



## TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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Richard W. Ingram, Executive Director  
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Springfield, Illinois 62794-9253

### **MINUTES Board of Trustees February 17, 2017**

The Board of Trustees of the Illinois Teachers' Retirement System held its annual retreat/business meeting on February 17, 2017 at the Springfield office, 2815 West Washington Street. President Smith called the meeting to order at 1:16 p.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Mark Bailey, Ann Deters, Bob Lyons, Andy Hirshman, Rainy Kaplan, Sandy Stuart, Dan Winter, Randy Winters, Cinda Klickna, Vice President and Tony Smith, President. Absent: Laura Pearl

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; 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); and Marcia Beard, RV Kuhns (Investment Consultant).

Visitors present: Don Davis, IRTA; Larry Pfeiffer, IRTA; and Gayla Dial, IEA-Retired.

### **APPROVAL OF MINUTES**

A draft of the December 13, 2016 minutes of the Board meeting was sent to the trustees for prior review. On a motion by Cinda Klickna, seconded by Andy Hirshman, the minutes were approved by unanimous voice vote.

### **INVESTMENT COMMITTEE REPORT**

#### Cash Withdrawal

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

To authorize cash withdrawals, as needed, to meet the System's cash requirement.

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

### Watchlist

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

To accept the 12/31/16 watch list as presented.

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

### Domestic Equity

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

To ratify revision of four domestic equity mandate fee schedules, as presented.

- LSV U.S. Large Cap
- LSV U.S. SMID Cap
- Acadian U.S. Large Cap
- JP Morgan Large Cap Growth

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

### Mesirow – Termination

On a motion by Rainy Kaplan, seconded by Sandy Stuart, it was resolved:

To ratify the termination of Mesirow's 2.00% domestic equity small cap mandate.

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

### Apex – Termination

On a motion by Ann Deters, seconded by Randy Winters, it was resolved:

To ratify the termination of Apex's 2.25% domestic equity SMID cap mandate.

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

### PIMCO

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

To alter the PIMCO Global Inflation-linked mandate benchmark to the Bloomberg Barclays GILB 1-15 Year Hedged Index from the Bloomberg Barclays World Linker Benchmark unhedged. The revision would be effective March 1, 2017.

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

### Clearlake Capital

On a motion by Sandy Stuart, seconded by Ann Deters, it was resolved:

To approve the ratification of the co-investment with Clearlake Capital.

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

### DoubleLine – Income

On a motion by Randy Winters, seconded by Mark Bailey, it was resolved:

To commit \$100 million to the DoubleLine Mortgage Opportunity Fund, L.P. within Income – Special Situations. The source of funds shall be the TRS cash account, or other accounts based on asset allocation or rebalancing objectives. The commitment is contingent upon successful negotiation of legal documentation and on-site due diligence.

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

### Marlin Management Company – Private Equity

On a motion by Ann Deters, seconded by Tony Smith, it was resolved:

To commit up to \$80 million to Marlin Equity V, L.P. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation or rebalancing objectives. The commitment is contingent upon successful negotiation of legal documentation.

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

### New Enterprise Associates – Private Equity

On a motion by Rainy Kaplan, seconded by Sandy Stuart, it was resolved:

To commit up to \$50 million to New Enterprise Associates 16, L.P. Source of the funds shall be TRS cash accounts or other accounts based on asset allocation or rebalancing objectives. The commitment is contingent upon successful negotiation of legal documentation.

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

### Silver Lake – Private Equity

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

To commit up to \$200 million to Silver Lake V, L.P. Source of funds shall be TRS cash accounts, or other accounts based on asset allocation or rebalancing objectives. The commitment is contingent upon successful negotiation of legal documentation.

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

### Exeter – Emerging Manager Program

On a motion by Mark Bailey, seconded by Ann Deters, it was resolved:

To commit \$40 million to Exeter Value Fund IV, L.P. within the System's Emerging Manager Program. The source of funds will be the S&P 500 index account dedicated to the Emerging Manager Program, but for cost

effectiveness may initially come from cash accounts or other rebalancing activity. The commitment is contingent upon successful negotiation of legal documentation.

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

#### Oak Street Capital – Emerging Manager Program

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

To commit \$100 million to Oak Street Capital Fund IV, L.P. within the System’s Emerging Manager Program. The source of funds will be the S&P 500 index account dedicated to the Emerging Manager Program, but for cost effectiveness may initially come from cash accounts or other rebalancing activity. The commitment is contingent upon successful negotiation of legal documentation.

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

#### Ramirez Asset Management – Emerging Manager Program

On a motion by Randy Winters, seconded by Sandy Stuart, it was resolved:

To commit \$50 million to Ramirez Asset Management, within Income - Beta Plus, as part of the System’s Emerging Manager Program. The source of funds will be the S&P 500 index account dedicated to the Emerging Manager Program, but for cost effectiveness may initially come from cash accounts or other rebalancing activity.

