



MINUTES
Meeting of the Investment Committee
May 19-20, 2016

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on May 19-20, 2016 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Bob Lyons, Vice Chair, called the meeting to order at 8:30 a.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Bob Lyons (Vice Chair), Mark Bailey, Ann Deters, Rainy Kaplan, Sandy Stuart, Randy Winters (arrived 8:33 a.m.), Tony Smith (arrived 8:35 a.m.), Sonia Walwyn (arrived 8:50 a.m.), and Cinda Klickna (arrived 11:40 a.m.). Absent: Mike Busby (Chair), Andy Hirshman, and Dan Winter.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Ken Musick, Sr. Investment Officer; Scottie Bevell, Sr. Investment Officer; Tim Hays, Sr. Investment Officer; Dakin Sanert, Sr. Investment Analyst; Deron Bertolo, Director of Investment Accounting; Bob Jiroutek, Risk Officer; Jerry Quandt, Investment Officer; Bill Thomas, Investment Officer; Kirk Sims, Investment Officer; Jose Gonzalez, Sr. Investment Analyst; Chad Mitchell, Investment Analyst; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Jana Bergschneider, Chief Financial Officer; Kathleen Farney, Director of Research; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Dave Urbanek, Director of Communications; Sue Billington, Executive Assistant; Tammy Green, Asst. to Executive Director; Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel); Becky Gratsinger, RV Kuhns (Investment Consultant); Mike Krems, TorreyCove (Private Equity Consultant).

Visitors present: Don Davis, IRTA; Ross Myers, IRTA; Gayla Dial, IEA-R; Jason Parks, Loop Capital.

APPROVAL OF MINUTES

A draft of the March 30, 2016 minutes of the Investment Committee meeting was sent to the committee for review. On a motion by Sandy Stuart, seconded by Rainy Kaplan, the minutes were approved by unanimous voice vote.

The June meeting is cancelled. The next meeting is August 25-26, 2016.

OLD BUSINESS

Investment Manager Chart

Stan Rupnik, Chief Investment Officer, provided an organizational chart of TRS's investment managers for the quarter ended March 31, 2016. Documentation is on file.

Cash Withdrawal

Mr. Rupnik discussed the recent cash withdrawals necessary to fund the System's cash requirements. Documentation is on file. A motion was made by Mark Bailey, seconded by Rainy Kaplan, that the committee recommend to the Board to withdraw up to 1.0 percent of the total fund's value, or \$438.3 million based on the March 31, 2016 ending market value. The motion passed by a unanimous voice vote.

STAFF/CONSULTANT PRESENTATIONS

Watch List

Staff provided an update of the investment managers currently on the watch list for the quarter ended March 31, 2016. Aberdeen Asset Management (international equity) and Jarislowsky Fraser (international equity) remain on watch due to performance concerns. Staff recommended that TCW (fixed income) be added to the watch list due to performance concerns. A motion was made by Ann Deters, seconded by Mark Bailey, that the committee recommend to the Board to accept the watch list as presented. The motion passed by a unanimous voice vote.

Cramer Rosenthal McGlynn - Termination

Staff recommended terminating Cramer Rosenthal McGlynn's domestic equity SMID cap mandate due to performance. The mandate will remain vacant until staff further evaluates existing mandates and proposes a recommendation. A motion was made by Cinda Klickna, seconded by Tony

Smith, that the committee recommend to the Board to ratify the termination of Cramer Rosenthal McGlynn's 2.0% domestic equity SMID cap mandate. The motion passed by a unanimous voice vote.

WMBE Utilization Report

Kirk Sims, Investment Officer, provided preliminary data on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio through March 31, 2016. Assets under management for WMBE-owned investments were \$7.44 billion. The total TRS portfolio represents 16.98% which is .98% over the TRS goal of 16%.

Investment Performance Update

RV Kuhns provided an overview of the investment performance for the quarter ending March 31, 2016. Total assets: \$43.7 billion. Documentation is on file. The total fund return, gross of fees:

- 1 year: .5%
- 3 years: 7.0%
- 5 years: 7.5%
- 10 years: 5.8%
- 20 years: 7.7%

Total fund return, net of fees:

- 1 year: -0.2%
- 3 years: 6.3%
- 5 years: 6.9%
- 10 years: 5.2%

Global Equity Report

Staff reported that Mesirow Financial has completed the acquisition of Fiduciary Management Associates. Staff and RV Kuhns are comfortable with the acquisition details and Mesirow will assume management of TRS's small cap mandate. In addition, Fiera Capital Corporation intends to acquire Apex Capital Management at the end of May. Staff and RV Kuhns are comfortable with the acquisition details and Fiera Capital will assume management of TRS's SMID cap mandate. A motion was made by Sonia Walwyn, seconded by Tony Smith, that the committee recommend to the Board to agree to the assignment of FMA's existing Investment Management Agreement to

Mesirow Financial and the assignment of Apex's existing Investment Management Agreement to Fiera Capital. The motion passed by a unanimous voice vote.

