



**MINUTES**  
**Board of Trustees**  
**December 10, 2015**

The regular meeting of the Board of Trustees of the Illinois Teachers' Retirement System was held on December 10, 2015 at the System's Springfield office located at 2815 West Washington Street. Tony Smith, President, called the meeting to order at 2:30 p.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, Sandy Stuart, Sonia Walwyn, Dan Winter, Cinda Klickna, Vice President; and Tony Smith, President.

Others present: Dick Ingram, Executive Director; Tom Gray, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Stan Rupnik, Chief Investment Officer; Stefan Backhus, Investment Officer; Jana Bergschneider, Chief Financial Officer; Sally Soderberg, Chief Benefits Officer; Gina Larkin, Chief Human Resources Officer; Bob Jiroutek, Risk Manager; Stacy Smith, Director of Internal Audit; Dave Urbanek, Director of Communications; Rich Frankenfeld, Director of Outreach; Tammy Green, Assistant to the Executive Director; Sue Billington, Executive Assistant; Becky Gratsinger, RV Kuhns (Investment Consultant); and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Dennis Murfin, IRTA; Don Davis, IRTA; Shirley Dodds, IRTA; Jim Duffy, IEA-R; Christine Williamson, Pensions and Investments; Jason Parks, Loop Capital; and Kelley Gallagher, BNY Mellon.

**APPROVAL OF MINUTES**

A draft of the October 28-29, 2015 regular board meeting minutes was sent to the trustees for prior review. On a motion by Mark Bailey, seconded by Rainy Kaplan, and by unanimous voice vote, the minutes were approved as printed. Trustee Walwyn abstained from voting.

## **INVESTMENT COMMITTEE REPORT– *Mike Busby, Chair***

### 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 \$434.5 million based on the September 30, 2015 ending market value.

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

### PIMCO

On a motion by Sonia Walwyn, seconded by Rainy Kaplan, it was resolved:

To commit \$100 million to PIMCO Opportunistic Credit II, L.P. within the special situations allocation, subject to successful completion of legal documentation. 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, Stuart, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

### NXT Capital

On a motion by Rainy Kaplan, seconded by Sonia Walwyn, it was resolved:

To commit \$150 million to NXT Capital Senior Loan Fund IV, L.P. within the special situations allocation. 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, Stuart, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

Carlyle Partners – Co-Investment

On a motion by Cinda Klickna, seconded by Sandy Stuart, it was resolved:

To ratify the commitment of up to \$25 million to the co-investment with Carlyle Partners VI, L.P. Closing is expected in January 2016.

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

MBK Partners – Co-Investment

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

To ratify the commitment of up to \$40 million (plus transaction expenses) to the co-investment with MBK Partners III, L.P.

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

Black River - Ownership

On a motion by Rainy Kaplan, seconded by Tony Smith, it was resolved:

To consent to the Black River ownership change to Proterra Investment Partners. The change affects TRS investments in the Black River Capital Partners Food Funds I & II, and Black River Agriculture Fund II.

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

Glencoe Capital Partners

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

To ratify the sale of Glencoe Capital Partners III, L.P. and Glencoe Institutional partners III, L.P. at 92.5% as of the June 30, 2015 record date. Staff notes the exception to policy by not utilizing a secondary advisor.

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

Madison Dearborn

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

To commit \$75 million to Madison Dearborn Capital Partners VII, L.P. 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 Busby, Lyons, Stuart, Walwyn, Winter, Klickna, and Smith. Votes of opposition were heard from Trustees Bailey, Kaplan, and Hirshman. Motion CARRIED.

Boston Company - Termination

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

To terminate Boston Company's 2.00% domestic equity SMID cap growth mandate.

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

### Domestic Equity

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

To approve the domestic equity target mandate revisions, as presented.

- Increase MFS large cap core from 7.0% to 9.0%
- Increase J.P. Morgan 130/30 large cap core from 8.0% to 9.0%
- Increase LSV large cap value from 4.0% to 5.0%
- Increase FMA small cap from 2.0% to 3.0%
- Increase small cap vacancy from 1.25% to 2.0%
- Decrease OakBrook large cap enhanced core from 3.0% to 2.0%
- Decrease CRM SMID cap value from 4.0% to 2.0%
- Remove 3.0% large cap vacancy
- Consolidation of the current large cap core, large cap value, and large cap growth asset class structures into two new structures:
  - i. A passive large cap structure with 25.0% target and +/-6.0% allocation range
  - ii. An active large cap structure with a 55.0% target and +/- 10.0% allocation range
- Increase domestic equity small/mid cap allocation range from +/-4% to +/-5%

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

### International Equity

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

To approve the international equity target mandate revisions, as presented.

