

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

**Investment Committee Meeting – Official Report
Tuesday, May 23, 2023**

An Investment Committee meeting of the Board of Trustees of the Public School Teachers' Pension and Retirement Fund of Chicago was held Tuesday, May 23, 2023.

The Chair, Mr. Philip Weiss, called the meeting to order at 9:30 a.m.

ROLL CALL

Committee Members present:

Mr. Jeffery Blackwell, Mr. Victor Ochoa, Ms. Jacquelyn Price Ward, Ms. Mary Sharon Reilly, Ms. Maria J. Rodriguez (via remote), Ms. Tammie F. Vinson, Mr. Quentin Washington, Mr. Philip Weiss – 8

Committee Members absent:

Mr. Miguel del Valle, Dr. Miquel Lewis (arrived at 12:45 p.m.), Ms. Lois Nelson, Dr. Jerry Travlos – 4

Also in attendance were Mr. Carlton Lenoir (Executive Director), Ms. Carolyn Welch Clifford and Mr. Joseph Miller (via remote) of Ottosen DiNolfo Hasenbalg & Castaldo, Ltd. (Board Counsel), Mr. Fernando Vinzons (Chief Investment Officer), Ms. Brianne Weymouth, Mr. Angel Haddad, Ms. Lauren Sertich, and Ms. Bernie Bazile of Callan Associates (Investment Consultant), Ms. Cheryl Rooks (Investment Portfolio Manager), and various observers and staff.

Chairperson Weiss acknowledged that Trustee Rodriguez will be participating remotely. Trustee Rodriguez was asked to state whether her inability to attend in person was due to one of the exceptions for remote participation under Section 7(a) of the Open Meetings Act (5 ILCS 120/7(a)). Ms. Carolyn Clifford, Board Counsel, stated that Section 7(a) of the Open Meetings Act allows for electronic participation by a member of the Committee under certain limited circumstances. Trustee Rodriguez stated that her inability to be present in person was not due to one of the qualifying exceptions under Section 7(a), and as a result, she would not be voting on any matters but rather, participating under the Board's Bylaws as a non-voting member.

APPROVAL OF MINUTES

Motion to Approve Minutes of the Investment Committee Meeting from February 28, 2023

Mr. Blackwell made a motion, seconded by Ms. Reilly, to approve the February 28, 2023, Investment Committee Meeting Minutes.

The motion passed by the following roll call vote:

AYES: Mr. Blackwell, Mr. Ochoa, Ms. Price Ward, Ms. Reilly, Ms. Vinson, Mr. Washington,
Mr. Weiss – 7

NAYS: None

ABSENT: Mr. de Valle, Dr. Lewis, Ms. Nelson, Dr. Travlos, Ms. Rodriguez (present remotely but unable to participate as a voting member under Section 7(a) of the Open Meetings Act)

Mr. Miller noted that there was a lack of quorum at the April 14, 2023, First Friday meeting. Ms. Clifford stated that legal counsel will review the proper way to document the April 14, 2023, First Friday minutes which will be brought to the Investment Committee for review and approval at a later date.

International Equity Portfolio Structure Review Discussion and Recommendation

Ms. Brianne Weymouth, Mr. Angel Haddad and Mr. Adam Lozinski of Callan Associates presented the International Equity Portfolio Structure. Mr. Haddad stated that at the Investment Committee Meeting on February 28, 2023, the CTPF Board approved a new asset allocation that reduced the International Equity Allocation from 31% to 20.5%. Over the last several quarters, many of the international equity managers have been placed on or remained on the watch list due to performance reasons or personnel turnover.

In order to address the changing allocation to International Equity and the Board's concerns over managers on watch, Callan and CTPF Staff conducted an international equity structure evaluation. The goal of the study is to review the current international equity structure and assess these portfolio characteristics. Callan reviewed the current structure and proposed simplifying the international equity structure by eliminating the dedicated EAFE and Emerging Markets mandates. Mr. Lozinski, Mr. Haddad and Ms. Weymouth addressed questions raised by the Committee.