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

### **AUDIT COMMITTEE REPORT**

#### Real Estate Audit

On a motion by Ann Deters, seconded by Mark Bailey, it was resolved:

To approve the FY 16 Real Estate Audit Results and FY 17 proposed Audit Plan as presented by KPMG.

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

## **LEGISLATIVE COMMITTEE REPORT**

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

To Oppose House Bill 3475 – sets the discounted rate at the actual 30 year rate of return.

To Oppose Senate Bill 779 – requires disclosure of fees and other information relating to private equity investments.

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

## **CLAIMS HEARING COMMITTEE REPORT**

On a motion by Dan Winter, seconded by Bob Lyons, it was resolved:

To accept the Claims Hearing Committee's recommended decision in the administrative review of Glorier Robinson.

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

## **EXECUTIVE DIRECTOR'S REPORT**

### Education

Staff provided an educational presentation on Recovering Overpayments. Documentation is on file.

### Trustee Election

The Board received a memorandum noting that an active teacher trustee election is required on May 1, 2017. Four candidates submitted more than the required 500 signatures on the election petitions to fill the two vacant seats in July 2017. Documentation is on file. An annuitant trustee election is not required since only one annuitant candidate submitted the required signatures on the petition. The terms of Trustees Bailey, Kaplan, and Lyons expire July 2017.

### Revised Contract

TRS currently has a contract with Agile Progress to assist in designing and training in the agile methodology approach to project development and management. Staff requested additional funding for a third pilot project. Documentation is on file. On a motion by Cinda Klickna, seconded by Bob Lyons, it was resolved:

To approve the non-budgeted expenditure of \$50,860 for a third pilot project with Agile Progress, LLC.

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

### Retreat Agenda

Director Ingram presented a draft board retreat agenda. The retreat is scheduled April 6-7, 2017. Documentation is on file.

### Disaster Recovery Update

Staff and Sungard personnel successfully conducted Disaster Recovery Testing for FY 17 at the disaster recovery facility in Wood Dale, IL. In the event of a disaster, TRS can successfully setup and restore TRS Star within 32 hours after arriving at the Sungard center. Documentation is on file.

### Website and Telephone Changes

TRS is changing its telephone numbers, email addresses and website address this summer in order to improve service and reduce technology costs. In June, all TRS email addresses will change to @trsil.org from the current @trs.illinois.gov. All direct-dial and toll-free TRS telephone numbers will be replaced with new numbers. A list of new TRS telephone numbers will be released in the future. In July, the TRS website address will change to <http://www.trsil.org> from the current <http://trs.illinois.gov>. At the same time, TRS will launch a new website design.

### Administrative Expenses

The financial statement and administrative expenses for the quarter ended December 31, 2016 were sent to trustees for review. Documentation is on file. On a motion by Bob Lyons, seconded by Ann Deters, it was resolved:

To approve the financial statement and administrative expenses for the quarter ended December 31, 2016, as presented.

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

### Trustee Travel

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

To approve travel expenses to attend the 2017 Pension Bridge Conference in San Francisco, California – April 18-19, 2017.

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

### Miscellaneous Reports

The Board received copies of the following reports. Documentation is on file.

- Vendor Pay Report (12/31/16)
- Member Services Statistical Report (12/31/16)
- Employer Services Report (7/18/16-1/13/17)
- Vendor Utilization Report (1/31/17)

## **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, Kaplan, Lyons, Stuart, Winter, Winters, 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. Motion passed by unanimous voice vote.

### Personnel

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

To extend the term of the CIO's (Rupnik) employment agreement for an additional one-year period through June 30, 2022.



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

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

To extend the term of the Executive Director's (Ingram) employment agreement for an additional one-year period through June 30, 2022.

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

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

To increase the Executive Director's salary at an annual rate of three percent for the period July 1, 2017 through June 30, 2018.

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

On a motion by Ann Deters, seconded by Mark Bailey, it was resolved:

To extend the Executive Director's deferred compensation agreement by five years through June 30, 2022.

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

#### Approval of Executive Session Minutes

A draft of the December 13, 2016 executive session minutes of the Board was sent to the trustees for prior review. On a motion by Cinda Klickna, seconded by Mark Bailey, and by unanimous voice vote, the minutes were approved as presented.

In addition, the Board received a memorandum from the System's legal counsel regarding the confidentiality of executive session minutes pursuant to the Open Meetings Act. The following minutes no longer require confidential treatment and will be available to the public:

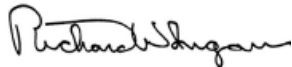
February 18, 2016	Board
May 20, 2016	Board
August 25, 2016	Audit Committee

Minutes – Board Meeting  
February 16-17, 2017

August 26, 2016	Board
August 26, 2016	Investment Committee
October 28, 2016	Board

## **ADJOURNMENT**

There being no further business to be brought before the Board, a motion was made by Bob Lyons, seconded by Mark Bailey, to adjourn the meeting at 2:40 p.m.



Richard W. Ingram, Executive Director

Approved: 6/22/17