony forfeiture bill. I have circulated this to Dennis. We did have some conversations around a confusion in the language, that Article 8 doesn't actually have police officers. And, Dennis, correct me if I am wrong on that.

PRESIDENT JOHNSON: I think we have one F.O.P. member.

MS. BELLO: Thank you.

SURS, Article 15, the State Universities Retirement System, has circulated language that would essentially just clarify that the State's Attorney would have to make the funds aware of anyone who is charged with a felony or a disqualifying offense.

Many of the pension funds are fine with that but I wanted to bring that before this Board, if there was any issues with it and if we were okay with that knowledge as well. I sent it to Dennis and he had an opportunity to look at it.

MR. WHITE: Sarah, do you have comments or thoughts on that?

MS. BOECKMAN: Yes. I think the reporting feature of that bill is fine. I think it's helpful. I don't think we have any objection to that. It obviously won't catch every felony because the Cook County State's Attorney is only going to be seeing those felonies that are over her jurisdiction so it is not going to catch everything. As long as we are all aware of the limitations of this reporting tool, I do not believe we have any issues.

I would just note that some other clients who do have police officers in their system have more concerns about this bill specific to the felony provisions and the forfeiture provisions just because of administratively how they would implement it.

I don't think it is as relevant for us, because to Dennis' point, I was actually unaware that we had a police officer member so we might have one. But I would just note that there are some administrative concerns out there that are being raised by some of your sister funds who do have a police presence in their funds and who have similar language that is being introduced under this bill.

So, again, the reporting function, I don't think we would ever object to that. I think we are neutral for that.

And then on the remainder of the bill, I think to Dennis' point -- Bukola, did you mention to the sponsor here that we don't really have any members that this would be impacted by or that we have one member possibly?

MS. BELLO: I had a conversation with the sponsor of this legislation two years ago when he filed it and it only affected Article 3 and I believe Article 5, downstate police and Chicago police.

And so now you see this bill is back again and it is more expanded. He has got support for it.

So I think my recommendation would be that we have no position. It only impacts one member and essentially he's not essentially going after us. He's not targeting us. I haven't spoken to him since our last conversation.

MS. BOECKMAN: We don't think that we will have more members that would be considered police officers, do we, Trustee Johnson or Dennis?

PRESIDENT JOHNSON: The only time that we would get a member is if the Superintendent is a non-sworn civilian. So you are looking like maybe once every five years this comes up probably.

MS. BOECKMAN: Okay. I wanted to make sure we don't envision this being bigger than we currently think.

MS. BELLO: Is the consensus that we are publicly neutral on this bill?

PRESIDENT JOHNSON: I guess, right. It doesn't really affect us so we are neutral.

MS. BELLO: Excellent.

Last one is House Bill 766. So this language was circulated prior to it being filed regarding AFSCME's retiree auxiliary one and two, expand their recruiting, and so within the statute there is already language about mailers.

I spoke to the lobbyist from AFSCME -- I spoke to two of them actually. And found out that, number one, the City really isn't too much involved in these mailings. The onus is totally on the pension fund.

Two, there is no opt out option in the statute. There is no opt out function within the mailer. I have been told that if a retiree does not want to join they simply throw the mailer away and that is it.

They do these mailings every 12 to 18

months. They do not intend on doing anything more than that.

So the question is where is the Fund? Are we in support, are we neutral or are we opposed?

Internally I will just say this and then I will let you discuss it, I know there was a little bit of maybe hesitancy around privacy regarding someone who was not a member of the union when they were active and now in retirement why should we make their information available to the union. I think that is a very real concern but I defer to you on what you choose to do in terms of a position.

MR. WHITE: Was there also a concern of whether just any collective bargaining unit could ask for the information, regardless of whether it is a unit for which City employees previously were members?

MS. BELLO: That is our concern. That was not so much a concern of the AFSCME lobbyist rightly so. I think it is something we need to take into consideration as well.

MR. WHITE: Stacey was also asking about

whether there could have an opt out provision in there as well, that might be extremely tough to administer.

MS. BELLO: Right. Within the statute, to my knowledge, there are no opt options in the statute. So if I were to put that in, ours would be the only one and I think there would be some push back from AFSCME and possibly other units as well.

PRESIDENT JOHNSON: Correct me if I am wrong, if a union wants to pay money for a blind mailer and they spend their own money to reach out to other members that aren't even in their union, that is basically what this bill would allow?

MS. BOECKMAN: No, I think it would give them their information, Trustee Johnson, so a little different than a blind mailer, right. A blind mailer they never get the actual contact information. Here we would be sharing the contact information with them directly under the law I think, right?

MS. BELLO: Right. But in terms of I think what Trustee Johnson is saying in terms of a blind mailer, there would be a large blanket --

they would just send it out to everyone as opposed to their targeted membership that they had when they were active. Is that what you mean, Trustee Johnson?

PRESIDENT JOHNSON: Yes.

MS. BOECKMAN: Sorry, I thought you meant our blind mailing process right now.

PRESIDENT JOHNSON: No, I'm sorry, I used the wrong terminology.

Ms. Thompson, do you have a view on this?

TRUSTEE THOMPSON: Well, I really don't.

PRESIDENT JOHNSON: Okay. Ms. Bello, what is your opinion?

MS. BELLO: This is tough. I think you have to weigh the concerns. If you are not concerned around the privacy concerns, if you understand that AFSCME already does this. They already receive this information. I don't know if you want a political battle in the legislature around what they can and cannot do so it's up to you.

If you would prefer that there is some type of an amendment in terms of an opt out provision, then I can ask for it and see what their response is. If that's not your concern, then I would say that we are neutral.

MS. BOECKMAN: As fiduciary counsel, I think this is similar to the other two bills that we discussed. Unless anyone feels strongly about this one, I would recommend you don't take a position. You remain neutral but that you respectfully ask Bukola, similar to what she agreed to do for the last two bills, to make the sponsor aware of some of our concerns, but that we are not taking a formal position here.

PRESIDENT JOHNSON: Rob, do you have anything to add? I think staying neutral is probably the easiest thing to do.

TRUSTEE DEGNAN: I would agree from everything I have heard that neutral is probably the best for right now.

PRESIDENT JOHNSON: Unless the City has any issues with it, I mean it seems like staying neutral is easier.

TRUSTEE SONI: I would agree with that as well.

PRESIDENT JOHNSON: Sounds good.

MS. BELLO: That is all I have, everyone.

Thank you so much. I really appreciate it.

I will get you the information on when the subject matter hearing is posted and then as more questions come from staff, I will get back to Dennis and Stacey. And then once we need to take another position, I will let Dennis and Trustee Johnson know.

PRESIDENT JOHNSON: Very good.

TRUSTEE THOMPSON: Thanks, Bukola.

MS. BELLO: Thank you. Have a great day.

PRESIDENT JOHNSON: Next up we have Ullico Infrastructure Market Update and Outlook.

MR. YOON: Good morning, trustees. Today we have two manager presentations, along with our preliminary asset allocation review.

First we have Ullico Investment Advisors. Ullico is a North America focused infrastructure manager open ended, I want to remind you of that.

They manage about 2 percent of our assets, which equates to approximately $72 million, since May of 2019.

Ullico was able to stay busy and call all of our committed capital within a few months of on-boarding and put our money to work quickly.

They continue to have a healthy pipeline of deals and a distribution being active in the market.

So here to present the portfolio review, as well as infrastructure through Covid and the outlook for the asset class, are Luke Howe Managing Director and Reed Singer Managing Director of Acquisitions.

I will control the presentation so just let me know what slides to go to.

MR. HOWE: Thank you, Steve, you gave half of my presentation. I was going to talk about our pipeline and all kinds of good stuff and actually the amount of time it took us to call your capital. I appreciate you pointing those figures out.

Good morning, everyone. My name is Luke Howe and with me is Reed Singer with our acquisitions team with the portfolio group for the Ullico infrastructure fund.

We appreciate your time this morning. I know we are going to try to keep this to 20 minutes. If you have any questions, we'd be happy to answer them.

First of all, I'd like to thank you for your business. We appreciate the opportunity to be of service to you and to your members.

So what I am going to touch on this morning, I will give a brief overview of your investment with Ullico and then a little bit on Fund performance, a couple of the new assets that we are investing in, and then I will turn it over to Reed and he can drill down on those a little bit more.

Again, in essence of time, I know we were asked to focus on the infrastructure as an asset class and touch on it pre-Covid, post-Covid and what our outlook is moving forward.

So with that being said, if we could turn to Page 4, please. This is a little snapshot of your investment in the Ullico infrastructure fund.

Pretty much, if you focus on the right side of the page, because the time period is short to begin with, on the left side, it says year-to-date from 2020, the first three-quarters. On the right side it is since inception.

Your documents came in February of 2019 and we actually called your first group of capital in May of '19. So that was just a couple of months since you got your documents in you were in the queue and we already made your first capital call.

And then we did the followup call. The first call was for $16 million and then we did the followup call of $59 million, that was in March of 2020, so that was probably about 12 months to complete the full call of your commitment.

So you have been in the fund since then fully committed and then on the bottom is your ending balance of $72.5 million. Since your inception into the fund, your personal performance has been 5.3 gross and 3.5 net. And that again is just in that short snapshot of since your capital has been put to work.