Motion to Accept the International Equity Portfolio Review and Recommendation, Approved

Mr. Blackwell made a motion, seconded by Ms. Vinson, to accept the International Equity Portfolio Review and Recommendation.

The motion passed by the following roll call vote:

AYES: Mr. Blackwell, Mr. Ochoa, Ms. Price Ward, Ms. Reilly, Ms. Vinson, Mr. Washington,
Mr. Weiss – 7

NAYS: None

ABSENT: Mr. de Valle, Dr. Lewis, Ms. Nelson, Dr. Travlos, Ms. Rodriguez (present remotely but unable to participate as a voting member under Section 7(a) of the Open Meetings Act)

Real Estate and Infrastructure Portfolio Performance/Pacing Discussion and Recommendation

Ms. Lauren Sertich and Ms. Bernie Bazile of Callan Associates presented the Real Estate and Infrastructure Portfolio Performance Pacing and Recommendation. As of December 31, 2022, CTPF's market value is over the 9% target and slightly above the range of 6% to 12%. Dividends are being distributed to CTPF. Unfunded commitments include Basis Investment Group Real Estate Fund II, Heitman Value Partners IV, Long Wharf VI, Oak Street Seeding Fund II, TA Realty XII, Longpoint II, Newport Capital Partners III, and Heitman Value Partners V. The portfolio is well positioned with 82% of the market value in funds that pursue "core" strategies with income producing properties.

As of December 31, 2022, Infrastructure comprised 2.1% of the total portfolio on a market value basis compared to a target of 2%, and range of 0-4%. CTPF made its first infrastructure investments in 2008 and 2009: one core fund and two non-core funds. In the past four years, CTPF has made commitments to seven additional funds: two core funds and five non-core funds, which include one non-core fund commitment that hasn't yet closed. Unfunded commitments include Brookfield Infrastructure IV and V and JLC Fund I. Ms. Bazile and Ms. Sertich stated that to maintain the 2% target to infrastructure, new investment will be needed in 2023 and beyond. The Fund would need to follow the annual pacing strategy to limit vintage year risk, invest between \$10 million and \$30 million per year, continue to seek qualified MWDBE managers, consider investment with managers that are additive to the current portfolio mix in terms of strategy and to modestly increase manager diversification in the portfolio. Callan's 2023 recommendations are to evaluate opportunities to invest in the next fund in the series ("re-ups") for existing managers, (potential re-ups include JLC Infrastructure Fund II). Callan also recommended to continue evaluating opportunities to invest with MWDBE Infrastructure managers. Ms. Sertich and Ms. Brazille addressed questions raised by the Board.

Motion to Accept the Real Estate and Infrastructure Pacing Study, Approved

Ms. Vinson made a motion, seconded by Mr. Ochoa, to accept the Real Estate and Infrastructure Pacing study.

The motion passed by the following roll call vote:

AYES: Mr. Blackwell, Mr. Ochoa, Ms. Price Ward, Ms. Reilly, Ms. Vinson, Mr. Washington, Mr. Weiss – 7

NAYS: None

ABSENT: Mr. de Valle, Dr. Lewis, Ms. Nelson, Dr. Travlos, Ms. Rodriguez (present remotely but unable to participate as a voting member under Section 7(a) of the Open Meetings Act)

Real Estate Direct Investment Opportunity and Recommendation to Investigate

Mr. Fernando Vinzons, Chief Investment Officer, introduced representatives from Sterling Bay and Manulife.

Mr. Andy Gloor of Sterling Bay and Mr. Marc Feliciano of Manulife Investment Management presented an overview of the Lincoln Yards project. Lincoln Yards is a diverse mixed-use development of affordable housing and life science space. Mr. Gloor and Mr. Feliciano addressed questions raised by the Board. Mr. Vinzons stated that assessment of this real estate opportunity will follow the process in place which involves the Fund's investment consultant. Mr. Vinson and Mr. Lenoir addressed questions raised by the Board.