- Increase SGA large cap active from 4.0% to 6.0%
- Increase Axiom emerging markets from 3.0% to 5.0%
- Decrease Aberdeen large cap active from 8.5% to 7.5%
- Decrease JF large cap active from 7.0% to 6.0%

- Decrease AQR emerging markets from 9.0% to 8.0%
- Decrease Northern Trust passive emerging markets from 3.0% to 2.0% and;

To approve an international equity large cap manager search.

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

#### Claren Road Asset Management

On a motion by Mark Bailey, seconded by Rainy Kaplan, it was resolved:

To ratify full redemption of the Claren Road Credit Master Fund.

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

#### Pine River

On a motion by Rainy Kaplan, seconded by Sonia Walwyn, it was resolved:

To ratify full redemption of the Pine River Fund.

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

#### Blue Mountain Capital Management

On a motion by Rainy Kaplan, seconded by Tony Smith, it was resolved:

To ratify full redemption of the Blue Mountain Credit Alternatives Fund.

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

Grosvenor

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

To ratify the reduction of the Grosvenor Monarch mandate to \$300 million.

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

Transition Management Services RFP

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

To issue an RFP for transition management services.

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

Co-Investment Advisors

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

To select Caledon, LP Capital Advisors, Stout Risius Ross, and TorreyCove Capital Partners as an approved pool of co-investment advisors to be used, as necessary, for evaluation of co-investment opportunities.

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

### Advent

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

To commit up to \$150 million to Advent International GPI VIII, L.P. 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, Stuart, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

### Battery Ventures

On a motion by Tony Smith, seconded by Sandy Stuart, it was resolved:

To commit up to \$30 million to be split between Battery Ventures XI, L.P. and Battery Ventures XI Side Fund, L.P. and an additional \$10 million based on continued staff and Chair approval. 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, Stuart, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

### Leonard Green & Partners

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

To commit \$200 million to Green Equity Investors VII, L.P. Source of funds shall be TRS cash accounts, passive/enhanced index 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, Stuart, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.



### Lightspeed Venture Partners

On a motion by Rainy Kaplan, seconded by Sonia Walwyn, it was resolved:

To commit up to \$40 million to be split between Lightspeed Venture Partners XI, L.P. and Lightspeed Venture Partners Select II, L.P. 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, Stuart, Walwyn, Winter, Klickna, and Smith. Motion CARRIED.

### Longitude Capital Management

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

To commit \$50 million to Longitude Venture Partners III, L.P. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation or rebalancing objectives.

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

### Trident Capital Group

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

To commit \$25 million to TC Growth Partners I, L.P. within the System's Emerging Manager Program. Source of funds shall be RhumbLine S&P 500 index fund dedicated to the Emerging Manager Program. To reduce trading costs, initial funding may be from other rebalancing activity, with subsequent reimbursement when such funding is most efficient.

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

### Crabel Capital Management

On a motion by Tony Smith, seconded by Sonia Walwyn, it was resolved:

To approve the Crabel AlphaTerra Advanced Trend Fund for a 7.0% target allocation within the System's Absolute Return Strategies program. Initial funding will be \$100 million, with subsequent funding as prudent to the target allocation. The commitment is subject to successful completion of final contract negotiations.

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

### Apex Capital Management

On a motion by Mark Bailey, seconded by Rainy Kaplan, it was resolved:

To graduate Apex Capital Management to a 2.25% domestic equity SMID cap growth mandate. Funding for the mandate will come from rebalancing of the asset class structure. The RhumbLine S&P 500 account dedicated to the Emerging Manager Program will be reimbursed for Apex's initial \$25 million investment.

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

### Oak Street Real Estate Capital

On a motion by Sonia Walwyn, seconded by Cinda Klickna, it was resolved:

To commit \$50 million to Oak Street Real Estate Capital Fund III, L.P. within the System's Emerging Manager Program. The commitment is subject to successful completion of legal review by Jackson Walker. Source of funds is the Emerging Manager Program.