If you flip to Page 6, it is a little bit of a glance of the whole portfolio of where we have been as far as raising capital. And as of September 30th of 2020, we have had $2.1 billion in assets under management and now it is actually $2.4 billion because we did a capital call in November.

Since inception, which eventually, you know, you guys will get to this hopefully once you fully have some more time in the fund. Since inception of 2012, our net returns to our investors has been 8.5 percent. And out of that, we have our semiannual distributions to our investors. Last year year-to-date from January 1st to October 1st, we distributed $55 million back to our investors, that they had the option of reinvesting in the fund or they can take it and use it to pay benefits or do whatever they want with the liquidity that they received.

As of 12-31, in committed capital, we have $3.2 billion in committed capital, which actually leaves our queue at $976 million. However, with these two new investments that we are doing, which should be getting funded in June and then later this year after some regulatory approvals, we will probably be cutting that queue down at least half, if not more, because these next two investments are going to be pretty large.

Those investments are -- it is an end wave energy, which is an energy facility that provides chilled water and hot water to universities and to eight different cities.

There is facilities in Downtown Chicago and we service a number of buildings in Downtown

Chicago through this investment. And actually Maggie Daley Park is one of the distributions that receives their chilled water through there.

PRESIDENT JOHNSON: Mr. Howe, that is the facility off of the Eisenhower, correct, in the New Wave Building?

MR. HOWE: It is the End Wave Building, Trustee Johnson, and that is one of their facilities. They have multiple facilities Downtown.

PRESIDENT JOHNSON: How does that work with them supplying the chilled ice or the cooling, just a very quick synopsis?

MR. HOWE: Reed actually would be more in tune to that. Do you want to touch on that?

MR. SINGER: You bet, I can jump in here. End Wave, their business, they have five production plants in Downtown Chicago. The business is in eight cities but I will just talk about the Chicago network, including the one I think that you are referencing, which is right on the Chicago river off the Eisenhower. It is a very distinctive looking building. There is one in the Merchandise Mart. There is another plant in the Blue Cross building on Randolph.

So what those plants do, they produce ice in the overnight hours using electricity at the off peak hours when electricity is low cost and then during the day when it gets hot they distribute -- the ice melts and they distribute the chilled water through a network of 15 miles of pipes under the streets of Chicago to various buildings, commercial buildings, government buildings, all throughout the central area of Chicago.

PRESIDENT JOHNSON: Okay. Very interesting. Thank you.

MR. HOWE: The other one is Hearthstone it is called. It is a utility company that has six natural gas distribution centers and Reed can touch on those, too.

Again, we will just touch on them. If you want more detail, we would be happy to go into them, but we definitely want to be respectful of your time and focus on the areas that we were requested to focus on; infrastructure as an asset class.

One last thing I will touch on before we turn it over to Reed, if you flip to Page 9, this is the total portfolio performance since inception and yearly.

And kind of the idea of our investment policy is to be very, very consistent. We have been up until the pandemic hit.

So if you turn to Page 9, it shows you the performance. So as you can see since inception, the numbers are exactly where we project them to be.

Again, institutional investors like yourself are long-term investors so in the long-term you're going to be getting what you need. And our three year numbers and five year numbers and that's how the Fund has pretty much been performing since inception consistently. Not a lot of highs, not a lot of lows, just steady performance where we want to get you to where you need to be to pay your benefits.

Obviously, the one-year numbers have been down because of the pandemic. Some of our assets were impacted with some of the shutdowns and Reed can address that as well. But we're very optimistic and we feel our investments and these new ones coming online are going to bring us back to where we need to be.

Like our school bus company, our barge company in the Pacific Northwest, some of these things were impacted by the Covid shutdowns but already we see them starting to come back online.

Obviously, we're not happy with the one year number but we are not too rattled by it as long as we see these assets coming back into play and things start to open up.

With that, I will turn it over to Reed. Thank you.

MR. SINGER: Good morning, everyone. Thanks, Luke.

So I think I will start on slide 5, the product highlights, and I will speak a little bit about the asset class, how it has performed through Covid and then get into a little bit about the specifics of our fund and the recent investments we have done.

So infrastructure as an asset class, I think our asset classes -- we are designed for economic difficulty and tumultuous economic times like we have seen in the last 12 months.

The focus of the asset class is on

preserving capital and producing steady returns and consistent cash yields that are not correlated with GDP or economic growth or consumer spending and that is really what we have seen as the economy has gone through a down cycle in the last year.

We have seen that the majority of our investments in our fund and across the space have generally continued to perform quite well. They have continued to distribute cash and continue to maintain their values.

We haven't necessarily seen huge appreciation, but we have also not seen a much meaningful loss of value, which is again really how the asset class is designed to perform.

The focus is on investing in things that are essential for people's everyday lives. Rather than discretionary spending and consumer spending and things, infrastructure businesses are selling things and delivering services and products to people that basically people can't live without. Things like electricity, natural gas, water, sewer treatment and transportation.

Very often these businesses are operated on long-term contracts so the revenue has long-term stable contracts from investment grade and credit worthy off-takers.

In other cases they are regulated industries like we see in this electric and gas transmission where you have state and federal regulators setting the rates.

And then we also have many businesses, End Wave falls into this category, that are national monopolies. They have some equipment or infrastructure, distribution networks, that is really the only alternative or one of our very few alternatives and very expensive to replicate.

So all of those characteristics feed into the very stable, very predictable returns and distributions that you see from our sector.

The other thing is we don't invest in publicly traded securities. The investments that we make are generally projects, individual projects, and they are really only available to large institutional investors so we are not really subject to the vagaries and the ups and downs of the public markets that we have seen in recent days. Things happen in public markets that are often difficult even for economists to explain. We stay away from that. Our investments are all project based investments.

MR. YOON: Reed, maybe you could help our trustees understand the difference between the listed infrastructure, maybe this is a good time, as you mentioned private and public.

MR. SINGER: Yes, there are listed companies in this space. You know, there is utilities, investor owned utilities. There is listed infrastructure entities and so forth and those are entities that you can buy stock in the public markets just like any other publicly traded company, that's not what our fund is doing.

The underlying assets in some cases can be similar across listed versus private equity but I think one of the additional safe aspects of our fund, because we are not in the public markets, we are not going to be influenced by ups and downs that occur because of retail investors or other phenomena that happen in public markets. That may effect publicly traded infrastructure, but it is not going to effect our projects. Our projects are basically driven by the underlying revenues that we get from our users.

The last point I will make on the asset class is from an interest rate perspective. We have seen very low interest rates recently, which is great for asset values across the economy, who knows if that is going to persist. We may well see higher interest rates in the future that will have some impact on the valuations and what can be paid for assets going forward.

But in our portfolio and across most of the private infrastructure, we are not taking interest rate risk. Our investments are financed under very long term debt at fixed rates.

When we make an investment, there is long-term debt in place of fixed rates so there is very, very limited exposure in our existing portfolio to fluctuations in interest rates.

We have seen a number of themes in the economy that have been beneficial to infrastructure and as the pandemic has hit some of these themes in many ways have only been heightened by what has been going on in the world and you will see these themes in the portfolio we have constructed.

One of those themes is the transition in the energy world from fossil fuels to renewables.

Much power generation in the U.S. historically has been from coal and gas and as those plants are aging and new technologies are being developed in renewables, as well as battery storage, we are seeing a lot of the fossil fuel plants retired and there's an investing opportunity which our fund and others have capitalized on to be part of that transition of the energy grid from fossil fuels to renewables.

We are also seeing a build-out of electricity transmission and part of that is just due to aging infrastructure, transmission that was built decades ago that needs to be replaced. Part of that is just due to reconstructing the power grid to accommodate renewables.

With the events that happened in Texas recently, we have certainly seen the importance of a strong and resilient transmission grid to get power where it needs to go. That is an opportunity for funds like ours to make investments in transmission assets, which very often are either regulated or monopolistic or under long-term contracts.

There is just a general aging of

infrastructure in the country. A lot of infrastructure was built decades ago in transportation, energy and utilities. A huge need to replace aging infrastructure with new.

You overlay that with difficult times for many state and local governments, which has only been heightened in the pandemic, scarcity of public resources. And that is coupled with the need to replace aging infrastructure, which is where opportunities come in for public/private partnerships to bring private capital from funds like ours to play in assets that historically have been publicly financed.

The last I will mention is the climate and weather events, that was one of the drivers behind what we saw in Texas recently, and we're seeing that across the country. More severe weather, more storms, causing strains on infrastructure requiring both replacement and upgrading infrastructure to meet what used to be 100-year or 500-year weather events seem to be happening every year.

We can flip forward. I will say a few words about some of the investments in our fund.

Let's go to slide 7.

So most of our fund, about three-quarters of the fund, the renewables, the transmission, is very much core infrastructure contracted and really has had almost no impact from Covid. They continue to perform. They continue to generate distributions and revenues.

There is a smaller minority of investments, about 25 percent of the fund, that does have some exposure to what we will call merchant or uncontracted cash flows. There has been some moderate impact, which we have seen in the results in the last year.

