



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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MINUTES

Meeting of the Investment Committee December 9, 2020

A virtual meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on December 9, 2020 in accordance with the COVID-19 Executive Order 2020-71, which extends the original Executive Order 2020-07 through December 12, 2020. An in-person meeting is not practical or prudent due to the current global COVID-19 pandemic.

Andy Hirshman, Chair, called the meeting to order at 8:49 a.m. A quorum was present. Roll Call attendance was taken with the following trustees present: Beth Anderson, Carmen Ayala, Marsha Byas, Andy Hirshman, Matt Hunt, Maureen Mena, David Miller, Fred Peronto, Larry Pfeiffer, Doug Strand, Matt Shattock; Mark Bailey, Vice President and Devon Bruce, President. Absent: Norma Bellcoff.

Stan Rupnik, Acting Executive Director/Chief Investment Officer and Cynthia Fain, Sr. Legal Counsel, were physically present at the meeting location in Springfield, 2815 W. Washington Street.

Others present: Greg Turk, Director of Investments; Scottie Bevill, Sr. Investment Officer; Jerry Quandt, Sr. Investment Officer; Tim Hays, Sr. Investment Officer; Dakin Sanert, Investment Officer; Bill Thomas, Sr. Investment Officer; Ben Skrodski, Sr. Investment Officer; Jose Gonzalez, Investment Officer; Carlton Lenoir, Chief Benefits Officer; Deron Bertolo, Chief Financial Officer; Jeff Bennett, Director of Operations; Stacy Smith, Director of Internal Audit and Risk; Christina Baker, Internal Audit Supervisor; Andy Jones, Sr. IT Internal Auditor; Gina Larkin, Chief Human Resources Officer; Dave Urbanek, Director of Communications; Amy Reynolds, Director of Research; Bob Jiroutek, Sr. Risk Officer; Chris Wiedel, Director of Information Technology; Chad Fry, Technical Systems Manager; Rich Frankenfeld, Director of Outreach; Abby Griffith, Investment Accounting Manager; Tammy Green, Executive Assistant; Tiffany Reeves, Reinhart (Fiduciary Counsel); Becky Gratsinger and Ian Bray, RVK (Investment Consultant).

Visitors: Christine Williamson, Pensions & Investments; Angela Myers, Loop Capital; Zack Cziryak, Financial Investment News; and Vicki Mahrt, IEA-Retired.

Chairman Hirshman provided context on two important issues that will be discussed at upcoming meetings. The trustees will be discussing and making decisions on TRS's investment processes, including delegation. AON will present its report at the February 2021 Board meeting. In addition, Trustee Hirshman and Trustee Miller, Vice-Chair, have discussed the strategic and tactical tilts within the System's portfolio. Blackrock will provide an educational presentation on active vs indexing at the February 2021 meeting as requested by Trustee Hirshman.

No public comment was heard.

APPROVAL OF MINUTES

A draft of the October 29, 2020 minutes of the investment committee meeting was sent to the trustees for prior review. Documentation is on file. On a motion by Trustee Hunt, seconded by Trustee Miller, it was resolved to approve the October 29, 2020 investment committee minutes, as presented. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

TRS PORTFOLIO

Investment Manager Chart

Note: (technical issues with sound)

Stan Rupnik, Chief Investment Officer, provided final investment manager charts for the quarter ending September 30, 2020. Documentation is on file.

Cashflow Summary

Greg Turk, Director of Investments, provided a cash flow summary to fund the System's cash requirements. Documentation is on file.

MWBE Utilization Report

Jose Gonzalez, Investment Officer – Diverse & Emerging Managers, provided preliminary data as of September 30, 2020 on the utilization of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio. The total TRS portfolio represents 22.44% which is 2.44% over the TRS goal of 21%. Documentation is on file.

The Senate Select Committee’s annual hearing on minority firm utilization was held virtually on December 4, 2020. TRS staff and external investment consultants were present.

