



**MINUTES**  
**Meeting of the Investment Committee**  
**February 16-17, 2017**

A meeting of the Investment Committee of the Illinois Teachers' Retirement System was held on February 16-17, 2017 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Bob Lyons, Chair, called the meeting to order at 3:00 p.m. A quorum was present.

Roll Call attendance was taken with the following trustees present: Bob Lyons (Chair), Mark Bailey, Ann Deters, Rainy Kaplan, Andy Hirshman, Laura Pearl (2/16), Sandy Stuart, Dan Winter, Randy Winters, and Cinda Klickna.  
Absent: Laura Pearl (2/17); Tony Smith, President.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Greg Turk, Director of Investments; Scottie Bevill, Sr. Investment Officer; Tim Hays, Sr. Investment Officer; Kirk Sims, Investment Officer; Bill Thomas, Investment Officer; Ed Shim, Investment Officer; Ben Skrodzki, Investment Officer; Jerry Quandt, Investment Officer; Dakin Sanert, Sr. Investment Analyst; Jose Gonzalez, Sr. Investment Analyst; Chad Mitchell, Investment Analyst; Deron Bertolo, Director of Investment Accounting; Bob Jiroutek, Risk Officer; Marcy Dutton, Chief Legal Counsel; Cynthia Fain, Sr. Legal Counsel; Carlton Lenoir, Chief Benefits Officer; Jana Bergschneider, Chief Financial Officer; Tom Smith, Chief Technology Officer; Kathleen Farney, Director of Research; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Sr. Internal Auditor; 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); Mike Krems, TorreyCove (Private Equity Consultant); Jeremy Goldberg and Justin Thibault, Courtland Partners (Real Estate Consultant).

Visitors present: Don Davis, IRTA; Larry Pfeiffer, IRTA; Gayla Dial, IEA-R; Jim Baker (2/16), UNITE HERE; and Vincent Thompson (2/16), Welton Investment.

**APPROVAL OF MINUTES**

A draft of the December 13, 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.

## **OLD BUSINESS**

### Investment Manager Chart

Stan Rupnik, Chief Investment Officer, provided the TRS investment manager charts for the quarter ended December 31, 2016. Documentation is on file.

### Cash Withdrawal Update

Due to the consistency of staff withdrawal requests and the necessity and legal requirement of meeting all cash needs, staff requested open authorization for future cash withdrawals to prevent any unexpected or unintentional gaps in the need to withdrawal and the approval process. Staff will continue to provide full transparency to the Board relating to cash withdrawal activity. Staff discussed the recent cash withdrawals necessary to fund the System's cash requirements and provided a cash flow summary. Documentation is on file. A motion was made by Ann Deters, seconded by Laura Pearl, to authorize cash withdrawals, as needed, to meet the System's cash requirement. The motion passed by a unanimous voice vote.

## **STAFF/CONSULTANT PRESENTATIONS**

### Investment Performance Update

RV Kuhns provided an overview of the investment performance for the quarter ending December 31, 2016. Documentation is on file. Total assets: \$46 billion. Documentation is on file. The total fund return, gross of fees:

- 1 year: 8.3%
- 3 year: 5.9%
- 5 year: 9.5%
- 10 year: 5.6%

Net of fees:

- 1 year: 7.6%
- 3 year: 5.2%
- 5 year: 8.9%
- 10 year: 5.0%

### Ramirez Asset Management – Fixed Income/Emerging Manager Program

Representatives of Ramirez Asset Management provided an investment opportunity within Income-Beta Plus as part of the System's Emerging Manager Program. The mandate will be a hybrid, customized structure. Documentation is on file. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Dan Winter, seconded Andy Hirshman, that the committee recommend to the Board to commit \$50 million to Ramirez Asset Management. The motion passed by a unanimous voice vote.

### DoubleLine – Global Fixed Income

Representatives of DoubleLine provided an investment opportunity within the DoubleLine Mortgage Opportunity Fund, Income - Special Situations. Documentation 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 Laura Pearl, that the committee recommend to the Board to commit \$100 million to to the DoubleLine Mortgage Opportunity Fund, L.P. within Income – Special Situations contingent upon successful negotiation of legal documentation and on-site due diligence. The motion passed by voice vote. Trustee Deters abstained from voting.

### PIMCO

Following the October 2016 asset class annual review and discussions with PIMCO and RVKuhns, TRS staff recommended altering PIMCO's Global Inflation-linked mandate benchmark to the Bloomberg Barclays GILB 1-15 Year Hedged Index from the Bloomberg Barclays World Linker Benchmark unhedged. A motion was made by Rainy Kaplan, seconded by Mark Bailey , that the committee recommend to the Board to alter the PIMCO Global Inflation-linked mandate benchmark to the Bloomberg Barclays GILB 1-15 Year Hedged Index. The revision would be effective March 1, 2017. The motion passed by a unanimous voice vote.

### **RECESS**

The meeting recessed at 5:25 p.m. and reconvened the following day at 8:00 a.m.

### Torrey Cove

Staff provided notification that senior management at Torrey Cove, the System's private equity consultant, will acquire all of the equity interest in the firm from Mitsubishi Corporation. No changes are anticipated with TRS's relationship with Torrey Cove.

### Clearlake Capital - Co-Investment

Staff requested ratification of a co-investment up to \$40 million alongside Clearlake Capital to acquire and merge LANDesk Inc. with Endpoint Solutions, Inc. The co-investment received the approval of the Investment Committee Chair. A motion was made by Cinda Klickna, seconded by Mark Bailey, that the committee recommend to the Board to approve the ratification of the co-investment with Clearlake Capital. The motion passed by a unanimous voice vote.