One of those is the Metropistas toll road, which was one of the new investments that we made in the last year. This is a toll road in Puerto Rico that serves the Metropolitan San Juan area. It is a very congested corridor for both commuting and freight traffic across the northern corridor of Puerto Rico and San Juan.

It is a toll road so it falls under the sort of natural monopoly essential characteristic. People need to get to work. There is very few alternatives to taking this route.

When Puerto Rico was locked down in March, we saw an immediate downturn in traffic but traffic has recovered quite well and we're now operating about 8 to 10 percent below pre-Covid levels but still recovering.

The other one that Luke mentioned that was impacted is Tidewater, which is a shipping freight business in the Pacific Northwest. Shipping volumes, especially for liquid fuels, were down and so there is some recovery happening there.

And the last one is the school bus business, student transportation, which is the third largest provider of home to school transportation on yellow school busses.

Obviously, schools are closed in many places, starting to reopen, and that had some impact on the revenue.

Fortunately, we have also been able to reduce operating costs because the buses aren't running. Most, if not all, of the revenue impact has been offset in that business by reductions in operating costs. And I think this time has shown us that schooling K-12 kids at home hopefully is not going to be a long-term thing in our country and we're all very anxious to get the kids back on school busses and back into school, which will be great for student transportation.

Lastly, in the last few minutes, I will just touch on our pipeline which is slide 11. We have touched on the two investments that we have signed since the start of the 2021. So we have signed committed purchase agreements and these are going to be closing later in the year. End Wave, which we touched on briefly, this is a minority investment on the part of Ullico. We are teamed up with the Queensland Investment Company, which has a separate account with CalPERS as our partner. They are going to be the majority owner. We are a minority owner of the End Wave business, which is providing chilled water and steam and hot water to networks of buildings and university campuses across the country.

We are very excited to be partnering with CalPERS. Very well aligned with our mission in terms of long-term infrastructure investment.

The other one, which is labeled the LDC Utility, this is Hearthstone, which is a regulated natural gas utility. It is in five states. It's basically similar to Peoples Gas here, in Chicago, delivering natural gas to people's homes across five states in the U.S. on regulated rates.

This is a regulated business, very predictable business. It has a very good geographic footprint in areas that are generally doing fairly well economically and have some growth potential.

There is also a good part of their territory, especially in the northeast, a lot of homes are still on heating oil and there is an opportunity to convert homes from heating oil to natural gas, which is a much more efficient fuel source for heating people's homes.

So going forward we see continuing deal flow coming from the trends that I spoke about. The U.S. has a need for rebuilding its infrastructure, reconfiguring the energy toward renewables, bringing private capital into assets like toll roads and airports that historically have been publicly financed.

We see those trends continuing and expanding in the post-Covid world and we think that the ability of our fund to maintain its value and continue to make distributions through very difficult economic times we think it proves out the thesis of what we're trying to do with the objectives of our fund.

MR. HOWE: Can you give us a brief update on the Midwest City development?

MR. SINGER: Yes. So that is a Chicago project. I am sure many of you who live here and follow the news have heard about it. It is the one central project that is being proposed along Lake Shore Drive near Soldier Field.

It is a very innovated, very exciting project. We are supporting it and we have an agreement with the developer to potentially invest in the future. There is still a lot of uncertainties about how that project -- how and when that project is going to move forward.

They are just beginning their process with the City of Chicago in terms of approvals. They have legislation that they have gotten passed in Springfield for financing, but there is also still a lot of work to be done in Springfield to finalize the state financing.

So we are not committing any capital of

the fund into this project at this time but we are supporting it and if it moves forward it could be a great opportunity to invest in a major project to sort of kick start the recovery of Chicago.

MR. HOWE: Thank you.

Is there anything else you guys would like us to touch on or any of the trustees have any questions that we would be happy to respond to?

PRESIDENT JOHNSON: I am curious. Something that I have noticed more so probably since we started investing with Ullico, I see Ullico signs on every job site Downtown. Every high-rise going up.

First off, I want to say thank you for your involvement in the City of Chicago.

Now what does that do? How does that work when I see all these signs up everywhere in the City Chicago?

MR. HOWE: Yes, trustee. We also have a real estate debt fund and what we do with that is we raise capital and then developers come to us and other sources, equity sources, but we are a debt provider and we provide construction loans. And we have done $3 billion worth of loans in Chicago since the inception of the fund and one of our latest one is 110 North Wacker, the Bank of America Building. We have done multiple buildings Downtown Chicago and in the area.

And our deal with that is people want to borrow our money for construction loans and get their buildings up and rented. Our qualification is we demand 100 percent union work on these buildings to be represented by union labor and organizations.

So that is our real estate debt fund. That fund we actually started in 1977 so we have got over 40 years with that fund and the infrastructure fund we started in 2012 so that is where you see that coming from.

PRESIDENT JOHNSON: Very good. My hats off to you, because I know as a proud Local 9 member, I have a SEIU 73 member here, as well as Rob Degnan, new on the Board, he's a 150 member.

And so when you say that, union jobs, and what Ullico is really doing to push that, my hats off to you guys. It is something that I really respect that investment.

MR. HOWE: That is geared to focus not

only on our union membership of our clients, but also on our City officials and our municipal and state clients, because what we feel is we are giving back to the community. We are creating jobs in the community which then helps create a tax base and income, which then ultimately raises income taxes which goes back into the communities and provides schools and pays teachers and police and fire. It is a good partnership for us and that is kind of where our values are.

PRESIDENT JOHNSON: Very nice, I respect that.

MR. YOON: Any other questions, trustees?

TRUSTEE DEGNAN: I have a quick question. This may be for Jeff or Steve. Will this slide show -- could this be made available to us just so I can take a look at it?

MR. SWANSON: Absolutely. We will send it to you directly and we also have it on the trustees' portal. If you don't have access to that, we will certainly get you access to that.

TRUSTEE DEGNAN: Thank you.

MR. YOON: Absolutely.

MR. WRUBEL: Luke and Reed, this is Brian

Wrubel. You talked about your pipeline. Are you thinking about any asset sales down the road? I know you have been more in the acquisition mode. But as the portfolio, I don't want to say matures, but as you start to add properties in there, what about your process or your thought process for sales?

MR. SINGER: We are open ended. We continue to raise capital and grow the fund. When we make an investment, we underwrite it for its useful life so we are planning to hold these investments as long as they are going to continue and operate and generate revenue.

We don't have any plan per se to sell any assets. You know, that being said, there are opportunities that come around where if you have an opportunity to sell something and make a fantastic return sometimes that is the right thing to do.

I think the one investment in our portfolio that we might see monetized soon is the Tier Point Data Center investment, which actually was a very recent investment we did. It is a smaller investment in a company that owns a network of data centers serving businesses and tech companies around the country.

We are preferred equity and our return is pretty high. It is a pretty high cost of capital so we anticipate that we might get taken out of that investment by a lower cost of capital in the near future and generate a pretty good return with a shorter hold.

That's not our typical game plan but when opportunities like that come up to make an investment that is in a sector we have interest in and get a good return, we jump on it. But the business plan for most of these investments is to hold them for decades.

MR. WRUBEL: Great, thanks.

MR. YOON: With that, if there is no other questions, we will let Mr. Singer and Mr. Howe have the rest of the day.

MR. HOWE: We do appreciate it. Again, we are grateful for your time and we're very proud of this fund and we're glad we had the opportunity to meet this morning and give you an update on it.

We are always available. We are right here in Chicago. The whole infrastructure team lives here, in Chicago. Our office is right down the road on Wacker Drive. So we are here at your disposal and look forward to the day, hopefully soon, where we can meet in-person. So thank you again.

MR. YOON: Thank you, gentlemen.

Before we bring on the other managers, if you have any questions for us, please do ask.

Infrastructure seems to be a good asset class for us going forward as well and as we mentioned it is less sensitive to interest rate and it is an inflation hedging strategy and supplies good income stream for us as well for a fund that is extremely strapped by our cash flows. It sets up nicely to our asset allocation later that we will discuss.

So no other questions, then I will bring on the next manager. Trustees, we have Nuveen small cap value presentation. Nuveen is a local asset management firm but the strategy is out of their Minnesota office.

The strategy was on-boarded on June 2018 and is approaching three years in June of this year.

They are currently on our watchlist due

to organizational changes with one of the junior PM's in small cap value deporting voluntarily.

Their performance has been disappointing and attributed to a few factors. Such as junk rallies in the market condition, with portfolio being high quality as well, and value stock being out of favor but also their stock selection also has contributed to their underperformance as well.

However, they had a great February of this year and they are positioned well for reopening of the economy.

So here to present the portfolio today are Kitty Martin Managing Director, Karen Bowie Portfolio Manager and Eric Kurzweg Client Portfolio Manager.

Take it away, Kitty, and I will control the presentation so please tell me what slides to be on.

MS. MARTIN: Great, thank you. Thank you, everyone, for being here today. Good morning to the Board and to the Marquette team as well as Steve and Dennis.

I just want to confirm we put together a presentation in a 20-minute window. Obviously, we want to make certain that we address all the questions of the Board as well as the staff and Marquette. We will try to get keep it within that timeframe.