Investment Performance Update

(Note: technical issues with sound)

RVK provided an overview of September 30, 2020 quarterly investment performance report including current trending pension topics and capital markets. TRS outperformed the peer median for 7, 10, and 20 year trailing periods. The market value of the TRS total fund on September 30 was \$53.5 billion. Documentation is on file. The total fund return, net of fees:

- 1 year 3.8%
- 3 years 4.8%
- 5 years 6.9%
- 10 years 7.7%
- 20 years 6.0%

Risk Report

Bob Jiroutek, Sr. Risk Officer, provided an overview of the September 2020 investment risk report. Documentation is on file.

Investment Activity Report

Stan Rupnik provided an overview of investment actions and asset transfers/rebalance activity by asset class made by the System’s investment staff for the period October 3 through November 16, 2020. Documentation is on file. President Bruce noted that using the current delegation model, this is the committee’s first knowledge, communication, disclosure of these actions.

Private Equity –

- Commitment to Bertram Capital Management, new manager

Global Income –

- Commitment to Blantyre Capital, new emerging/MWBE manager

Real Assets –

- Commitment to Starwood Capital Group

Diversifying Strategies –

- Additional commitment to Aspect Capital

- Full redemption from Informed Portfolio Management and The Man Group.
- Revised prior redemption from Grosvenor

RECESS

The meeting recessed at 10:05 a.m. and reconvened at 10:15 a.m.

TRS Diversity Program – Redefining Diversity

Jose Gonzalez provided an overview on broadening the definition of diversity and the forward plan for growth of TRS’s diversity program from \$750 million to \$1 billion. Documentation is on file. Currently, TRS’s total Minority- and Women - owned Business Enterprise (MWBE) exposure is \$12.6 billion of the System’s total portfolio. Staff proposed broader diversity initiatives to create more opportunities for diverse manager hiring:

- ✓ Increase size of the Emerging Manager Program (EMP)
- ✓ Expand diversity initiative
- ✓ Implement a Diversity, Equity, & Inclusion assessment measuring and monitoring tool
- ✓ Focus on diversity hiring outside the EMP
- ✓ Update and improve online Emerging Manager questionnaire on TRS website
- ✓ Continue growth of the EMP
- ✓ Consultant collaboration
- ✓ Expand participating in conferences and industry events
- ✓ Expand focus of TRS Opportunity Form
- ✓ Increase pipeline activity

Staff recommended the issuance of a Request for Proposals seeking consulting services to provide a standardized measurement and scoring tool for diversity, equity, and inclusion opportunities. A motion was made by Trustee Bruce, seconded by Trustee Strand, that the committee recommend to the Board to increase the size of the Emerging Manager Program from \$750 million to a target \$1 billion and to issue an RFP for consulting services to provide a standardized Diversity, Equity, and Inclusion (DEI) measurement and scoring solution. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

Global Public Equity Asset Class Annual Review

TRS Staff presented the annual review of the global public equity asset class including performance review, goals and initiatives. The public equity portfolio remains in compliance with established guidelines. Documentation is on file. A motion was made by Trustee Strand, seconded by Trustee Bruce, that the committee recommend to the Board to approve the fiscal year 2021 global public equity goals and initiatives as presented in the annual review presentation. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.

Domestic Equity Restructuring

- Continue to reduce tracking error and move toward style neutrality
- Research top-tier active managers in value and growth styles

Emerging Manager Program

- Continue efforts to identify promising candidates for TRS Emerging Manager Program

Fee Reduction

- Continue to renegotiate fees with incumbents where appropriate
- Utilize performance-based structures to enhance flexibility

Global & International Strategies

- Research dedicated regional mandates
- Enhance active manager lineup in broad international large cap and emerging markets small cap areas
- Research global managers which have skill in regional positioning

Monitoring & Liquidity

- Continue enhancement of risk and exposure reporting
- Monitor market environment for opportunities to rebalance efficiently

ADJOURNMENT

There being no further business to come before the Investment Committee, a motion was made by Trustee Hunt, seconded by Trustee Pfeiffer, to adjourn the meeting at 11:30 a.m. Roll call resulted in affirmative voice votes from Trustees Anderson, Ayala, Byas, Hirshman, Hunt, Mena, Miller, Peronto, Pfeiffer, Shattock, Strand, Bailey, and Bruce. Motion Carried.



Stan Rupnik, Acting Executive Director/Chief Investment Officer

Approved: 2/25/21