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

## **EXECUTIVE DIRECTOR’S REPORT-*Dick Ingram***

### Final FY 2017 Funding Certification

Kathleen Farney, Director of Research, reported that the System received the preliminary report prepared by Cheiron, the Illinois state actuary, on the 2015 preliminary actuarial valuation. The state actuary reviewed the assumptions and calculations contained in the preliminary valuation report prepared by Buck Consultants, the System’s actuarial consultant. The state actuary did not recommend any changes to the FY 2017 state contribution based on the statutory plan or to the normal cost certification. The state actuary also reviewed the alternative state contribution requirement based on actuarial standards (“Actuarial Math 2.0”) and agreed with Buck’s calculation. TRS staff discussed a draft response to Cheiron’s preliminary report. The state actuary’s final report containing its recommendations and the retirement systems’ responses will be available on the auditor general’s website in January 2016. On a motion by Bob Lyons, seconded by Mark Bailey, it was resolved:

To accept the results of the June 30, 2015 actuarial valuation and to adopt final certifications of the following:

- Based on the current statutory funding plan, an FY 2017 state funding amount of \$3,986,583,351, which includes \$800,000 for minimum retirement benefits;
- Based on “Actuarial Math 2.0,” (entry age normal actuarial cost method, employer normal cost plus 20 year amortization of the unfunded liability), \$6,070,973,314, which includes \$800,000 for minimum benefit reimbursements; and
- The FY 2017 total normal cost of 18.08 percent of pay, a rate which includes an employer normal cost of 8.27 percent of pay and an assumed employee contribution rate of 9.81 percent of pay (which is the projected rate including the base rate of 9.40 percent and member contributions for optional service and lump sum contributions at retirement for the early retirement option).

These amounts and rates are identical to those contained in the Board's October 30, 2015 resolution.

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

#### Financial Statement and Administrative Expenses

The financial statement and administrative expenses for the quarter ended September 30, 2015 were sent to the trustees for review. The reports are on file. On a motion by Cinda Klickna, seconded by Bob Lyons, it was resolved:

To approve the administrative expenses for the quarter ended September 30, 2015, as presented.

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

#### **TRUSTEE TRAVEL**

In accordance to Board Bylaws, Article II, Section I, trustee travel outside the State of Illinois must be approved by the Board in advance. Trustee Kaplan requested approval to attend the International Foundation of Employee Benefit Plans Public Pension Trustee Training on January 11-12, 2016 in Washington, DC. On a motion by Bob Lyons, seconded by Cinda Klickna, it was resolved:

To approve travel expenses for Trustee Kaplan to attend the IFEBP Public Pension Trustee Training in Washington, DC, January 11-12, 2016.

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

#### **EXECUTIVE SESSION**

A motion was made by Mike Busby, seconded by Cinda Klickna, that the Board enter into executive session for the purpose of discussing the

employment, compensation, discipline, performance, or dismissal of specific employees of the public body; probable or imminent litigation and closed meeting 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) (1), 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, Lyons, Stuart, Walwyn, Winter, Klickna, and Smith. Motion Carried.

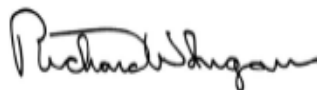
No action was taken during executive session. A motion was made by Mark Bailey, seconded by Cinda Klickna, that the Board come out of executive session. Roll call resulted in affirmative voice votes from Trustees Bailey, Busby, Hirshman, Kaplan, Lyons, Stuart, Walwyn, Winter, Klickna, and Smith. Motion Carried.

### **APPROVAL OF EXECUTIVE SESSION MINUTES**

The October 29, 2015 executive session meeting minutes of the Board was sent to the trustees for prior review. On a motion by Bob Lyons, seconded by Mike Busby, and by unanimous voice vote, the minutes were approved as printed.

### **ADJOURNMENT**

There being no further business to come before the Board, a motion was made by Bob Lyons, seconded by Rainy Kaplan, to adjourn the meeting at 3:21 p.m. The motion passed by a unanimous voice vote.



Richard W. Ingram, Executive Director

Approved 2/18/15