Steve, as you said, my name is Kitty Martin and with me today are Karen Bowie, she's a PM of a small cap value strategy, which is a strategy that we manage on behalf of the Chicago Municipal plan. Also is Eric Kurzweg and he is a Client Portfolio Manager and he works closely with Karen and with other members of the team to help develop and communicate the strategy both internally and externally so we appreciate your time today.

First and foremost, we recognize that our performance has not met the expectations, your expectations or our expectations. We appreciate the opportunity to share our views and to address your questions.

We prepared a presentation that has three goals in mind. We want to address the performance, we want to address our reasons for underperforming and we want to share our outlook.

We hope our time today will provide

confidence to the Board to retain us as a small cap value manager.

At this point I am going to turnover the presentation to Karen. Karen is going to walkthrough the pages but please feel free to have this be an interactive discussion with her to insure that we adequately address all of your questions today.

So, Karen, I am turning it over to you.

MS. BOWIE: Thank you, everyone. Again as Kitty mentioned, we appreciate the opportunity to come before you and present our process and discuss performance and answer any questions.

As Kitty mentioned, I am head Portfolio Manager for the Nuveen small cap value strategy.

Today I am going to talk about the strategy and why I am optimistic and why I believe that the tide is turning in our favor towards our strategy and process' favor.

So let me just mention with our strategy, we invest in companies that have stronger and improving fundamentals.

The differentiators of our strategy are that our companies trade at a meaningful discount before we step into names and that is why we require at least a 20 percent discount to intrinsic value or price target.

Secondly, we require identifiable and measurable catalysts. These should be within a short-term time period so within two quarters. We're looking for sign posts that aid us in avoiding value traps.

Thirdly, we invest across the value spectrum. We invest in deep value names. We invest in traditional value names, which are our sweet spot, as well as GARP names, just recognizing that there are differences that occur throughout the investment cycle.

The small cap value strategy. It is a collection of the best ideas from our research process and it leads us to higher convictions, you know, a small cap value portfolio.

When you look at characteristics of our portfolio, you will see that the process links us to investing in companies that have an equal or lower relative valuation and that is forward price earnings and above the average profitability. If you look at return on equity, a balance sheet possibility metrics, versus the Russell 2000 value index, our benchmark.

The approach is bottom up, fundamentally driven. From a fundamental standpoint think of at least 80 percent of our process.

We do and are aided by your quantitative tools. And think of that from the standpoint of 20 percent of our process, which allows us to look at data, use data to help us as a crosscheck. So, in essence, we use it from a risk management standpoint but also an opportunistic standpoint.

On Page 3, we actually have the team. And let me just mention that it is an experienced and tenured team. I have been on the strategy since 2005. I was made Lead Portfolio Manager in 2006. My co-PM David Johnson has been on the strategy since 2001. And we have a dedicated analyst Gene Novack, who has been on the strategy since 2019 but Gene has been with the firm since 2006 and I have actively worked with him since 2012.

We utilize fundamental and quantitative analysts, which we believe gives us a much more informed, more objective, stock selection process.

We did have a member of our team leave in October of this year. Actually November 1st was the official date. Andrew Rem, he took voluntary severance. Andrew Rem took voluntarily severance for personal reasons, health issues with his family, with his wife.

Andrew covered for us prior to his departure industrial healthcare and consumer staples.

What I did with the help of the team, with the help of our large Nuveen database and people expertise, is we brought in more analysts from our large and mid-cap analyst pool, who have been helping us, especially in the healthcare segment as well as with regard to the consumer staple segment. In addition, they are also providing collaboration in the industrial segment as well.

Let me just mention that, with regard to this, it has actually helped us from the standpoint of having more people, more ideas flowing into the portfolio. And from the standpoint of notification, idea generation, it's been extremely, extremely profitable for the portfolio.

On Page 4, as I said at the outset, we invest in companies that have improving fundamentals from a bottom up approach and that require at least a 20 percent discount before we enter a name, that is important as well as the short term catalyst. This process, this philosophy, has been consistent since I became lead back in 2006.

On Page 5, I mentioned that we invest across the value spectrum. We have guardrails in place as a small cap value manager. This is important in that we do want to avoid style drift. As I mentioned, our sweet spot is the traditional value area so at least two-thirds of our strategy is focused on traditional value.

We do think that what is important is that you have business cycles, you have industry cycles, that are occurring. If you think about entering a new cycle after a recession, deep value names historically do very well because the government is trying to stimulate the economy.

As we move through the cycle and towards the end of the cycle in a lower growth environment, GARP names, or Growth at a Reasonable Price, traditionally do much better and that is that investors in essence are starting to get a little bit more conservative. They want consistent growth at that point.

So we talked about our process. It leads us to investing in companies that have an equal or lower relative valuation; the PE. You can see that on the next few pages here.

The other pieces that you will notice that we have companies that have greater market capitalizations than the benchmark. Why? Because traditionally they provide more liquidity, the management teams are much more transparent and available and for us that is important because we want to check the box with regard to the sign post, those catalysts that we are watching. So we like speaking with management teams and getting updates from these companies.

So market cap, on Page 7, you will see the other slide, which then focuses in on profitability as well as the profitability which is the return on equity.

Again you will see that historically we have had a much higher profitability than the benchmark and that is important because we want companies that have that financial flexibility to go out there that can withstand difficult market environments.

And then, on Page 8, valuation. Again, our companies traditionally have traded at lower or equal valuation versus our benchmark.

For us what is key is these companies have stronger balance sheets and so in essence given our price target it provides opportunity for upside. In essence, we're finding companies that are on sale at a discount to what we believe are their true value out there.

So Pages 6, 7 and 8 in essence display our process consistency over time.

The tied is turning. So on Page 9 I think what is important here is just kind of pointing out as you look at 2021 already we are seeing good absolute performance with regard to the markets.

In January, we underperformed. Your account returned a positive 1.66 percent versus the benchmark which was up 5.26 percent. The lowest market cap, lowest return on equity, and highest beta stocks outperformed.

So you probably heard in January this retail phenomena that occurred. GameStop was one of the banners. GameStop, Bed Bath and Beyond, there are several names out there that relate to this.

So they have remained in the news as retail investors have locked into highly shorted controversial names that have been inspired by social media.

These are the areas that we are not going to hold or invest in. As an example, in January, GameStop, think about the company, it is a video and board game. They do gaming console in store as well as through digital delivery modes.

It is a name that doesn't rate well using our quantitative tools. It has no earnings. Thus a negative 44 percent return on equity, if you look at it from a trailing standpoint. The revenues fell 22 percent in 2019 and another 20 percent last year so they have no earnings there. It would not be a name that we would be interested in.

As we looked at the top five performers in our benchmark in January, all five fit that category. They contributed over 224 basis points to the benchmark return just those five stocks alone.

We had our quantitative group take a look at what was happening with regard to retail investing. When they calculated the top decile impact of that on our benchmark, it basically cost 349 basis points. So that was the key to the strength of the Russell 2000 value benchmark in January. It was the retail play there.

Again as we looked at those companies, they were low quality companies. They lacked earnings. Many of them were very highly leveraged and they were controversial. Either good news or bad news, they had high controversial scores. So very low quality companies and outside of our process focus.

In February, we saw a return to rationality there. Fundamentals remained returned as a focus for investors.

In February, as you can see, we outperformed the benchmark by over 250 basis points. You were up 12.15 percent in the month of February. The benchmark was up 9.39 percent.

We think that this is good. We do know and expect that there will still be some noise from retail investors but we do see that more rationale investing appear to be returning to the market and that is good.

We are adding stocks to the portfolio that we believe will benefit from the reopening of the economy. As an example, Thor Industries and Dine Brands were both new names that we put into the portfolio.

Thor Industries think of it it is a recreational vehicle manufacturer and RV manufacturer. They are benefiting from the growth aided by outdoor recreation interests as well as the growth in millennial purchases.

It is a company that has a number one market share here in the U.S. Strong balance sheet. We continue to see the backlogs remain very robust for them and we remain optimistic given that. As well as the fact that RV registrations, which is something that we track just like auto registrations, continues to be extremely strong. So for Thor we're very positive about that and it has a strong balance sheet as well as free cash flow strength.

Dine Brands, that is another name that we added to the portfolio. Think of Dine Brands it owns Applebee's and IHOP. We see this as a vaccine reopening opportunity. It is aided by -- you know, if you think about the scale, the brand recognition. It is a survivor beneficiary, especially as more independent restaurants face financial difficulty through the pandemic. And so we believe that Dine Brands provides an opportunity, especially as we see more and more markets reopen and capacity increase.

I believe Chicago just announced additional capacity with regard to restaurants.

So we expect continued movement into value and less speculative stocks, which benefits quality in our strategy.

So if you could turn to Page 10, let's talk about 2020, the year of the pandemic. So we entered the year, we were positive that the cycle was going to continue. We were seeing very good economic traction as we started the year. We were invested in companies that we see as beneficiary from an improving economy.

We got hurt when the pandemic shutdown the economy. What we focused on and what we watched was the stimulus that was put into the economy. The Fed and the fiscal stimulus was much bigger and quicker than the 2008/2009 financial crisis.

The market is starting and beginning to see more ebbs and flows of positive economic data and those were the things that we were watching as it related to the pandemic as we cautiously watched the Covid case data.