Global Fixed Income Report

Dolan McEniry Capital Management (DMC) launched a new high yield composite and inquired if the System would want to be an early investor. By adding high yield to the existing TRS mandate, TRS is expected to achieve a better risk-adjusted portfolio. A motion was made by Rainy Kaplan, seconded by Sonia Walwyn, that the committee recommend to the Board to add Dolan McEniry's high yield composite within the existing mandate with a 35/65% split (high yield/core) and +/-5% range. The motion passed by a unanimous voice vote.

Staff recommended increasing the allocation range for fixed income special situations investments. Due to possible increase in capital calls for remainder of 2016, the range for special situations is expected to rise. A motion was made by Sandy Stuart, seconded by Mark Bailey, that the committee recommend to the Board to approve an increase to the maximum range to fixed income special situations to 20% of the asset class. The motion passed by a unanimous voice vote.

RECESS

The meeting recessed at 10:10 a.m. and reconvened at 10:25 a.m.

LCM Partners

Representatives of LCM Partners presented an investment opportunity to LCM Partners Credit Opportunities III, Limited Partnership for investments in the diversified credit opportunities comprised of consumer and commercial loans, debt, and securities. Their presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Sandy Stuart, seconded by Ann Deters, that the committee recommend to the Board to commit \$100 million to LCM Partners Credit Opportunities III, L. P. within the income special situations allocation subject to successful completion of legal documentation. The motion passed by a unanimous voice vote.

Pemberton Capital Advisors

Representatives of Pemberton Capital presented an investment opportunity to Pemberton European Mid-Market Debt Fund I, Limited Partnership for investments in loans to mid-market European companies. Their presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted. Trustee Stuart expressed interest in increasing the amount of the commitment. TRS staff recommended to stay at the \$50 million level for Pemberton due to being a first time fund, the first dedicated European only direct loan platform, and potential other investments to be made in the future. A motion was made by Sonya Walwyn, seconded by Sandy Stuart, that the committee recommend to the Board to commit \$50 million to Pemberton European Mid-Market Debt Fund I, L.P. within the global fixed income special situations allocation. The motion passed by a unanimous voice vote.

(Trustee Klickna arrives)

Oaktree

Representatives of Oaktree presented an investment opportunity to Oaktree Infrastructure Fund V, Limited Partnership for investments in infrastructure assets such as energy, transportation, and environmental services sectors. Their presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Cinda Klickna, seconded by Sonya Walwyn, that the committee recommend to the Board to commit up to \$150 million to Oaktree Infrastructure Fund V, L.P. within the targeted real return allocation. Discussion followed regarding performance and success of the fund. A motion was made by Ann Deters, seconded by Randy Winters, to amend the motion to commit \$50 million to Oaktree Infrastructure Fund V, L.P. with the possibility of up to \$150 million pending success of the fund. The amended motion failed by voice vote. The original motion passed by voice vote with Trustees Deters and Winters voting nay.

RECESS

The meeting recessed at 1:00 p.m. and reconvened at 1:40 p.m.

Astorg Asset Management – Private Equity

Representatives of Astorg presented an investment opportunity within the System's private equity portfolio to Astorg VI, Limited Partnership for investment focus on control investments in global and business to business

companies. Their presentation booklet is on file. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Tony Smith, seconded by Cinda Klickna, that the committee recommend to the Board to commit up to €50 million to Astorg VI, L.P. The motion passed by a unanimous voice vote.

EQT – Private Equity

Representatives of EQT presented an investment opportunity within the System's private equity portfolio to EQT Midmarket Europe, Limited Partnership. Their presentation booklet is on file. Staff and TorreyCove provided an overview of the firm and due diligence that was conducted. A motion was made by Tony Smith, seconded by Cinda Klickna, that the committee recommend to the Board to commit up to €75 million to EQT Midmarket Europe, L.P. The motion passed by a unanimous voice vote.

