



MINUTES
Board of Trustees
February 18, 2016

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on February 18, 2016 at the Springfield office, 2815 West Washington Street. Tony Smith, President, called the meeting to order at 10:08 a.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Mike Busby, Andy Hirshman, Rainy Kaplan, Bob Lyons, Sonia Walwyn, Dan Winter, Cinda Klickna, Vice President; and Tony Smith, President. Absent: Sandy Stuart

Staff present: Dick Ingram, Executive Director; Stan Rupnik, CIO; Greg Turk, Director of Investments; Marcy Dutton, Chief Legal Counsel; Kathleen Farney, Director of Research; Jana Bergschneider, Chief Financial Officer; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Sally Soderberg, Chief Benefits Officer; Bob Jiroutek, Risk Officer; Tom Smith, Chief Technology Officer; Dave Urbanek, Director of Communications; Sue Billington, Executive Assistant; Tammy Green, Asst. to the Executive Director; and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel);

Visitors present: Don Davis, IRTA; Christine Williamson, Pensions & Investments; and Jason Parks, Loop Capital.

Approval of Minutes

A draft of the December 10, 2015 regular minutes of the Board of Trustees meeting was sent to the trustees for prior review. On a motion by Mark Bailey, seconded by Sonia Walwyn, and by unanimous voice vote, the minutes were approved as printed.

INVESTMENT COMMITTEE REPORT

Watch List 12/31/15

On a motion by Sonia Walwyn, seconded by Mark Bailey, it was resolved:

To accept the December 31, 2015 watch list, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

Cash Withdrawal

On a motion by Mark Bailey, seconded by Cinda Klickna, it was resolved:

To withdraw up to 1.0 percent of the total fund's value, or \$437.1 million based on the December 31, 2015 ending market value.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

Garcia Hamilton – Fixed Income

On a motion by Rainy Kaplan, seconded by Bob Lyons, it was resolved:

To increase to the amount of residual cash managed by Garcia Hamilton by \$100 million to a total of \$400 million. Structurally, the first \$200 million of residual TRS cash will now be invested in the State Street STIF fund, with balances between \$200 million and \$600 million managed by Garcia Hamilton. As with current practice, residual balances above \$600 million will again be invested in State Street STIF. The change is effective March 1, 2016.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

Loomis Sayles - Termination

On a motion by Bob Lyons, seconded by Tony Smith, it was resolved:

To terminate the Loomis Sayles fixed income mandate. Assets will be reallocated and transferred to the existing mandates of Dolan McEniry, MacKay Shields and Manulife relative to the allocation targets presented above.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

Banc Funds VII, L.P. – Private Equity

On a motion by Bob Lyons, seconded by Mark Bailey, it was resolved:

To ratify the sale of Banc Funds VII, L.P. at 91% of June 30, 2015 record date valuation, while noting the exception to policy by not using an advisor from the System's pool of secondary advisors.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Klickna, and Smith. Trustee Winter voted present. Motion CARRIED.

Parthenon Capital Partners – Private Equity

On a motion by Bob Lyons, seconded by Sonia Walwyn, it was resolved:

To commit \$100 million to Parthenon Investors V, L.P., subject to completion of due diligence and legal negotiation. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation and rebalancing objectives.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Klickna, and Smith. Trustee Winter voted present. Motion CARRIED.

Vista Equity Partners – Private Equity

On a motion by Rainy Kaplan, seconded by Cinda Klickna, it was resolved:

To commit \$150 million to Vista Equity Partners VI, L.P. and up to \$100 million Vista Foundation Fund III, L.P. The commitment is subject to successful completion of final due diligence and contract negotiation. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation and rebalancing objectives.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

Lone Star – Real Estate

On a motion by Cinda Klickna, seconded by Rainy Kaplan, it was resolved:

To commit up to \$300 million to Lone Star Real Estate Fund V, L.P. subject to successful completion of due diligence and legal review. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation and rebalancing objectives.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Klickna, and Smith. Trustee Winter voted present. Motion CARRIED.

Madison International Realty Holdings – Real Estate

On a motion by Tony Smith, seconded by Bob Lyons, it was resolved:

To commit \$100 million to Madison International Real Estate Liquidity Fund VI, L.P. subject to successful completion of legal review by Jackson Walker. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation and rebalancing objectives.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

Bridgewater Associates – Absolute Return

On a motion by Cinda Klickna, seconded by Bob Lyons, it was resolved:

To approve transfer of \$400 million from the existing Bridgewater All Weather mandate to the new Bridgewater Optimal Portfolio subject to contract negotiations.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Winter, Klickna, and Smith. Trustee Walwyn abstained from voting. Motion CARRIED.

PDT Partners - Absolute Return

On a motion by Mark Bailey, seconded by Tony Smith, it was resolved:

To add PDT Partners to the existing PDT investment mandate and creating an allocation vehicle that will initially invest \$30 million in Partners and the balance in the PDT Mosaic Fund (“Mosaic”). Concurrently, staff recommends increasing the overall PDT relationship allocation toward the 8% target (approximately \$256 million), which represents an additional \$50 million allocation to Mosaic (for a total of \$80 million additional commitment to PDT overall).