In Q1, with the inception of the pandemic, we did take risk in the portfolio. So with the influx of the pandemic and uncertainty, we did lower exposure to our more leveraged energy companies as we expected both global and U.S. demand to decline.

We were basically cautious on the key producers' willingness to lower production. In essence, you would face some of the pricing issues.

So we exited Callan and SM. We also exited Meredith's Properties. If you think about them, publications and broadcasting firm. They have exposure to central business districts, airports. They threw their magazine business and we believe that would be negatively impacted and so we stepped out of that name.

The small cap value asset class was hurt more than others given it's more economic sensitivity but in Q4 of 2020, we did see a big upturn. Things were starting to change for the better. So in Q4 the strategy was up over 30 percent in the quarter.

If you look at Q4, if you separate it from a monthly standpoint, in October, strong market. There were talks about additional stimulus. We knew that they were actively pursuing the vaccine at that point and the strategy was up strong. It outperformed the benchmark in the month of October.

In November, the market was even stronger with the vaccine approval. With that, the Russell 2000 value benchmark rose over 19 percent so it was extremely strong. We were strong but we weren't able to keep up with that because in essence what we saw was a very strong EETF inflow and that lifted the low quality, the microcap names, within the benchmark and those were names that we did not hold.

In December, we saw return to rationality there and investors were looking for names that could really outperform and benefit as we pursued reopening and the vaccine strategy.

We outperformed in the month of December. Again it was a strong month for the benchmark which was up over 7.9 percent.

And so outperforming in October and December. Not being able to keep up with the super strength that we saw in November, which was a low quality rally in essence.

Everything that we were seeing was favorable for the U.S. economy but small caps in particular and then cycles, which are a very large component of the small value universe, all favorable for our strategy with the attribution, on Page 11.

So on Page 12, let me just mention that since inception of your account we have underperformed versus the benchmark.

On Page 12, so we have stayed focused on our process. We show the consistency. We continue to focus on bottom up fundamental research. We continue to buy names that are higher in quality versus the benchmark. We want names that have that financial flexibility and can take advantage of the opportunities that occur here.

And then if we begin a new cycle here, we see in essence 2020 as being the start of a super sharp but mini recession and that we are at the start of a new cycle.

So we believe that the market will return to fundamentals and our strategy will be rewarded. But the misstep that we think as we look back is that we hung on to valuation in our cyclical focus.

If you look at the past few years, the market has been focused on macro uncertainty with terrorists and trades. The trade policy discussion is out there.

In essence, the market was concerned that we were getting close to the end of the cycle and lacked economic growth opportunities. And thus for us that cyclical tilt, and if you think about it, the value side was definitely much more cyclical, you know, that impacted us during this time period.

But given that we are starting a new cycle, we do believe that the focus will be on fundamentals. If you look at the past cycle after the financial crisis in 2007/2008, the market became more fundamentally focused as investors looked for good companies that could take advantage of a new cycle.

When you look back on 2009 through 2017, it was fundamentally driven; that market. We outperformed six of the nine years due to positive stock selection.

We believe that we are right here at setting up for that sweet spot a more fundamentally driven economic improvement market.

MR. WESNER: Can I jump in real quick and ask a question? You talk a little bit about waiting for that more cyclical recovery and more traditional recovery. We heard that from a lot of managers for a while and obviously 2020 was an unusual year. But are there any steps that you and your team are taking in case this doesn't play out?

We have the idea that we are heading into a more traditional recovery but we have heard that for a while. If that doesn't play out, what steps are you and the team prepared to take to be nimble and reposition the portfolio, if necessary?

MS. BOWIE: Thank you, Jamie.

One of the things that we are doing as it relates to that is just maintaining a balanced approach even within sectors. Within areas like industrials, making sure that we have good cyclic exposure but also making sure that we are balancing that exposure with areas that can benefit from a much more balanced economy.

I will mention to you, too, that we keep for us, and what has helped is, our quantitative team continues to keep in front of us a more defensive list of opportunities, that are showing the key things that we look at. Strong balance sheets, free cash flow progression, so the things that we want to see. That is a list that we are constantly watching and looking at for opportunities.

The other would be I would mention that we keep this higher return on equity stronger balance sheet and that helps out in much more defensive economies.

MS. MARTIN: Let's move onto the outlook.

MS. BOWIE: Page 14, let me just mention that this new cycle and its opportunities are important. We have seen record fiscal and federal stimulus and more it sounds to come here. All of which is working its way through economy and showing itself in key economic indicators.

The final major point being health and safety to build the confidence and optimism needed to propel us forward. For us what is key here is continuing to watch and monitor the vaccine implementation, which we are seeing as we monitor cases and the implementation throughout the nation here.

Going forward value and cyclical should benefit. If you think about the economy, value remains the most economically sensitive and domestic, especially if you are focused on small cap.

For us as well, what we continue to watch are the policy and allocations coming out of the administration. We have exposure to housing. We have exposure to commercial growth and commercial growth opportunities. We are continuing to monitor the infrastructure progress as well. For us those are all positive things out there.

The other is that we are seeing the yield curve steepen. That is very favorable, especially as we look at the outlook. If you think about small value banks. Banks are favored in a steepening yield curve. They lend on the long end, they borrow on the short end. The short end as long as it stays lower than the long end you basically yield an attractive spread and this environment is starting to benefit them from the margin aspect and banks are one of the largest components of the Russell 2000 value benchmark.

The team continues to find great ideas and we continue to be positive and see opportunities out there.

I know it has been frustrating since 2018 to the present. I feel your frustration and understand it but I am positive. I believe that the tide is turning in our favor. I believe that going forward our strategy will benefit. We see a much more fundamentally focused economy and you can see it turning here, especially within the last five months with the vaccine progress that we have been making.

We have already seen the signs with more quality small cap value names outperforming in

February and into March.

Again, thank you for the opportunity to share the process, our strategy and thoughts. Are there any questions that I can answer for you?

PRESIDENT JOHNSON: I don't have a question, just a comment. I know similar to the last company Ullico, Nuveen has a very large Chicago presence and that is something that I am always proud to invest in local companies. It is something that I do look forward to you guys, for lack of a better word, say righting the ship or coming around better.

It is always bad news usually whenever I hear a firm's name because very rarely do they say a name and it has good information attached to it.

So I look forward to not hearing about Nuveen any time soon. It is something that hopefully we can get passed this and when you are investing your strategy works and you pick the right stocks. That's about all I got as a trustee.

MS. BOWIE: Thank you.

MR. WESNER: One final quick question to wrap up. You were talking about the cyclical environment and the recovery as being good for your portfolio.

You also talked about all the stimuluses being put in, government stimulus, monetary stimulus. Can you talk about how that could create the environment where weaker companies continue to outperform?

Again, traditionally you start to see the more fundamentally sound do better at the beginning of the recovery but this is an unusual cycle with all the stimuluses being put in. So just again as we look at risks, there is not only absolute performance but relative performance. Can you talk about that; the risk that you continue to underperform if those low quality names outperform again?

MS. BOWIE: So one of the things that we continue to monitor is within our benchmark sector by sector the risk segment of each sector versus the quality segment of each sector.

One of the things that we are already seeing is from an estimate revision standpoint both sales and earnings, it is the quality cyclicals that are seeing the progression there. Meaning, in essence, investors, Wall Street analysts, are willing to go out and make estimates for those more quality companies because they feel a little bit more confident about those companies' ability to move. For us that is important here but it is something that we watch. Our quant teams let us know how exposed or underexposed we are to the low quality segments in the portfolio and are there any low quality names that in essence could be shifting. So we are watching that and gauging for that overall. But our process is committed to the quality, the strength, because we know over the long-term that that prevails.

TRUSTEE CONYEARS-ERVIN: I just want to say good morning to everybody.

MR. YOON: If there is no other questions from the trustees or anybody else on the Zoom call, I want to turn it over to Kitty for closing comments.

MS. MARTIN: Thank you and thank you again for your time this morning.

At the start of our time together, I mentioned that we had three goals, which were to address the performance, to address the underperformance and to provide you with our outlook. I hope that we have thoroughly done that this morning.

We really believe that we've been in a period of unusual capital markets and 2020 was an anomaly and now that we have turned into 2021 we have started to see more favorable markets for our strategy.

Karen and her team have conviction in that process. Karen has been in the investment markets for over 30 years and she's been running this strategy for over 10 years and there's been no change to the process. We believe that is an important point.

We recognize that the underperformance of our strategy has been an outlier and in acknowledgment of that in the fourth quarter we did proactively offer a fee reduction for a one year period.

In conclusion this morning, we ask for the opportunity to allow the strategy to play out through the end of the year.

Again, we know that we have challenged the patience of the Board but we would ask you to allow us a little more time to demonstrate the process and to provide performance and to continue to be your partner in the small cap value space.

Thank you for your time and enjoy the rest of your meeting.

PRESIDENT JOHNSON: Thank you, very much.

MR. YOON: Thank you.

The market condition is set nicely for small cap value to start to perform but we understand the frustration the trustees have with the manager underperforming for a period of time since inception.

We certainly saw that with one of the managers that we recently terminated in Segall Bryant Hamill, so we're cognizant of that and we are aware of that concern so we are ready to do whatever is necessary to do the right thing for our portfolio.

