



MINUTES
Board of Trustees
April 6-7, 2017

The Board of Trustees of the Illinois Teachers' Retirement System held its annual retreat/business meeting on April 6-7, 2017 at the Springfield office, 2815 West Washington Street.

President Smith called the meeting to order at 10:35 a.m. on April 6, 2017. A quorum was present. Roll Call attendance was taken with the following trustees present: Mark Bailey, Ann Deters (arrived 12:30 p.m.), Bob Lyons, Laura Pearl, Andy Hirshman (departed 12:00 p.m. 4/7/17), Dan Winter, Cinda Klickna, Vice President and Tony Smith, President. Absent: Rainy Kaplan, Sandy Stuart, Randy Winters (participated via phone 4/7/17 at 12:10 p.m.)

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Carlton Lenoir, Chief Benefits Officer; Jana Bergschneider, Chief Financial Officer; Bob Jiroutek, Risk Officer; Deron Bertolo, Director of Investment Accounting; Stacy Smith, Director of Internal Audit; Christina Baker, Sr. Internal Auditor; Tassi Maton, Sr. Internal Auditor; Gina Larkin, Chief Human Resources Officer; Tom Smith, Chief Technology Officer; Kathleen Farney, Director of Research; Dave Urbanek, Director of Communications; Sue Billington, Executive Assistant; Tammy Green, Executive Assistant; Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel); Marcia Beard and Ian Bray, RV Kuhns (Investment Consultant); Scottie Beville, Sr. Investment Officer (4/7); Tim Hays, Sr. Investment Officer (4/7); Dakin Sanert, Sr. Investment Analyst (4/7); Jerry Quandt, Investment Officer (4/7); Ed Shim, Investment Officer (4/7); Josh Ross, Investment Officer (4/7); Ben Skrodzki, Investment Officer (4/7); Jose Gonzalez, Sr. Investment Analyst (4/7); Chad Mitchell, Sr. Investment Analyst (4/7); and Becky Gratsinger (4/7), RV Kuhns (Investment Consultant); David Tatkow, Albourne (Absolute Return Consultant (4/7); Kim Nicholl and Jake Libauskas, Segal Consulting (Actuary).

Visitor present: Don Davis, IRTA Rep.

The retreat included topics on governance and ethics, asset allocation, enterprise risk, CEM benchmarking, TRS stress testing projections, strategic plan, and preview of the FY 2018 administrative budget.

Benchmarking Results

Rogier Slingerland, Principal at CEM Benchmarking, presented the pension administration benchmarking results and investment benchmarking draft results for calendar year 2015. Documentation is on file.

Ethics

Z Scott of Foley & Lardner LLP provided an education presentation focusing on the role of trustees and of board committees, elements of good governance, ethical principles that apply to trustees, and identifying ethical missteps. Documentation is on file.

RECESS

The meeting recessed at 12:45 p.m. and reconvened at 1:35 p.m.

Risk

Cynthia Fain, Sr. Legal Counsel, provided an overview of the newly developed TRS enterprise risk committee including its purpose and next steps the committee plans to take. The trustees received a risk matrix and discussed the risk ratings and categories. Documentation is on file.

Strategic Plan and Budget

Director Ingram provided a draft of the five year strategic plan FY 2018-FY2022 and a draft operating budget for FY 2018 including budget initiatives through FY 2022. Documentation is on file. Discussion ensued regarding Illinois' current environment due to lack of a budget and the threats to TRS's long term sustainability due to continuous underfunding by the state. It was consensus of the Board to use TRS's leadership role to address current conditions and sharpen message that the risk of solvency is real. In addition, it was the consensus of the Board to explore options on streamlining its governance structure.

RECESS

The meeting recessed at 4:10 p.m. and reconvened at 4:25 p.m.

EXECUTIVE SESSION

A motion was made by Mark Bailey, seconded by Andy Hirshman, that the Board enter into executive session for the purpose of discussing the appointment, employment, compensation, discipline, performance, or dismissal of specific employees as permitted

under the following exception set forth in the Open Meetings Act which authorizes the closing of the meeting to the public: 5 ILCS 120/2(c) (1). Roll call resulted in affirmative voice votes from Trustees Bailey, Deters, Hirshman, Lyons, Pearl, Winter, Klickna, and Smith. Motion CARRIED.

No action was taken during executive session. A motion was made by Mark Bailey, seconded by Andy Hirshman, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey, Deters, Hirshman, Lyons, Pearl, Winter, Klickna, and Smith. Motion CARRIED.

RECESS

The meeting recessed at 5:07 p.m. and reconvened the following day at 8:35 a.m.

Stress Testing Projections

Kim Nicholl and Jake Libauskas of Segal Consulting provided a recap of the 2016 actuarial valuation results and reviewed the components of the current 7.0 percent investment return assumption. They provided four state contribution scenarios using deterministic and stochastic modeling and assuming various types of risks to TRS. Documentation is on file.

Bridgewater

Representatives of Bridgewater summarized observations on today's low investment return environment and the expected risk of TRS's required return including a stress test of TRS's funding ratio. Given the present low return environment, it is a challenge to hit the required investment return even with scheduled contributions. Documentation is on file.

RECESS

The meeting recessed at 10:48 a.m. and reconvened at 11:00 a.m.

Asset Allocation Review

RVK provided an overview of the asset allocation modeling results including capital markets assumptions and liquidity modeling/analysis. Documentation is on file. Further discussion regarding asset allocation will be held at the May meeting.

RECESS

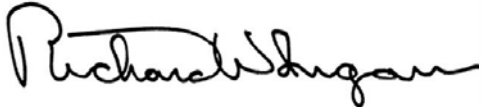
The meeting recessed at 12:00 p.m. and at 12:10 p.m.

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Staff discussed model inputs/output for public equity, private equity, global income, real estate, and real assets. Documentation is on file.

ADJOURNMENT

There being no further business to be brought before the Board, a motion was made by Tony Smith, seconded by Cinda Klickna, to adjourn the meeting at 2:10 p.m.

A handwritten signature in black ink, appearing to read "Richard W. Ingram". The signature is fluid and cursive, with a large initial "R" and "I".

Richard W. Ingram, Executive Director

Approved: 6/22/17