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

RULES AND PERSONNEL COMMITTEE

TRS Administrative Rules

Staff proposed revisions to the TRS administrative rules to clarify how TRS is applying the Tier II provisions in Article I in conjunction with Article 16 benefits. Documentation is on file. On a motion by Sonia Walwyn, seconded by Tony Smith, it was resolved:

To approve proposed amendments to TRS Administrative Rules, as presented.

Definitions 1650.3200
Automatic Increase in Tier II Disability Benefits 1650.3220
Tier II Disability Retirement Annuity Final Average Salary 1650.3221
Tier II Disability Retirement Annuity Calculation 1650.3222
Contribution for Tier II Members with Reciprocal Earnings 1650.3230

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

(Trustee Walwyn departs)

EXECUTIVE DIRECTOR'S REPORT

Actuarial Services

The contract with Buck Consultants, the System's actuary, expires June 30, 2016. The TRS search committee provided an overview of the RFP process and due diligence that was conducted and invited incumbent Buck Consultants and Segal Consulting as finalists to present to the Board. Their presentation booklets are on file. Discussion followed. On a motion by Mike Busby, seconded by Bob Lyons, it was resolved:

To hire Segal Company to provide actuarial services to TRS effective immediately for fiscal year ended 2016 through June 30, 2019.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Winter, Klickna, and Smith. Motion CARRIED. Staff thanked Buck Consultants for their 27 years of dedicated service to the System and members.

Board Retreat Update

The annual board retreat will be held March 29-30, 2016 in conjunction with the Opportunity Forum in Springfield. Director Ingram presented a tentative agenda for the retreat. Documentation is on file.

Disaster Recovery Test

Director Ingram reported that staff conducts a disaster recovery test each year at a backup facility in northern Illinois. The annual test for FY 16 was successfully completed. In the event of a disaster, TRS can successfully setup and restore client server applications at the disaster recovery center. Documentation is on file.

Meeting Calendar

The board discussed FY 17 meeting dates. A calendar will be approved at the May meeting.

Financial Statement and Administrative Expenses

The financial statement and administrative expenses for the quarter ended December 31, 2015 were sent to the trustees for review. The reports are on file. On a motion by Cinda Klickna, seconded by Dan Winter, it was resolved:

To approve the administrative expenses for the quarter ended December 31, 2015, as presented.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Winter, Klickna, and Smith. Motion CARRIED.

Miscellaneous Reports

The following reports are on file:

- Member Services Statistical Report for the period ending December 31, 2015
- Employer Services Report for the period July 2015 through January 2016
- EEOC Report for the quarter ending December 31, 2015
- Vendor Utilization Report through January 31, 2016

EXECUTIVE SESSION

A motion was made by Rainy Kaplan, seconded by Mark Bailey, that the Board enter into executive session for the purpose of discussing probable or imminent litigation; and discussion of closed meeting minutes including review of semi-annual minutes as permitted under the following exceptions set forth in the Open Meetings Act which authorizes the closing of the meeting to the public:

5 ILCS 120/2(c) (11), and 5 ILCS 120/2(c) (21). Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Klickna, Lyons, Winter, and Smith. Motion CARRIED.

No action was taken during executive session. A motion was made by Mike Busby, seconded by Rainy Kaplan, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Klickna, Lyons, Walwyn (*arrived 12:50 p.m.*), Winter, and Smith. Motion CARRIED.

Personnel

On a motion by Bob Lyons, seconded by Rainy Kaplan, it was resolved:

To extend both the Executive Director and Chief Investment Officer's contract terms for a one-year increment through June 30, 2021.

Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Klickna, Lyons, Walwyn, Winter, and Smith. Motion CARRIED.

APPROVAL OF EXECUTIVE SESSION MINUTES

A draft of the December 10, 2015 executive session minutes of the Board of Trustees was sent to the trustees for prior review. In addition, the Board received a memorandum from the System's Legal Department regarding the confidentiality of executive session minutes pursuant to the Open Meetings Act. On a motion by Cinda Klickna, seconded by Mike Busby, and by unanimous voice vote, it was resolved:

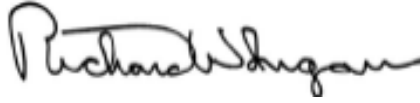
To approve the December 10, 2015 executive session meeting minutes of the Board of Trustees, as printed;

That the following executive session minutes no longer require confidential treatment and will be made available for public inspection:

May 22, 2015 – Board
June 25, 2015 – Board
August 12, 2015 – Board
August 13, 2015 - Board

ADJOURNMENT

On a motion by Bob Lyons, seconded by Rainy Kaplan, the meeting adjourned at 12:52 p.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is fluid and cursive, with the first name being the most prominent.

Richard W. Ingram, Executive Director

Approved 3/30/16