So with the manager presentations out of the way, we have our preliminary asset allocation review and the Roadmap for 2021 and we will showcase a few portfolio options that we put together and discuss some of the portfolios and the constraints that we face in our cash flow.

I say preliminary asset allocation

because we wanted to learn more from this discussion of the trustees the appetite and willingness to take the risk as we realize there have been quite a turnover in our board members. So we want to be cognizant of that and we want to get that study done in terms of your willingness and appetite to take the risk. And following this discussion we will present you with the more robust option, if that is what the trustees prefer.

So I will turn it over to Jamie to go over the asset allocation and a few other presentation materials that we have for you before I jump on in and go over my Roadmap.

MR. WESNER: Thanks, Steve.

Good morning, everyone.

Real quick, before we get to the asset allocation study, to talk about the two managers. Specifically Nuveen and the rationale for bringing them in.

Obviously, they have had that underperformance since they have come onto your account. Again, as Steve mentioned, they are not to a three-year track record.

One of the things we are trying to avoid is making sure we don't have a repeat of what we saw with Segall Bryant Hamill in the international small cap space. A manager with a rigid value philosophy that was unable to adapt in a challenging environment for value.

And, again, we look at Nuveen, they underperformed versus a value benchmark. We are not comparing them to a core benchmark, it is not that they are being unfairly compared. They have been underperforming to the value benchmark.

The goal and the reason we asked them those questions about the cycle changing and are they positioned is because we want to make sure that they have more periods like February. It is a period they should have outperformed. They did outperform but one month does not makeup for two and a half years of underperformance.

So we need to see this trend continue. We want to monitor it closely. A fine balance of not terminating the manager too quickly and we not having an opportunity to recover but not holding on indefinitely and having disappointment.

Again, I just wanted to tie that issue up. No action today from the board is necessary.

We wanted to make sure we were addressing that and their rationale.

TRUSTEE CONYEARS-ERVIN: Jamie, you just summed it up.

MR. WESNER: In terms of asset allocation, if you look at the asset allocation discussion, if you recall at the last meeting we were asked to go back and discuss some of the rationale for the underperformance that we have seen in your plan overall for the last three to five years. And your plan for the last three to five years, although absolute performance has been strong, and again you exceeded your target rate of the return for many of those years versus peers versus your broad benchmark, performance has been a bit weak.

There are a few factors for that. One, we were talking about active managers underperforming. So Segall Bryant Hamill, which you recently transitioned assets away from, Nuveen had some of that asset underperformance or manager underperformance.

What we wanted to talk about a bit more today was in terms of asset allocation. Asset allocation really is the biggest driver for your outperformance or underperformance and also for the volatility of your portfolio.

If you have more in equities versus bonds, you're going to have a higher expected rate of return but more volatility.

We want to show some different options in there to look that can we adjust the asset allocation to position our portfolio to have a higher expected return going forward without increasing the risk.

We all know if we sell your bonds and invest in more stocks you're going to have a higher expected return but you are going to have a lot more volatility.

Kind of the balancing act is how do you build the portfolio that increases your expected rate of return but doesn't meaningful change your expected volatility, that is what we want to walkthrough today.

Some of the headwinds that this portfolio has faced or maybe a better word some of the limitations this portfolio has faced in the past have been due to your liquidity. We have had more limited liquidity in this portfolio.

Steve, you want to pull up the comparison. Perfect.

It is really important to highlight your portfolio. These are just estimates that are pulled from some figures from your actuarial reports. But this highlights based on projected values, this isn't what was actually realized. These are the projected figures.

You're kind of averaging between a negative 10 and more likely a negative 12 to 15 percent negative annual cash flow.

So for your portfolio, even though over the last seven years you met or exceeded your actuarial assumed rate of return of 7 percent or even 7 and a quarter percent, your assets have declined because we have had negative cash flows that have averaged into the low double digits.

One of the limitations that this places on your portfolio is about eight years ago the Board decided that there wasn't an appetite for continued investment in private assets. So private equity, private debt, even private real estate, that the appetite was not there due to the liquidity challenges.

As you can see and as you all know, as we move into the ramp which we're in and as we get towards ARC funding as we get into 2023, your liquidity portfolio changes per the actuarial assumptions right now.

We all know that a billion dollars or $930 million contributions to the Municipal plan is a lot of money for the City but what is projected is what is reflected here.

So as we go into 2022 and 2023, you're going to have much better liquidity in the portfolio. We will not have to be having the conversation on a monthly basis. Steve won't have to be coming to you with recommendations on where to raise 60 or 70 million dollars in assets. So that is going to change quite a bit, that will be a pleasant change I think we will all appreciate. But what that also does is it gives us the opportunity to invest in some illiquid assets.

We are talking about slight increases. 3, 5 percent in liquidity or asset classes. We still have to be very mindful towards liquidity but we are not going to be completely prohibited or limited from going into that area. Again, just something to think about as we move going forward.

I think this chart here really is important in thinking about your ability to take on a few more illiquid assets.

TRUSTEE CONYEARS-ERVIN: To be clear on this page, ARC, the ARC for pension funds -- sometimes I try to remember this. The ARC begins in 2021 or 2022 for us?

MR. WESNER: It ends up being 2023.

TRUSTEE CONYEARS-ERVIN: The ramp started this?

MR. WESNER: Exactly. You can see that it is slightly improving.

When we get to 2023, recent actuary report has a projected contribution from the employer of approximately $930 million. So that is a big jump in the amount that would be coming into this plan to offset the large amounts of monthly benefit payments.

TRUSTEE CONYEARS-ERVIN: To be clear, Labor and Municipal both started the ramp in 2021 and both will start the ARC at 2023?

MS. BOECKMAN: The ramp is actually a

five year ramp, Madam Treasurer. So Muni and Laborers started in 2018 I think.

MR. WESNER: That is correct.

MS. BOECKMAN: Fire and police actually have concluded their static five year ramp and this is the first year that they will be receiving that actuarially based contribution.

TRUSTEE CONYEARS-ERVIN: Thank you.

MS. BOECKMAN: Of course.

MR. WESNER: As we discussed at the last meeting, fire and police, and obviously even Laborers as is depicted in here, even their funding ratios are equally challenged. Fire and police being in that 20 percent range with Municipal, the cash flow portfolios profiles for fire and police were much better.

So fire doesn't invest as much in alternatives, but police had the ability to invest more in alternatives because their low profit was much stronger. They were more in the negative 3 to 5 percent annual cash flow level even better than what Laborers is depicted here with the dark line.

Steve, I am not sure if this is file 5C. The asset allocation comparison, the assumed rate of return comparisons.

MR. YOON: I don't think we have that one.

MR. WESNER: It was the fourth slide. But the main driver for this conversation, one of the main drivers for the conversation, would be on cash flow, is that the assumed rate of returns or the expected rate of returns for asset classes going forward have changed meaningfully.

So as you look at or you think about the expected rate of return two years ago for fixed income, the expected rate of return for investment grade fixed income was about 3 and a half percent.

Right now as we run our asset allocation studies today and look at the expected rates of return, the expected rate of return for investment grade fixed income is about 1.5, 1.7 percent.

So as we think about building a portfolio, it really is challenging for more conservatively positioned plans like Municipal to have investment in fixed income. You need it for the liquidity but for expected returns it is really a limiting asset class in terms of hitting the 7 percent target rate. I just wanted to highlight that going forward.

Steve, go to the asset allocation.

TRUSTEE CONYEARS-ERVIN: Can I say something? I wonder if this is true. Go back to the previous slide.

A lot of times when taxpayers hear the ramp or ARC and they think about more money that has to come out of their pocket towards pension funds, I was actually thinking that with the ARC enabling us to have more cash flow it enables us to invest in more illiquid investments which could potentially, and I say potentially, provide a higher return which can in turn help taxpayers because we're trying to help foot the bill here.

MR. WESNER: That is a perfectly summarized statement about the goals here is to take advantage of this improving funding, the ARC funding, so we can have a portfolio that can generate a higher rate of return to lessen the future burden on taxpayers.

TRUSTEE CONYEARS-ERVIN: Perfect, thank you.

MR. WESNER: And, Steve, if you look at the asset allocation and go down about two or three pages to the asset class returns. If we blow this page up a bit, this will highlight what I was talking about.

So these are the assumed rate of returns over the next ten years for all the different asset classes that we use in your portfolio or have at least discussed using in your portfolio.

And if you look at that top line, you will see fixed income right where Steve's cursor is with investment grade fixed income. The expected rate of the return for the next ten years is 1.7 percent. Interest rates are very low right now. We have had great task performance from fixed income. But when yields are 1 and a half percent, it's hard to do much better than that.

And even areas, if you go down a few more lines, bank loans, which historically has been a higher yielding part of your fixed income portfolio. Ten year projections or estimates are about 4.2 percent.

Just two years ago, the expected returns for bank loans were over 6 percent so the expectations have changed. So it is really going to be important to look at modifying your asset allocation to take advantage of some of the asset classes towards the bottom, which are the illiquids, and you can see those numbers almost jump off the page how much higher they are.

Expected rates of return in the high single digits. Kind of even creeping up into the 10, 11 percent range. Private equity, private debt, even real estate, those would be much better rates of return.