RCP Advisors – Private Equity

Representatives of RCP Advisors presented an investment opportunity to a private equity separate account to pursue opportunities in the lower midmarket in North America. Their presentation booklet is on file. Staff and TorreyCove provided an overview of the firm and due diligence that was conducted. A motion was made by Ann Deters, seconded by Sonia Walwyn, that the committee recommend to the Board to commit \$200 million to a separate account with RCP Advisors, LLC. The motion passed by voice vote. Trustee Winters abstained from voting.

RECESS

The meeting recessed at 3:40 p.m. and reconvened at 3:50 p.m.

Grain Management – Private Equity

Representatives of Grain Management presented an investment opportunity to Grain Communications Opportunity Fund, L.P. for investment focus on wireless and spectrum assets. Their presentation booklet is on file. Staff and TorreyCove provided an overview of the firm and due diligence that was conducted. The commitment would be within the System's emerging manager program. A motion was made by Tony Smith, seconded by Sonia Walwyn, that the committee recommend to the Board to commit up to \$50 million to

Grain Communications Opportunity Fund, L.P. The motion passed by voice vote with Trustee Winters voting nay.

Shasta Ventures Management – Private Equity

Staff recommended a commitment up to \$25 million to Shasta Ventures Fund V, Limited Partnership, within the System's private equity program, to invest within consumer and enterprise software and mobile and connected devices. Staff and TorreyCove provided an overview of the firm and due diligence that was conducted. TRS has commitments in Shasta Fund I and Fund IV. A motion was made by Rainy Kaplan, seconded by Ann Deters, that the committee recommend to the Board to commit up to \$25 million to Shasta Ventures Fund V, L.P. subject to completion of due diligence and successful legal negotiation. The motion passed by unanimous voice vote.

Sofinnova Ventures – Private Equity

Staff recommended a commitment up to \$65 million to Sofinnova Venture Partners X, Limited Partnership within the System's private equity program to invest in emerging growth companies in biotechnology and pharmaceuticals sectors. Staff and TorreyCove provided an overview of the firm and due diligence that was conducted. TRS has commitments in Funds VIII and IX. A motion was made by Cinda Klickna, seconded by Rainy Kaplan, that the committee recommend to the Board to commit up to \$65 million to Sofinnova Venture Partners X, L.P. subject to completion of due diligence and successful legal negotiation. The motion passed by unanimous voice vote.

Quarterly Compliance Report

TRS is responsible for monitoring investment manager trading activity to ensure compliance as related to the Investment Manager Agreement. Additionally, effective January 1, 2016, Illinois Public Act 99-0128 prohibits Illinois retirement systems from investing in companies that boycott Israel, and amends the law pertaining to Iran-restricted companies and Sudan-restricted companies. Staff provided a quarterly compliance summary pertaining to both items for the quarter ended March 31, 2016. A risk report summary containing investment risk measurements for the entire TRS fund was also provided. Documentation is on file.

Transition Reports

The transition reports for international equity and global fixed income are on file.

Transition Management RFP

Per TRS Investment Policy, staff undertakes an evaluation of its transition management program every three years. Staff provided an overview of the search and due diligence conducted and recommended three new transition managers along with incumbent managers Citi Group and Loop Capital. A motion was made by Cinda Klickna, seconded by Mark Bailey, that the committee recommend to the Board to approve Citi Group, Loop Capital, Macquarie Group, Northern Trust Corporation, and Penserra Securities as transition management providers. The motion passed by unanimous voice vote.

RECESS

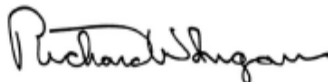
The meeting recessed at 4:40 p.m. and reconvened the following day at 8:07 a.m.

Private Equity Asset Class Report

Staff reported on the recent activity within the private equity portfolio and requested ratification of an equity co-investment with Apollo Investment Fund VIII, Limited Partnership in a transaction that will take private NYSE traded ADT Corporation. A motion was made by Sandy Stuart, seconded by Mark Bailey, that the committee recommend to the Board to ratify a co-investment for up to \$30 million with Apollo Fund VIII, L.P. in ADT Corporation. The motion passed by unanimous voice vote.

ADJOURNMENT

There being no further business to come before the Investment Committee, a motion was made by Bob Lyons, seconded by Sonia Walwyn, to adjourn the meeting at 8:11 a.m.



Richard W. In/gram, Executive Director
Approved: 8/25/16