### Marlin Management Company – Private Equity

Representatives of Marlin Management provided a new investment opportunity in Marlin Equity V, Limited Partnership. Documentation is on file. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Andy Hirshman, seconded by Ann Deters, that the committee recommend to the Board to commit up to \$80 million to Marlin Equity V, L.P. contingent upon successful negotiation of legal documentation. The motion passed by a unanimous voice vote. Discussion was held regarding the number of investment managers TRS is adding to its portfolio.

### Silver Lake – Private Equity

Staff presented an investment opportunity within Silver Lake Partners V, Limited Partnership to invest in the technology industry. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Cinda Klickna, seconded by Sandy Stuart, that the committee recommend to the Board to commit up to \$200 million to Silver Lake Partners V, L.P. contingent upon successful negotiation of legal documentation. The motion passed by a unanimous voice vote.

### New Enterprise Associates – Private Equity

Staff presented an investment opportunity within NEA 16, Limited Partnership to invest in information technology and healthcare industries. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Sandy Stuart, seconded by Randy Winters, that the committee recommend to the Board to commit up to \$50 million to NEA 16, L.P. contingent upon successful negotiation of legal documentation. The motion passed by a unanimous voice vote.

### LiveOak Venture Partners – Private Equity/Emerging Manager Program

Staff presented an investment opportunity in LiveOak Venture Partners II, a re-up within the System's Emerging Manager Program. TRS is a current investor in Fund I. Documentation is on file. Staff provided an overview of the firm and due diligence that was conducted. Discussion followed and the Committee expressed an interest in the manager presenting prior to commitment. On a motion by Cinda Klickna, seconded by Ann Deters to reconsider the investment at the next TRS meeting. The motion passed by a unanimous voice vote.

### **RECESS**

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

### Exeter – Real Estate/Emerging Manager Program

Representatives of Exeter Property Group presented a new investment opportunity in Value Fund IV within the System's Emerging Manager Program to invest in industrial properties. Documentation 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 Cinda Klickna, that the committee recommend to the Board to commit \$40 million to Exeter Value Fund IV, L.P. within the System's Emerging Manager Program. The commitment is contingent upon successful negotiation of legal documentation. The motion passed by a unanimous voice vote.

### Oak Street Capital – Real Estate/Emerging Manager Program

Staff and Courtland Partners presented an investment opportunity to Oak Street Fund IV within the System's Emerging Manager Program. Staff provided an overview of the firm and due diligence that was conducted. A motion was made by Andy Hirshman, seconded by Mark Bailey, that the committee recommend to the Board to commit \$100 million to Oak Street Capital Fund IV, L.P. within the System's Emerging Manager Program. The commitment is contingent upon successful negotiation of legal documentation. The motion passed by a unanimous voice vote.

### Watchlist

Staff provided an update of the investment managers currently on the watch list for the quarter ended December 31, 2016. Staff recommended the removal of Franklin Advisors (fixed income) from the watch list. Upon the removal of Franklin, there will be no firms on the TRS watch list. A motion was made by Rainy Kaplan, seconded by Sandy Stuart, that the committee recommend to the Board to accept the watch list as presented. The motion passed by a unanimous voice vote.

### WMBE Utilization Report

Kirk Sims, Investment Officer, provided an overview on the participation of minority-owned brokers and minority-owned investment managers within the TRS investment portfolio for the quarter ending December 31, 2016. Assets under management for WMBE-owned investments were \$8.09 billion. The total TRS portfolio represents 17.58% which is 0.58% over the TRS goal of 17% for fiscal year 2017. Documentation is on file.

### Domestic Equity Small/Mid Cap Terminations

Staff reported that the Investment Committee Chair approved its recommendation to terminate both the Apex and Mesirow active small/mid cap mandates due to performance concerns and lower conviction in the firms' investment processes. A motion was made by Ann Deters, seconded by Andy Hirshman, that the committee recommend to the Board to ratify the termination of both the Apex and Mesirow 2.0% domestic equity mandates. The motion passed by a unanimous voice vote.

### Domestic Equity Fee Revisions

Staff provided a synopsis of negotiated improved fee terms with four existing domestic equity mandates. A motion was made by Mark Bailey, seconded by Ann Deters, that the committee recommend to the Board to ratify revisions to four domestic equity fee schedules, as presented. The motion passed by a unanimous voice vote.

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

### Compliance and Risk Report

TRS is responsible for monitoring investment manager trading activity to ensure compliance as related to the Investment Manager Agreement. Bob Jiroutek, Risk Officer, provided a compliance summary for the quarter ended December 31, 2016.

### Investment Education

RV Kuhns provided an educational presentation on total fund risk considerations. Documentation is on file.

### **RECESS**

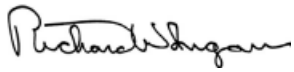
The meeting recessed at 12:08 p.m. and reconvened at 12:45 p.m.

### Absolute Return

Staff and Albourne provided an overview of TRS's absolute return portfolio for calendar year 2016. Documentation is on file.

## **ADJOURNMENT**

There being no further business to come before the Investment Committee, a motion was made by Rainy Kaplan, seconded by Mark Bailey, to adjourn the meeting at 1:16 p.m.



Richard W. Ingram, Executive Director

Approved: 6/21/17