Infrastructure, just like Luke and Reed were discussing at the beginning of our meeting, we can have a tradeoff with infrastructure in terms of fixed income tradeoff to gives is a higher assumed rate of return.

All of these discussions points all kind of tie together into the discussion of kind of reordering our asset allocation and determining can we begin again to make allocations to these asset classes to achieve the objectives that the Treasurer just outlined, which are to have higher rates of return in the future to reduce the burden on taxpayers.

If you look at your investments over the long term, we don't have your quarterly report up here, but if you were to look at your most recent quarterly report, the private equity investments that this board made seven, nine, ten, eleven years ago that are very mature now, you have rates of return that were well into the double digits. You had some funds that returned 35, 40 percent annual returns. IRR's for private equity. We haven't had those recently because we haven't made any commitments. So we need to make a few new commitments going forward. Figure out what that balance is and again give us a higher likelihood of reaching your 7 percent assumed greater return.

TRUSTEE CONYEARS-ERVIN: What is the difference between analyzed return and volatility?

MR. WESNER: So the annualized return is the output of the model and what it tells us the expected valuation increases would be over the next ten years on an annualized basis.

On the volatility column, which is next to it, that is telling us what type of volatility would be assumed from that asset class.

As you can see, the highest volatility numbers are in the traditional equity space. U.S. equities, international equities and the highest figure there is emerging markets. Those are the most volatile asset classes.

Sometimes I always make the point of you're already invested in the most volatile asset classes; stocks.

What we are talking about is increasing or potentially increasing your allocation to some other asset classes that might be less liquid but actually have less volatility.

So in terms of building a portfolio, they are really important tools in the future of building a higher returning yet less volatile portfolio.

MR. YOON: Another term for volatility is risk, Madam Treasurer.

TRUSTEE CONYEARS-ERVIN: Thank you, that is more clearer, Jamie.

MR. WESNER: In the calculation there is the standard deviation, the standard deviation risk figure.

If you go back to the beginning, we can take a look at some of the portfolios. And as Steve highlighted, the goal today is not to walk away with a change to your asset allocation. We are not looking to approve a new portfolio.

What we want to do is highlight how different changes would affect our outlook and then be able to come back to you over the next few months with real recommendations and realistic recommendations and how we can update the asset allocation.

What is on this page, you see a lot of numbers. I will try to guide you on where to focus.

The six columns here have different portfolios. The current portfolio is just that, that is your current allocation, based on where dollars actually sit in your portfolio and based on the various asset classes.

Portfolio A is a proxy of what your current targets are. So your current approved asset allocation is Portfolio A. You will see that they differ, especially down in the areas like private equity and the illiquid assets towards the bottom. We don't have as much in the areas of private equity as we have in our current policy target because we haven't made those commitments over the last several years.

Portfolios B through E, that is just looking at different options. So these are where staff and Marquette had conversations about what portfolios highlight the different leverage that we could pull and then what would the hypothetical outcome be for those going forward.

What we wanted to talk about was saying what can we change? What changes can we make right away to your portfolio and what changes would be maybe some longer term changes such as private equity.

And as you go from Portfolio B through E, you will see a larger allocation to some of those illiquids. All of those portfolios have a little bit more allocated to, for example, infrastructure.

You just heard about the opportunities in infrastructure, it is attractive. We can obviously talk about allocating a bit more capital there potentially over the next several years.

It also starts to look at how do we move a little bit of money away from our core bond managers so we don't have as much exposure to the asset class I was just highlighting, that is only likely to give us very low returns, 1, 2 percent, over the next several years.

As we go forward to those different portfolios, it's just highlighting what the effects are. In those effects the outcome is in the table below that summary of portfolio characteristics.

It shows that when we make these changes to the portfolios, when we run them through our model, it tells us what the potential returns are for the next ten years.

Your current portfolio has an expected or potential return of 6.4 percent. The volatility or risk factor of 9.3 approximately.

If you go over to Portfolio A, with the little bit more in private equity, and this is your current target, you can see it has a higher expected rate of return and the exact same risk figure.

So this almost highlights it better than any other of the potential portfolios. If you just allocate enough back to the private equity space, it is already your current target. You have the potential to create a more efficient portfolio, with a higher return, and actually have basically a zero affect on your risk so it is not going to change your risk figure at all.

As we look at some of those other portfolios, Portfolios B, C, D, the changes are slight within all of those. The takeaway is as we think about getting a higher rate of return you can always just increase equities.

If you look at some of the portfolios, they increase equities on occasion or increase high yield bank loans in the higher income portfolios of fixed income, those are what is done in Portfolios B, C and D.

PRESIDENT JOHNSON: Jamie, real quick, going to the portfolio, scroll down a little, with the returns and everything. What is really the biggest difference?

Like I see Portfolio E, 6.87, highest number out of there, and the volatility is only slightly increased. I say slightly, from 9.28 to 9.57.

What is the really ultimate volatility kind of jump with that and you still get a little bit extra return for your buck there?

MR. WESNER: That kind of ratio or difference between return and risk that you were just highlighting is that bottom line there. So the average return over average volatility, you see those, that kind of decimal figure. In Portfolio E, higher is better in this row. Portfolio E does have the highest figure, it is .72. The next highest is actually your current target which is .71.

How we get there and really what drives that portfolio -- your current target and Portfolio E, they both have more in private equity, private debt. Portfolio E has a bit more in infrastructure and that really drives that risk adjusted return. Especially in Portfolio E, that also takes down fixed income by 3 percent. That is one of the biggest impacts you can have on performance, expected performances, is by reducing fixed income.

It is a balancing act because we can't reduce fixed income to zero because that is our liquidity, that is our kind of anchor of stability. But when you have assets classes, like infrastructure or open-ended real estate, you can create other income alternatives, which gives us the potential to have that higher rate of return.

Madam Treasurer, you brought up at the

last meeting the comparison to the Laborers Pension Fund. The Laborers Pension Fund would almost be Portfolios F, G, H, something further out to the right. Where it has even more alternatives, more private equity, private debt. Its assumed rate of return from the same model for the same time period is actually 7.4 percent because they take on more liquidity. They can do that because they have a bit better portfolio.

But I think the point that Steve and I and the team wanted to present to you today was we can go further to the right. We can take on some more illiquidity and it will increase your expected rate of return and not meaningful effect your risk, which is the ultimate goal of making sure we don't have a lot of volatility going forward.

TRUSTEE CONYEARS-ERVIN: Also answering Trustee Johnson's question, if you go down a little bit, the total illiquid assets do jump from 5 percent current, 7 percent, which should be our allocation. So let's look at just the 7 percent, it jumps from 7 percent to 11 percent. And, again, then that is more in the private equity infrastructure as you mentioned that Laborers currently has and has even more in.

If you look at 11 percent being illiquid assets, we still have -- even if we looked at Portfolio E, you still have over 20 percent in fixed income so you do have that availability for liquidity if need be.

MR. WESNER: Under that illiquid section, that 11 percent, not all illiquid assets are created equal. So as you look at infrastructure, once again if you think back to the presentation earlier this morning, it does have a current distribution that you get so you have income. You have liquidity once you get through lockup periods and everything so you have liquidity there.

And even private debt, it is different than private equity in that you get a faster return of capital. So the 4 percent private debt there does not necessarily have the exact same liquidity characteristics of private equity.

Private equity, that money is invested and could be several years before you get that return of capital. So private debt, infrastructure and some of these other areas, opportunistic credit and some of the hedge funds area, they have equal liquidity.

11 percent, I think that most people would look at 11 percent and say that that is not exposure to illiquid assets and it would be reasonable, especially with your improving cash flow profile.

MR. YOON: Also keep in mind infrastructure, we typically lump that into the real assets category. It would effectively be from 5 percent to 8 percent just to kind of bring down the numbers a little bit from the percentage perspective. Certainly there is a lot of opportunities for us to explore.

MR. WESNER: Moving to some of the other page, we don't plan to go through all of these details.

There is a lot more information on this page that highlights the risk. And actually I think a good takeaway from this page, I know there is a lot of bars and numbers on this page, but the takeaway from this page -- and they all have the figures, all the charts are about the same.

If you wouldn't mind zooming in on one of them, either current or Portfolio A. It is that as you look at the diamonds, the diamonds are telling us how much do we have allocated to the asset class.

If you look at the current chart, that diamond is about 25 percent, 26 percent allocated to fixed income. What the bars tells us below that diamond is that 20 percent in fixed income in your portfolio, it only contributes 8 percent of your return, which is the blue bar, and only 3 percent of your risk. So you have a big chunk of your portfolio, 26 percent, that's not contributing very much to your portfolio in terms of performance.

If you look at the two equity sections to the right of that, U.S. equity, you have about again a 25 percent allocation to U.S. equity. 30 percent of your portfolio, which creates doing more work, 25 percent of the assets giving you 30 percent of your return, but it is generating 45 percent of your risk.

Same thing with international. International is giving you 46 percent of your risk. So it's just the point is fixed income doesn't give you much return. It also doesn't give you much risk. Equity gives you a lot of return but it gives you a lot of risk as well.

The idea is some of those alternatives, especially the private equities, private debts, can give you more return with less risk. That is one of the important things to look at for those asset classes.