Motion to Investigate Real Estate Direct Investment Opportunity, Approved

Mr. Washington made a motion, seconded by Ms. Vinson, to investigate the Lincoln Yards project.

The motion passed by the following roll call vote:

AYES: Mr. Blackwell, Mr. Ochoa, Ms. Price Ward, Ms. Reilly, Ms. Vinson, Mr. Washington,
Mr. Weiss – 7

NAYS: None

ABSENT: Mr. de Valle, Dr. Lewis, Ms. Nelson, Dr. Travlos, Ms. Rodriguez (present remotely but unable to participate as a voting member under Section 7(a) of the Open Meetings Act)

Dr. Lewis joined the meeting at 12:45 p.m.

Estancia III Follow-On Investment Discussion and Recommendation

Ms. Summer Qiu, Investment Portfolio Analyst, and Mr. Vinzons presented the Estancia Capital Partners Fund III re-up proposal and overview. Estancia was founded in 2010 by Michael Mendez (Nuveen Investment Management Company and Tradewinds Global Investors) and Takashi Moriuchi (Morgan Stanley and Lovell Minnick Partners). The team has expanded to 13 professionals (8 investment professionals as well as five in-house IR/legal/compliance/operations professionals). Estancia has two offices in Scottsdale, AZ and Philadelphia, PA. Estancia continues to make buyout investments in primarily North America-based lower middle-market companies providing mission critical solutions to financial services end markets.

Estancia will target \$350 million with 8-12 platform investments ranging between \$20 million and \$70 million each. The investment types are both control and non-control; scenarios include founder ownership/succession transitions, buyouts, carveouts, growth initiatives, recapitalizations, and platform add-ons. Estancia was selected as a finalist in the 2019 MWDBE PE RFP. The Board initially approved a \$10 million investment for Estancia Capital Partners Fund II. Estancia II has deployed 70% of its capital; the investment pipeline remains robust and on plan to be fully deployed this year. Based on the 2022 Callan PE Pacing Study, Staff recommended a \$10 million re-up with Estancia Capital Partners Fund III. Ms. Qiu and Mr. Vinzons addressed questions raised by the Board.

Motion to Re-Up with Estancia Partners Fund III, Approved

Mr. Blackwell made a motion, seconded by Mr. Washington, to Re-Up \$10M with Estancia Partners Fund III.

The motion passed by the following roll call vote:

AYES: Mr. Blackwell, Dr. Lewis, Mr. Ochoa, Ms. Price Ward, Ms. Reilly, Ms. Vinson,
Mr. Washington, Mr. Weiss – 8

NAYS: None

ABSENT: Mr. de Valle, Ms. Nelson, Dr. Travlos, Ms. Rodriguez (present remotely but unable to participate as a voting member under Section 7(a) of the Open Meetings Act)

Chairperson Weiss stated that the Fossil Fuel Exposure Report will be moved to the June 2023 Board meeting.

ADJOURNMENT

Mr. Washington made a motion, seconded by Ms. Reilly, to adjourn the meeting.

The motion passed by the following roll call vote:

AYES: Mr. Blackwell, Dr. Lewis, Mr. Ochoa, Ms. Price Ward, Ms. Reilly, Ms. Vinson,
Mr. Washington, Mr. Weiss – 8

NAYS: None

ABSENT: Mr. de Valle, Ms. Nelson, Dr. Travlos, Ms. Rodriguez (present remotely but unable to participate
as a voting member under Section 7(a) of the Open Meetings Act)

The meeting adjourned at 12:56 p.m.

Respectfully submitted,

Philip Weiss
Committee Chairperson

*Minutes approved by the Investment Committee at a meeting held on October 24, 2023.
Minutes prepared by Sharena Bennett-Brigmon (Executive Assistant, CTPF).*