The takeaway again is if the trustees are comfortable with the consultant and staff coming back to you with more portfolios that would actually be something you could take action upon in changing your asset allocation and making new commitments. Small but meaningful commitments to alternative asset classes. We would like the opportunity to come back to you and give you those recommendations.

PRESIDENT JOHNSON: That is something that would be worth looking at.

MR. WESNER: As you think about the different portfolios, the goal is to make a more efficient portfolio.

I will be very straightforward with you. In your portfolio, we won't come back with a portfolio recommendation to you that is going to necessarily look like the fire portfolio because that has a lot of equities. It has a lot more upside but it has a lot more volatility.

The focus here is really building a portfolio that maybe looks a bit more like the Laborers portfolio, that can have more alternatives, more private equity, private debt, and just create that bigger upside without changing your risk.

Again, we want to put you in the position where the Municipal Fund is among the top performers amongst its sister plans.

MR. YOON: We will come back with more concrete options for the trustees to take a look at.

Just being on this page, we're certainly not suggesting that we increase our equity risk more than where we are just to look like a fire or police.

And I think our portfolio has some room for improvement within certain assets classes that we have here. Such as fixed income that I will go over shortly and other asset classes in private markets as well. We will definitely come back to you with the options.

MR. WESNER: The rest of the pages we are not going to go through. Additional pages from the Asset Allocation Study or from our stress test, which is kind of an add-on to the Asset Allocation Study.

I want to make sure the trustees realize that there is a lot that goes into this analysis and that we want to make sure we are presenting you with portfolios that don't change your risk portfolio and fit within your cash flow parameters.

At the end of the day, we want to give you the highest opportunity to outperform in strong markets. But when we have a down market, we want to make sure we can minimize the downside.

We talk a lot about the average, that highlighted bar there, that 50 percent bar, the median. This is saying over the next ten years, with the different portfolios and your cash flows built in, what would be the future value of your portfolio. You can see that Portfolio E is the highest at 4.1 billion.

What is important here is that if we have a really poor economic environment, the markets do poorly and we realize the fifth percentile performance. So weak performance over the next ten years for all asset classes and you are up in that row.

Well, the thing is your Portfolio E, which has the best outcome on average, also has the best outcome in a poor environment. That is saying that if investments are really weak, Portfolio E is going to protect on the downsides of that. That is what we really want to focus on is a portfolio that can be more efficient. Do better on average but also protect you on the downside.

Portfolios C and D, for example, with more equities, if you have a poor economic environment, those portfolios are going to lose you another $250 million compared to Portfolio E. I think that is really an important takeaway.

If you have the equity market is up 20 percent on average over the next ten years, yeah, Portfolio D will also be the best performer, but the likelihood of that is relatively low. We want to plan for the average, plan for the market. But if that situation comes through, you are still protected on the downside.

So, again, we will review this with

updated portfolios at a future meeting likely into April or May. We won't be doing this at the regularly scheduled meeting in a few weeks.

Again, I think we can come back to you with some better options and ways to adjust your portfolio for the future.

MR. YOON: Any questions at this point on the asset allocation?

MR. PRESIDENT: I don't. I appreciate the work you guys have done on this.

MR. YOON: Thank you. The takeaway is that we'll come back within the next couple of months with robust asset allocation options for the trustees to consider.

TRUSTEE SONI: Thank you, Steve and Jamie. I think this was extremely informative and it gives us enough details to understand what are the weights in our current portfolio and where we need to concentrate so for me it was very helpful.

MR. YOON: Thank you.

Trustee Degnan, I know this was a whole new thing for you, if you have any other followup questions, please do reach out to me directly or anybody on this matter.

TRUSTEE DEGNAN: Thank you. I appreciate it.

MR. YOON: Next we will quickly go over the cash flow pro forma that we have here.

This highlights the February balance that we include the first installment of the City contributions that we received 60 million early on. So that 60 million is embedded in this 103 million and we received 97 million on the 26th of February. Then we expect 157 million to come in, in March, which is the full amount of the first installment. The second installment comes in around August.

This basically shows you where we are at and how soon those monies will dry up. Marquette and myself have discussed whether there is an opportunity for us to redeploy and put some of these money to work but with the uncertainty in the market and certainly -- I don't know if we are going to see another strong market like 2021 coming out of Covid. We have felt that it was more prudent for us to hold that money in a STIFF, which is a short term investment vehicle, and remain in cash balances.

TRUSTEE SONI: Steve, you are not

counting any property tax money that would be coming in it looks like.

MR. YOON: Is 157 million in March not counting property taxes?

TRUSTEE SONI: That should be the amount that we would have -- let me double check. I think that should be the remaining amount that we owe for our current year.

What would be helpful, even before we present here, we should probably go through this together just because things keep changing in terms of cash flow and the timing with the Cook County Treasurer's office so I want to make sure that we are on the same page.

MR. YOON: Absolutely.

TRUSTEE SONI: This amount is not including any property taxes that would be coming.

MR. YOON: Understood. We will definitely go back and recapture that and I will have a conversation with you offline.

TRUSTEE SONI: I think we should do a regular cadence before the meetings so we should just go through this together so we make sure there's nothing missing since things change. That way the whole Fund, the Board, has a full picture of what is coming down the pipeline.

MR. YOON: Absolutely. My apologies.

TRUSTEE SONI: No, that's fine.

MR. YOON: The next slide is my presentation just basically showcasing the Roadmap that we have in plan.

Obviously, the first item on here is the Q3 timeline for small cap strategy. If the Board decides to move away from Nuveen Asset Management, who has been on watch since last year and who is coming up on three years of underperformance or if they don't turnaround sooner or if the Board just runs out of patience, we have a plan to consider a RFP for small cap.

We were thinking of tilting more to a core rather than having a value or growth tilt. Core eliminates a market timing and provides more consistent performance over different market cycles so we felt it was a more prudent option for our portfolio. So that is one item, possibly, if the Board decides to go that route.

And then Q4 2-21, there are several items on here. Multi asset credit strategy is something that I have been discussing for some time now. We felt that this was an appropriate time for us to get into it.

We have a, obviously, high amount of money in our fixed income ties to our core. It may be an opportunity for us to kind of take that down or even look at diversifying our credit bucket that we have.

If you look at our credit bucket, it is high yield and bank loans. We have a static allocation there. We are not a market timer by any means and we want to get that flexibility to rotate market sectors in different market conditions for managers to do and that falls within the opportunistic credit bucket that Jamie had mentioned earlier within our Asset Allocation Study. It has an attractive risk adjusted return and it will be attractive in a low yield environment.

Alongside of that, and as we were thinking MAC strategy, one thing that I came across is that Attucks Asset Management, our emerging manager managers, their growth has been more on the fixed income side and more on the credit side.

Historically emerging managers have played a lot in the core assets of fixed income but recently there has been a lot of uprise in the outtake in the credit space and there is some opportunities there.

If everything works out and everything looks good, with the Board's permission I would like to consider expanding our relationship with Attucks on the EMOM platform to include a possibility of including credit strategies within their emerging manager platform.

The next thing is the ultra-short fixed income. This is another different shading product relative to a STIFF. STIFF is what we have with our custodian. It is an overnight fund. We deposit, we earn yields, and then that is essentially our cash balance.

We want to utilize something like ultra-short, which is a really, really short duration to possibly get some little yield. Especially when we are looking at our situation like we presented earlier about our cash balances. We're not able to deploy that asset out to equities or any other credit possibilities there so we want to be able to take some opportunities and look at if ultra-short makes sense for our portfolio so we have that in docket for Q4 2021 or even Q1 2022 as well.

One other item not necessarily related to investments overall or asset portfolio, I have a transition management search that I would like to do down the road to bolster our roster. We are currently down to three and we are actively utilizing two out of the three. Penserra effectively stepped out of the transition management services. I did find another minority owned transition manager and I think it is time for us to kind of bolster our roster there.

This just outlines the action plan that we have and just kind of showcasing that Marquette and I are not just sitting around and twiddling our thumbs. We want to showcase that we are actively thinking about our portfolio, what is best for our portfolio.

TRUSTEE CONYEARS-ERVIN: I really want to thank both of you for the presentation this morning. I thought it was very helpful and we already know how hard you all work. And I always say, Steve, I think you eat, breathe and sleep our investments but thank you for being cognizant.

MR. YOON: Thank you so much.

TRUSTEE SONI: I agree. Thank you, very much for all the hard work.

MR. YOON: With that, that wraps up today's investment meeting. I will hand it over to Dennis and Stacey, if they have any closing comments.

MR. WHITE: Thanks, Steve. Certainly I think we really enjoyed and appreciated the remarks from Ullico and Nuveen. I think it was quite informative and I think they also gave us a little bit of meat to chew on and digest.

I look forward to our future conversations on the direction of the Fund. I don't know if any trustees or President Johnson has any additional comments.

I thank everyone for their participation and for joining us today.

PRESIDENT JOHNSON: Motion to adjourn?

TRUSTEE THOMPSON: So move.

TRUSTEE DEGNAN: Second.

PRESIDENT JOHNSON: Motion by Thompson

and seconded by Degnan. All in favor?

(Chorus of ayes.)

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

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

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.

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